Attracting Investment from Kosovar Diaspora

An Honors Society Project

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List of Abbreviations:

MDIS – Ministry of Diaspora and Strategic Investment

MTI- Ministry of Trade and Infrastructure

FDI – Foreign Direct Investment

CBK – Central Bank of Kosovo

KAS- Kosovo Agency of Statistics

KIESA- Kosovo Investment and Enterprise Support Agency

MDLO – Municipal Diaspora Liaison Officer

UNDP – United Nations Development Program

DEED – Diaspora Engagement in Economic Development

KGEC – Kosovo-German Economic Chamber

GIZ – German Development Agency
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Abstract

The economy of Kosovo for decades has been fueled by remittances sent from Kosovar diaspora. These remittances have improved the standard of living in Kosovo, however, the full potential of diaspora for economic development of Kosovo has not been utilized properly by Kosovo’s institutions. Thus, this study focuses on analyzing the current framework of institutions in Kosovo that aim to translate the contribution of diaspora from sending remittances, which in short term increases the budget of their families, to direct investments that have an impact in the overall economy of Kosovo.

Using both primary and secondary data this study will explain the challenges that Kosovo faces in attracting investment from Kosovar Diaspora. Both qualitative and quantities research methods have been used to provide a better view of the issue from multiple perspectives. Representatives from governmental institutions and NGO’s involved in investment attraction have been interviewed, while at the same time a survey for diaspora businesses has been conducted. All the information collected from primary and secondary sources made it possible to draw conclusions and recommendations on how to improve the framework of Kosovar institutions to attract investments from diaspora.
Problem Statement

Even ten years after independence, Kosovo is still facing a variety of challenges to establish an effective statehood. Economic development is one of these challenges: in spite of sustainable growth averaging 3.8% annually over the past decade, the unemployment and poverty remain high\(^1\). There have been innumerable attempts by the government to make progress in economic development by encouraging the private sector to flourish, creating strategies to attract investors, working in improving the legal framework for investment, however, the outcomes have not met the expectations.

Kosovar institutions list numerous reasons as to why Kosovo is an attracting destination for foreign investors. Some of the listed reasons are: lower taxes compared to neighboring countries, young labor force, availability of natural resources, safe banking system and euro as the official currency. These factors are pivotal to elevating Kosovo’s position in various lists that rank the best countries to invest\(^2\). FDI has managed to increase from 220 million euros in 2016 to 287.8 million euros in 2017, however, it is still considerably lower compared to other countries in the region.

Throughout the history, there have been numerous cases of diaspora mobilization to support Kosovo into achieving its political goals. Such cases do not only include diaspora’s lobbying for support for Kosovo’s independence in the countries they reside but also political and economic mobilization. Further, remittances from Diaspora represent one of the most important sources of foreign finance for Kosovar society. Only in 2017, Kosovo received 759.2 million euros in remittances, which present an increase by 9.9% compared to the previous year\(^3\). Kosovar Diaspora continues to be the backbone of the Kosovo’s economy through remittances,

however, Kosovo today needs to start attracting Diaspora investment, which will provide a more sustainable economic growth and will benefit the diaspora with returns from investment.

In this context, Kosovo has taken some measures which would incentivize diaspora to invest in Kosovo. One of the major steps towards attracting investments is the establishment of Kosovo Investment and Enterprise Support Agency (KIESA) which has been promoting investment, assisting and advising diaspora and others investors in Kosovo. Kosovo’s efforts to attract investments are also channeled through the establishment of the Ministry of Diaspora. These two institutions, further contributed in drafting the Law on Strategic Investments, Law on Migration and Diaspora and Law on Economic Zones, which regulated and clarified the prospects of diaspora for investment. Despite their crucial role, these institutions along with many other mechanisms employed by the Government of Kosovo have managed to harvest marginal results.

Background Information

Many of the developing countries have experienced waves of migrations of their population towards more developed countries. The migrants, which left their home countries, have not only sought to improve their quality of life, but they also carried the responsibility of improving the quality of life of their families in their home countries. Sending remittances to their families is a common channel through which migrants maintain their family ties\(^4\). These remittances are usually send in form of cash and do not require much effort to be transferred to families of migrants in their home country. Remittances in the short term increase the consumption for the recipient families, whereas, in the long term they present an investment in human capital by improving education and health care for the recipients\(^5\).

However, remittances have not been the only form of contribution of diaspora to their home country. Different diaspora generations see development with a different perspective and

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tend to focus their efforts in different activities. Experts of diaspora and international development have classified the efforts of diaspora communities for the development of their home countries in different categories depending from the generation to which these members belong. The first generation of diaspora considers remittances to be the most effective way to help their communities in their home countries, while the second generation besides remittances supports diaspora development organizations to make an impact in their home countries. The third and fourth generations have a different approach towards developing their country, by considering them as places of opportunity and innovation, where they can settle businesses and enterprises while constantly promoting their country through social media⁶.

The role of Diaspora for their Home Country

Though, family ties are the main driver for diaspora to send remittances, diaspora considers a moral responsibility to help in the development of their country of origin. Diaspora engages in the development of their home countries in different ways. Beside remittances, other forms of diaspora financing include investments in human capital, direct investment, tourism and philanthropy⁷.

Although literature suggests that remittances, as the major form of diaspora contribution, have a positive effect in the economic growth of the recipient country, there is no unanimity among researchers when it comes to converting their potential into investment. There are many countries whose economies rely heavily on remittances. However, the effect of remittances to produce a desired economic growth in many of these countries is marginal. Actually, remittances have the potential to deteriorate the economy of a country by decreasing the labor supply,

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increasing the prices of the domestic products thus reducing exports, and in some cases remittances have induced symptoms of Dutch disease to the recipient countries\(^8\).

Different from FDI and foreign aid, the primary aim of remittances is the improvement of welfare for the recipient families. The national development or economic growth are of secondary importance for the remitters. Despite that, remittances do contribute indirectly to the national welfare and development of the recipient countries\(^9\). For example, in Pakistan, the effect of remittances has been visible especially in times of natural disaster such as 2005 earthquake and 2010 devastating floods, when remittances increased and helped the government to cope with the consequences of the disaster\(^10\). In the case of Israel and India, remittances have played an important role for the national interest. These two countries have managed to raise up to 40 billion dollars by issuing diaspora bonds during liquidity crises and to finance many capital projects. Israel has raised over 25 billion since 1951, by persuading its diaspora to buy bonds from the Development Cooperation for Israel\(^11\).

The potential of remittances further extends to the establishment of Small and Medium Enterprises (SMEs) which are more likely to absorb the small amounts of cash and create jobs more than the multinational corporations which require huge amounts of capital.\(^12\) The banking system also benefits from remittances by encouraging recipients to open bank accounts to deposit the cash from remittances, which leads to an increase in bank deposits, consequently higher national potential for investment\(^13\). In Mexico and other Latin American countries, remittances have been channeled in a very efficient way. Using hometown associations (HTAs), Mexico initiated remittance matching schemes such as 3-for-1, where for every 1$ of remittances dedicated for a community development project, 1$ would be provided by each, federal, state and local government. In a span of 5 years these schemes gathered a total of 43.5 million

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\(^12\) Mughal, M. Y (2013).

\(^13\) Ibid.
dollars. These practices present an amazing opportunity to amplify the potential of remittances as investment.

**Diaspora’s contribution in Kosovo**

Kosovar Diaspora is known for its strong ties with their home country. This community has prioritized the wellbeing of their compatriots in Kosovo by devoting their efforts and finances to improve the circumstances in Kosovo. The values enshrined in Kosovar families emphasize the importance of contributing for the community as it can be observed in an old Albanian saying that wishes every family to have 6 sons: “Two to go abroad and work, two to stay home and care for the family, and two to die for the country, fighting for freedom.”

Thus, migration has traditionally played an important role for the existence and wellbeing of a normal family. Kosovar Diaspora has delivered its contribution in different forms such as political contribution, economic contribution, investments in human capital and philanthropy among many others.

**The Political Contribution**

The foundations of Republic of Kosovo can be sought in the Kosovar Diaspora, whose members presented the leadership of many Albanian political formations. In the 80s, the political activity of many Albanian activist were under strict control by the Yugoslav authorities and many of these activist were prosecuted. The most vocal political formation in Kosovo during 80s was the People’s Movement of Kosovo’s (LPK), whose activity was moved to Germany and Switzerland because of its clandestine nature. From diaspora, this organization managed to direct many activities that raised awareness for the mistreatment of Albanians in Yugoslavia. The contribution of Kosovar Diaspora continued during the 90s in the parallel system, when more

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than 100,000 Albanians were forced out of their jobs and the Democratic League of Kosovo established a parallel healthcare, education and welfare system for Albanian’s in Kosovo. At this time of need, the main financial support to make the system sustainable came from Albanian Diaspora\textsuperscript{17}.

There were many forms of mobilization for the Albanian diaspora, however, in US and UK, there was the Moderate Mobilization between 1989 and 1998 and the Radical Mobilization between 1998 and 1999\textsuperscript{18}. Both these forms of mobilization included increased pressure of Albanian entrepreneurs on US politicians to raise the case of Kosovo higher into US and UK’s agendas. In the Radical Mobilization there was a group 400 American Albanian’s named the ‘Atlantic Battalion’ joining the KLA in their fight against Serbian regime\textsuperscript{19}. In addition, financial and personnel support was provided to advance the cause of an independent Kosovo. In the period of 1997-1999, in US the “Homeland Calling Fund” collected around 11 million dollars to financially support Kosovo Liberation Army\textsuperscript{20}. A considerable larger amount of money was collected from diaspora in Europe through the “Homeland Calling Fund” and “3% Fund” during the same period which contributed to KLA having the finances to logistically supply its troops throughout Kosovo.

The political contribution of Kosovar Diaspora continues to be present even 20 years after the war. In December 2018 the New York Representative Eliot Engel, who comes from a district with large Albanian Diaspora, and Representative Lee Zeldin requested from the Department of State to prevent Serbia’s accession to EU prior to being held accountable for War Crimes on Kosovo\textsuperscript{21}. This act by U.S. Representatives, best describes the political contribution of Kosovar Diaspora that managed to raise important issues to the highest levels on political agendas of their host countries.

\textsuperscript{17} Ibid.
\textsuperscript{19} Bekaj, A.R. pp.22
\textsuperscript{20} Ibid.
The Economic Contribution

The Economic Contribution of Diaspora to Kosovo has been enormous. By 2009 it was estimated that Kosovo’s diaspora consisted of 800,000 people, predominantly spread in Germany (270,000) and Switzerland (160,000)\textsuperscript{22}. This number could have experienced a lot of changes by 2019, considering that Kosovo Agency of Statistics (KAS), estimated that only in 2016, diaspora size increased by 8,940 (emigrants minus immigrants)\textsuperscript{23}. Kosovar Diaspora was very active in the past two decades, by sending an enormous amount of remittances which helped elevating the standard of living for many Kosovars. KAS survey of 2013 reveals that 43% of Kosovar citizens have members of their families living abroad, whereas 22.4% of families living in Kosovo reported that they receive remittances from family members in diaspora\textsuperscript{24}. As shown in Table 1, remittances are a driving force of Kosovo’s economy by comprising 10%-15% of Kosovo’s GDP.

\begin{table}[h]
\centering
\begin{tabular}{|l|c|c|c|}
\hline
Year & Amount of Remittances & GDP & Share of Remittances to GDP \\
\hline
2008 & 609 million & 3,883 million & 15.68\% \\
2009 & 586 million & 4,070 million & 14.40\% \\
2010 & 584 million & 4,402 million & 13.27\% \\
2011 & 493 million & 4,185 million & 10.24\% \\
2012 & 516 million & 5,059 million & 10.20\% \\
2013 & 573 million & 5,327 million & 10.76\% \\
2014 & 622 million & 5,567 million & 11.17\% \\
2015 & 665 million & 5,807 million & 11.45\% \\
\hline
\end{tabular}
\caption{Remittances to GDP (source KAS and calculations Y.Prekazi)}
\end{table}

\textsuperscript{22} Haxhikadria, A., pp.5
\url{http://ask.rks.gov.net/media/3485/estimation-kosovo-publication-2016.pdf}
Having remittances constantly rounding at 11% of GDP is an indicator of the role that they play in the economy of Kosovo. These remittances have been mainly used for consumption, which had a poverty reduction effect on recipient families and improved their quality of life. However, remittances have also compensated for the large trade deficits that Kosovo incurred. In 2018 this trade deficit reached the 2.97 billion euros, with exports covering only 11.1% of imports.

A large amount of remittances sent in Kosovo come in the form of goods and services, whereas only 11% and 18% of immigrants save and invest up 25-50% of their income (see Appendix 2).

1. Figure - Percentage of Annual Income saved and invested in Kosovo


26 Kosovo Agency of Statistics (October 2013) pp. 24
The majority of diaspora investment has been going to construction (47%) and real estate (26%)\(^{27}\). In 2017 only, 110 million euros from remittances have been used to purchase real estate, which represent half of the FDI in Kosovo for the same year\(^{28}\). These investment have had a large impact in the economy of Kosovo as they have managed to open many jobs for Kosovars in the construction sector. Additionally, purchases by diaspora have impacted companies involved in the production of construction materials.

Diaspora has a large potential to invest in Kosovo as the Study on Remittances in Kosovo of 2013 reveals that only 3% of breadwinners in Diaspora have declared themselves unemployed\(^ {29}\). Further, the study shows that 24.2% of the households that send remittances in Kosovo have an average monthly income of more than 4000 euros, while more than 30% have an average income between 2000 and 4000 euros\(^ {30}\). This potential can further increase as the majority of Diaspora’s potential investors plan to invest in partnership with investors from their host countries, according to a survey conducted by the NGO “Germin”\(^ {31}\).

**Human Capital Development**

Diaspora has had a major contribution in the development of human capital as well. Remittances which were sent to their home countries apart from fueling consumption have been used for health and education. In the UNDP study on remittances (2012), it is reported that 10.6% of remittances are used as investments on human capital\(^ {32}\). There have been two major categories of human capital investment from families which received remittances, namely, 4.6% of remittances have been invested in education; and 6% of remittances have been invested into healthcare (see Table in Appendix 3). Thus, due to remittances, a large number of Kosovars were able to attend high school and university, leading to a more educated labor force in Kosovo.

\(^{27}\) Ibid.

\(^{28}\) Haxha, U. “Vokrri: Më shumë se 100 milionë euro nga diaspora shkuan në patundshmëri,” Ndërtimi Media (December 2017) [https://nderti.info/vokrri-me-shume-se-100-milione-euro-nga-diaspora-shkuan-ne-patundshmi/](https://nderti.info/vokrri-me-shume-se-100-milione-euro-nga-diaspora-shkuan-ne-patundshmi/)

\(^{29}\) Kosovo Agency of Statistics (October 2013) pp.20.

\(^{30}\) Ibid.


which can contribute to the economic development. In addition, remittances allowed recipient families to concentrate in their health, thus paying more visits to the doctors and preventing future diseases. All these activities are long term investments, whose effects are large but very hard to be measured.

Apart from remittances which were used as investments in human capital, diaspora directly invested in the human capital in Kosovo by giving scholarships in the form of financial assistance for exceptional students in Kosovo. Only in 2018, the Albanian-German Business Union has distributed 100 scholarships in the values of 100 euros per month to 100 Albanian female students of the University of Pristina. These scholarships have managed to reduce the burden from Kosovar families and have also incentivized students to further increase their academic excellence and provide an intellectual capacity for Kosovo.

Philanthropy and Aid

Kosovar diaspora is also very famous for philanthropy and aiding of Kosovars in their home country. There are many organizations in diaspora which help various families in need in Kosovo. Hundreds of houses were built for families in need. Such an example is the ‘Feniks’ Humanitarian Association, which has built more than 218 houses in Kosovo within only a decade of its existence.

There are also cases in which diaspora directly contributes to their own communities in their home country. GAP Institute analyzed some villages where diaspora mobilized financially to fill the absence of projects from municipal governments. The village of Dobërçan is one of the best cases, where the community created a self-government structure which built the village’s park, fixed the riverbed, sewage, built 4 houses for families in need, and employed 2 people to maintain the sanitation of public spaces. All the villagers pay 10 euros annually, businesses 20 euros, and diaspora members from this village pay 50 franc for the ongoing projects. For 7 years (from 2009-2016) the Dobërçan Diaspora through its association ‘17 February’ collected

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250,000 franc assistance for the village\textsuperscript{35}. Another village Koretin, which has 400 of its 2000 families living in diaspora, has its own self-organization where diaspora plays a crucial role in financing. The diaspora created the charitable organization ‘Koretin’, which not only helped with infrastructural projects but also revitalized and financed a football club called ‘Bashkimi’\textsuperscript{36}. Similar activities of diaspora can be observed in villages such as Smirë, Stubëll e Epërme, whose diaspora has also created a development plan, and Lubinjë e Epërme, which receives assistance from its Kosovar-Bosniak diaspora\textsuperscript{37}.

These activities conducted by diaspora in their communities are one of the visible forms of their contribution. There is much more activity of philanthropic nature, which is not recorded officially as the donors from diaspora refuse to publicize their activities and want to remain anonymous.

**Doing Business in Kosovo**

One of the best measures of the effectiveness of the business climate in Kosovo, is the Doing Business Report of World Bank. Throughout the years Kosovo has improved its ranking in this report by undertaking a series of measures to improve the business climate. This report is based on the regulations that countries impose on their domestic firms. In 2019, the report included 11 indicators. Kosovo ranks 44 in a sample of 190 economies all over the world\textsuperscript{38}.

\begin{figure}[h]
\centering
\includegraphics[width=\textwidth]{Ease_of_Doing_Business_Score.png}
\caption{Ease of Doing Business Score 2019}
\end{figure}

\textsuperscript{35} “Organized Communities the Role and Importance of Active Citizenry”. GAP Institute, (April 2017), pp. 8-9
\textsuperscript{36} Available at: http://www.institutigap.org/documents/7607_organizedcommunities.pdf
\textsuperscript{37} Ibid. 9-10
\textsuperscript{38} Ibid. 11-15
In this report Kosovo leaves behind many of the regional countries including Croatia, Bulgaria, Albania and Bosnia and Hercegovina. However, certain indicators show that Kosovo has an immediate need for improvement if it seeks to incentivize the businesses to expand and invest. Among the categories in which Kosovo performed well are: starting a business, getting credit and registering property. However, Kosovo is facing challenges in: solving insolvencies, enforcing contacts, getting electricity, dealing with construction permits and protecting minority investors.

3. Figure - Ease of Doing Business Score on Doing Business topics - Kosovo

Since 2010, Kosovo has taken numerous measures which have improved its rank and score, however, the reforms have been mainly focused in some particular categories such as paying taxes, starting a business and trading across borders. 

Methodology

This research seeks to identify the factors which lead to unexpectedly low contribution in the field of direct investments from Kosovar Diaspora, considering their massive contribution through remittances and other forms of support for Kosovo. To achieve this objective I have

39 Ibid. p. 54-55.
conducted research using both, qualitative and quantitative analysis. The data and information collected for this research include both primary sources and secondary sources.

To identify factors that would increase FDI from Kosovar Diaspora I have first analyzed the activities of Kosovar institutions involved in investment attraction, such as, Ministry of Diaspora and Strategic Investment (MDIS), and Kosovo Investment and Enterprise Support Agency (KIESA). I have done so by reviewing published reports and by interviewing officials from KIESA and MDIS.

Other interviewees were:

- An official from the NGO Germin, whose main mission is to incentivize Albanian Diaspora to increase their participation in the development of their origin countries.
- Representative from the Kosovar-German Economic Chamber, which represents the chamber of the country containing the largest part of Kosovar Diaspora. In addition this chamber has close ties with Albanian Diaspora Business Union in Germany, where the Albanian entrepreneurs’ challenges are presented.

This research utilized information from Republic of Kosovo’s Laws, reports of World Bank and the study “The Role of Economic Zones and their Potential to Attract Diaspora Investment in Kosovo” by Burani (2016).

**Interview Guide**

Interviews conducted for this project involved face to face interviews and interviews via email. Prior to conducting interviews, I have completed the training for doing minimum risk-involved human subject research\(^40\). The interviews were conducted with consent of the interviewees respecting the confidentiality principle (see Appendix 1). Interviews were semi-structured and lasted for about 30 minutes.

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\(^{40}\) Visit: [https://www.citiprogram.org/verify/?9a6ee0e9-d13e-4372-b94c-4108de0637c8](https://www.citiprogram.org/verify/?9a6ee0e9-d13e-4372-b94c-4108de0637c8)
Survey Guide

The quantitative part of this project involves a survey conducted with businesses from Kosovar Diaspora. Requests to fill the survey have been sent via email, social media and/or through mutual friends to more than 300 businesses from Kosovar Diaspora in the majority of countries where they reside. The contacts were mainly obtained from Albanian Diaspora Unions in different countries. The survey consisted of 10 questions see Appendix 6, some of which were not mandatory to respond.

Case Studies

This project involves an analysis of two case studies, as success stories of Kosovar Diaspora Investments and they emphasize Diaspora’s role in attracting other investors to invest in Kosovo.

Limitations of the Study

This study was limited in identifying the reasons why investments from Kosovar Diaspora are absent in Kosovo while focusing only in the framework of two governmental institutions of Kosovo. The survey conducted in this research involved some of the members from Diaspora Unions, however, the sample was very small (30 businesses) to draw confident conclusions, or a general perception of Diaspora Unions on this topic. Additionally, due to convenience sampling technique, this study does not include data about the non-Albanian diaspora in Kosovo.

Analysis and Discussion

Ministry of Diaspora and Strategic Investment

Different from other countries of the region with similar circumstances such as Bosnia and Hercegovina and Montenegro, Kosovo has established a ministry dedicated to its diaspora, namely, the Ministry of Diaspora and Strategic Investment (MDIS)\textsuperscript{41}. Through its establishment in 2011, MDIS (MoD) aimed to strengthen the ties between Kosovo and its diaspora as well as to translate the desires for increased cooperation into concrete action. This Ministry has been active

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\textsuperscript{41} Williams, Nick (November 2018)
in terms of organizing activities that engaged the Kosovar Diaspora. Throughout the past years the MDIS (MoD) has organized various socio-cultural activities such as “Days of Albanian Culture”, “Days of Diaspora in Kosovo” and celebrations of important days such as the Kosovo’s Independence Day, Teacher’s Day in various countries that host Kosovar Diaspora. In addition, MDIS plans on financing extra classes in Albanian for the Kosovar Diaspora in their host countries\[^{42}\]. These initiatives from the MDIS provide diaspora with the sentiment of belonging to a community in their homeland and reminds them their moral responsibility to contribute to the improvement of this community. One of the most important activities of this Ministry is registering the diaspora in a digitalized database. This database includes individual cards, family cards, businesses owned by diaspora along with their activity and diaspora associations, clubs or other forms of organization\[^{43}\]. The primary aim of this project of MDIS is to obtain information regarding the number of members of diaspora, their locations, demographic structure, forms of organization, activities etc. The data collected helps in identifying the areas in which MDIS should extend its activity to offer the support of all the institutions of Republic of Kosovo for diaspora. The preliminary results of this project revealed that from January 2014 until, December 31\(^{st}\) 2016, 342,803 people have been registered\[^{44}\]. These results, which do not involve the whole population of Diaspora, provide a large sample that has been used to draw a demographic structure of Diaspora in service of planning activities.

The Ministry of Diaspora was formed to attract the development potential from diaspora, however, most of its activities were supported and guided by various international organizations and their programs. Ministry of Foreign Affairs of Finland along with the UNDP in Kosovo were the main supporters of Ministry of Diaspora. They managed to create the Diaspora Engagement in Economic Development (DEED), which program established the foundations of the framework that Kosovo uses to incentivize diaspora to invest in Kosovo. One of the major contributions of this program was to help drafting the National Strategy on Diaspora 2013-


\[^{43}\]“Registration of Diaspora” Ministry of Diaspora and Strategic Investments. [https://rd.rks.gov.net/](https://rd.rks.gov.net/)

2018\(^{45}\). This strategy established concrete objectives with an action plan which guided the activities of the Ministry of Diaspora. Among the objectives set by this strategy were to increase the cooperation between diaspora and Kosovo’s institutions for economic development of Kosovo. This would be achieved through supporting the establishment of business networks in Diaspora and increasing their participation in drafting development policies\(^{46}\). By 2017, the MDIS with the support of DEED managed to establish 25 Diaspora Business Networks in as much as 22 countries where Kosovar Diaspora resides\(^{47}\). Such an activity, holding everything equal, is expected to incentivize the Diaspora to invest in Kosovo, however, the increase in investments from diaspora has been absent. In contrast to the expected increase in investment, Kosovo has experienced a decrease of 22% in the FDI (which includes investments from diaspora as well) flow in 2018 compared to 2017\(^{48}\). It is very hard to identify the diagnostics of this decrease, but, we can assume that the effect of MDIS’s activity to incentivize investments, if positive, was smaller than disincentives caused by other factors.

Other objectives of this strategy, included promoting and attracting investment from Diaspora. This objective was planned to be achieved by supporting the creation of a database to register businesses in Diaspora, which is currently in function\(^{49}\). In addition, the strategy planned to achieve this objective by organizing business fairs, conferences and forums.\(^{50}\) MDIS has been very active in executing the planned activities for this objective as it has managed to organize, support and participate in tens of business fairs, forums and conferences throughout the past years as it can be documented by the official website of this ministry.

\(^{48}\) Hashani, A. “Jashtëligjshëm, udhëheqja me KIESA-n tash e 8 muaj me ushtrues detyre,” KOHA.net. (February 2019) https://www.koha.net/arberi/145876/jashteligjshem-udheheqja-me-kiesa-n-tash-e-8-muaj-me-ushtrues-detyre/
\(^{49}\) Ministry of Diaspora (July 2013) pp.21
\(^{50}\) Ibid.
MDIS with the help of DEED project managed to partially build capacities in municipal level to assist diaspora. This activity involved training Municipal Diaspora Liaison Officers (MDLO), to ease the bureaucratic procedures for diaspora members. Study by Burani, revealed that in 2016, out of 38 municipalities in Kosovo, 20 municipalities had a MDLO, but only 8 of these municipalities had the MDLO solely dealing with diaspora issues51. This mechanism of support presents a great opportunity for diaspora to receive information regarding the economic policies and opportunities for investment in Kosovo.

Though MDIS is constrained by budget limitations, its activities have supported some businesses such as Eurofol Company. Even if these achievements of the MDIS are considered marginal, they serve as an example that requests for support by investors will receive a response.

One of the departments of MDIS is the Department for Research and Supporting Investment from Diaspora (DRSID). This department deals with activities that aim to attract capital investment from diaspora, provides suggestions to develop policies for diaspora investments and follow good practices from countries of the region52. In other words this department is responsible to plan and execute every strategy that incentivizes investors from diaspora to invest in Kosovo. This department is also responsible for supervising and following the progress of the diaspora investments in Kosovo. Since the number of diaspora firms investing in Kosovo is very limited, this department has not been very vocal in presenting its work, however, considering the promises of its Deputy Minister that this ministry will subsidize diaspora businesses which will invest in Kosovo, one would expect more engagement from this department and more concrete results53. In addition, the ongoing campaign for registering diaspora businesses might provide material for this department to suggest and develop policies for diaspora investment as assigned by the ministry.

The interviewee from the Department for Research and Supporting Investments from Diaspora of MDIS highlighted that the key activity carried out by this department are the conferences, forums, meetings and informational sessions, which are coordinated with other institutions. According to this official, the department has also attempted several times to offer incentives for diaspora investors by proposing policies which would subsidize and provide grants for start-ups, producing enterprises and IT companies. In the distribution of the grants, a quota would be dedicated for diaspora businesses, which would incentivize them to engage more in development of Kosovo. For example, Ministry of Innovation and Entrepreneurship and Ministry of Agriculture, Forestry and Rural Development have a share of their budget dedicated to distribute grants to entrepreneurs, which as proposed by the DRSID should contain a quota for enterprises from diaspora investing in Kosovo. Though, this policy has been proposed on multiple occasions in the past decade, the DRSID is optimistic that it will be included in the Medium-Term Expenditure Framework of 2020-2022. The official from DRSID declared that currently diaspora does not enjoy special privilege, but is treated as any other foreign investor by both the Law for Foreign Investment and the Law for Strategic Investment. That is why, there are no data on how many businesses in Kosovo operate with capital from diaspora since they are all categorized as foreign investors.

Diaspora businesses have consistently expressed interest to invest in Kosovo, however, according to DRSID, factors that prevent them from investing are already known: electrical energy problems, ineffective judicial system, bureaucratic obstacles, corruption etc. In the interview, the official of DRSID, explained that this department has planned to visit Croatia, Italy and Ireland for the purpose of learning from their good practices. These visits might help this department surpass the difficulties it is facing due to changes in its staff, which has hindered the work lately. The results of the efforts employed by this department are expected to appear in the following years.

KIESA

Similar to the MDIS, Kosovo Investment and Enterprise Support Agency has had a major role in promoting investment in Kosovo. KIESA is part of the Ministry of Trade and Industry
and carries the burden of facilitating the conditions and incentives for foreign investors including diaspora to invest in Kosovo. Through this research, it is revealed in several occasions that the tasks of this agency overlap with many tasks from the MDIS, which is the reason why both these institutions have been advised by UNDP programs (DEED) to cooperate and coordinate their activities with one another. This agency’s activities have not targeted Diaspora entrepreneurs only, though, it’s partnership with UNDP and MDIS in DEED project has highly impacted the framework of the agency. In a period of three years (up to June 2018) this agency has increased the efforts to attract investment by executing the following activities as claimed by its former Director:

- “Standardizing the procedures of KIESA to prepare for certifying by ISO standards.
- Established the brand “Kosovo Ready For You” and its promotional material
- Drafting and functionalizing the Law on Strategic Investment
- Established and functionalized Kosovo Credit Guarantee Fund together with USAID, KfW and SIDA
- Kosovo’s Enrollment in EU’s COSMO program with 2.3 billion Euros potential support towards Kosovar businesses
- Foreign Direct Investments of 816.6 million euros (24% increase)
- Organized 9 Investment forums in Europe to promote investment in Kosovo
- Supported 149 women entrepreneurs
- Organized 214 visits of foreign companies to Kosovo
- Supported 285 Kosovars companies to participate in 58 international fairs to promote products, services and tourism in Kosovo
- Established 4 economic zones
- Established 3 business incubators
- Supported 179 enterprises with counselling coupons
- Supported 440 students and 376 enterprises in practical work
Visited 1112 domestic and foreign companies to inform them on development policies and programs and to receive their request, needs and challenges, in order to present them to the National Council for Economic Development.”

The structure of this agency involves two main directorates. The private sector promotion directorate and private sector development directorate. The private sector promotion directorate is further divided into two sectors, the sector for investment promotion and sector for export promotion (Appendix 4 – Organogram of KIESA). The main activity that KIESA and this sector in particular conducts to attract investment from diaspora is the organization of informational sessions for diaspora entrepreneurs. These sessions are organized in cooperation with other institutions such Customs, TAK, and Diaspora Unions in locations with larger concentrations of Diaspora, particularly Germany, Switzerland and Austria. According to the interviewee from KIESA, these sessions do not guarantee bringing investment in Kosovo, however, they offer a better opportunity for diaspora investors to get informed regarding investment opportunities in Kosovo. The role of these sessions is not clear as there is no “follow up” with the businesses that participate in these sessions. Though this sector arranges meetings between the interested businesses and the institutions relevant to the potential investment, there is no proper monitoring from Kosovar institutions. In addition, Kosovo does not discriminate between investors from diaspora and other foreign investors, which is not very encouraging for diaspora to invest.

Further, KIESA employs the same staff to deal with promotion of investment in globally, which prevents KIESA to mark specific targets, in particular Kosovar Diaspora. In addition, the Law for Strategic Investment has increased the workload of this agency as it obliges KIESA with additional tasks while no additional staff members have been added to this agency. Looking at the number of the officials at KIESA webpage, it can be seen that the Investment Promotion Sector consist of only 3 officials including the head of the sector, while the whole agency in total has no more than 15 officials. This small number of staff members makes it almost impossible for KIESA to cope with all the workload assigned by Law on Foreign Investment and Law on

55 Personal Interview with an official from the Sector for Investment Promotion of KIESA (March 2019)  
56 KIESA Staff as of March 2019 – Available at: https://kiesa.rks-gov.net/page.aspx?id=2,4
Strategic Investment and MTI. Also, organizing bilateral meetings with potential businesses from diaspora with the aim of investment promotion, can be considered hardly attainable with only 3 officials working in the Investment Promotion Sector. When it comes to the number of staff, KIESA falls short behind other countries of the region. In Albania, the Albanian Investment Development Agency (AIDA) has much more staff involved with the same task than KIESA. The Directorate for Investment has 16 staff member compared to only 3 of the Kosovar homologue sector\(^57\).

One of the main suggestions of the official from KIESA to improve the efficiency in investment promotion, is for the Government of Kosovo to appoint special officials in the embassies and consulates of Kosovo in countries with larger Diaspora concentration. These officials would deal in particular with the diaspora entrepreneurs. They would arrange bilateral meetings with diaspora entrepreneurs and would inform them regarding investment opportunities, would address their requests and would provide any form of assistance that these businesses need in order to invest in Kosovo.

**Economic Zones**

Among all the activities that KIESA performs the establishment of economic zones is considered to be the most important. Institutions of Republic of Kosovo adopted the Law on Economic Zones to incentivize investments and improve the business climate. This Law was published in the official gazette in 2009 in the form Law No. 03/L-129, and after 4 years it was abolished by the Law No. 04/L-159, which substituted the previous law.

The model of Economic Zones as the primary incentive for economic development has been adopted and proven to be very effective in countries with small population such as Kosovo, however, in the case of Kosovo economic zones have not been very effective in attracting investors\(^58\). In tens of conferences, fairs and forums the availability of space in economic zones has been repeatedly mentioned, however, no concrete action from diaspora has been observed.

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Minister of MDIS, in the gathering of Albanian Diaspora Business Network, declared that the MDIS and MTI offer 80 hectares in the economic zones with full infrastructure for businesses of diaspora.59 

Kosovo currently has 9 economic zones (8 of which are listed in the official page of KIESA), which, as KIESA claims, offer the proper infrastructure for businesses that are interested to invests. Kosovo has free economic zones, industrial parks, technological parks and business incubators, all of which have unique characteristics.60 The presence of these zones in Kosovo is not seen with very much enthusiasm as they have not been praised for achieving the intended goals. Economic analysts have raised doubts on the functionality of these zones and their effectiveness to bring investments and claim that economic zones in Kosovo have been established without proper economic analysis in relation to the international market or foreign investment.61 According to Kosovar economists, the creation of economic zones has become some sort of trend in Kosovo, where every municipality declares itself a free economic zone with different policies.62 Likewise, representatives from Economic Chamber of Kosovo, state that the establishment of economic zones is becoming political with every municipality major and minister wanting to establish an economic zone which will not become functional and also will degrade the concept of economic zones. Worse still, Kosovo does not have a single economic zone which fulfills the standards not only in the aspect of being equipped with physical infrastructure but in fiscal incentives which would help the business infrastructure to perform better.63 Though, there were complaints regarding the absence of physical infrastructure in

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61 Krasniqi-Veseli, L. “Zonat ekonomike në Kosovë, për ‘dëshirë’ të kryetarëve të komunave.” Radio Evropa e Lirë. (July 2018) [https://www.evropaelire.org/a/zonat-ekonomike-n%C3%AB-kosov%C3%AB-p%C3%ABr-d%C3%ABshir%C3%AB-t%C3%AB-kryetar%C3%ABve-t%C3%AB-komunave/-29361458. html](https://www.evropaelire.org/a/zonat-ekonomike-n%C3%AB-kosov%C3%AB-p%C3%ABr-d%C3%ABshir%C3%AB-t%C3%AB-kryetar%C3%ABve-t%C3%AB-komunave/-29361458.html)

62 Ibid.

63 Ibid.
economic zones raised by the Chamber of Doing Business in Kosovo, who requested from the Ministry of Infrastructure to improve the infrastructure in Economic Zones⁶⁴.

One reason for economic zones not being very effective in attracting foreign investments, in particular from Kosovar Diaspora is attributed to the failure of the Government of Kosovo to involve the business sector in planning for establishing these zones. While the Government of Kosovo decided to establish a special American Economic Zone in Gjakova, the American Chamber of Commerce in Kosovo, which supports the interest of businesses in Kosovo with American capital, was not involved in consultations. The Executive Director of this Chamber was skeptical regarding the establishment of this zone while hoping that the working group has conducted professional analysis regarding the terrain of this zone⁶⁵.

Despite the critiques regarding the economic zones, there are specific cases from Kosovar Diaspora who have invested in these zones and are pleased with the opportunities offered there. A good example of a Diaspora Business who decide to invest in Kosovo is LiftKos. In an interview conducted in 2016, LiftKos claimed that it was satisfied with infrastructure and land offered in Business Park in Drenas. However, doing business in Kosovo was not easy for this business as operating in an economic zones did not guarantee success. This business faced difficulties with importing raw material, which required the involvement of KIESA and MDIS to solve the issue⁶⁶.

Law on Strategic Investments

The Law on Strategic Investments is considered to be the major legislative support for potential investors. This Law does not provide special incentives for Diaspora, however, considering that diaspora entrepreneurs participate in a large number of forums, conferences, fairs or informational sessions organized by institutions of Republic of Kosovo, they are

expected to be better informed regarding the incentives provided by this law. One of the most important features of this law is that, if the investor fulfills the criteria to classify as a strategic investor, the government reserves the right to directly negotiate with the investor and provide further incentives. This Law has targeted the sectors which have lacked investment but are crucial for the economic development of Kosovo. However, to classify as a strategic investors there is a required monetary value for each sector needed to be invested:

Table 2 – Monetary criteria to qualify for Strategic Investment.

<table>
<thead>
<tr>
<th>Sector</th>
<th>Monetary value (€)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture &amp; Food industry</td>
<td>10 million</td>
</tr>
<tr>
<td>Energy with Infrastructure &amp; Mining</td>
<td>30 million</td>
</tr>
<tr>
<td>Health</td>
<td>30 million</td>
</tr>
<tr>
<td>Industrial &amp; Technological Parks</td>
<td>10 million</td>
</tr>
<tr>
<td>Processing Industry</td>
<td>20 million</td>
</tr>
<tr>
<td>Tourism</td>
<td>20 million</td>
</tr>
<tr>
<td>Transport &amp; Telecommunications</td>
<td>30 million</td>
</tr>
<tr>
<td>Wastewater and Waste Management</td>
<td>10 million</td>
</tr>
</tbody>
</table>

In a survey conducted by the NGO Germin with diaspora members, in the question: “What would incentivize them to invest in homeland?” the vast majority (almost 70%) replied with the “Emotional ties”, which implies their desire to see their homeland develop. Having this survey under consideration, diaspora can match the requests of Kosovo for development by investing in these sectors and witness Kosovo develop the most.

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This law has addressed some of the issues which were considered very problematic for investors in general. Article 15 and 16 of this law oblige the coordination between KIESA and other governmental institutions to give priority and assistance to the strategic investors while moving through bureaucratic procedures. In the Article 16, Paragraph 2, KIESA and Operational Groups formed to assist the strategic investor shall forward the requests for licenses, permits and authorizations within 5 days after they were presented by the strategic investor. Moreover, paragraph 3, states that: “Public institutions, upon receipt of requests by the Investment and Enterprise Support Agency, within fifteen (15) working days, shall review and issue licenses, permits and authorizations, pursuant to the criteria set forth by the legislation in force.”69 These articles ensure that within 20 days of receiving the status of strategic investor, a business can begin its activity. The procedures foreseen by this law address the issue of complex bureaucratic procedures raised by the diaspora entrepreneurs in meetings with KIESA and MDIS officials, if they classify as strategic investors. However, if the investor does not classify as a strategic investor the same procedures applied for usual domestic investors will apply to the foreign investor without discrimination.

Furthermore, this law also addresses the issue of poor infrastructure and land availability. In the Article 16, paragraph 1.4 states that strategic investors will receive: “support on access to basic infrastructure, in accordance with the relevant Law on State Aid” and paragraph 1.5 also states “making available the state-owned immovable property for the purposes of developing and executing strategic investment projects.”70 That is, KIESA in coordination with other institutions will be charged to help the investor by providing access to infrastructure and land. Therefore, these issues raised by businesses of diaspora have been regulated by law, to minimize the disincentives of the business environment in Kosovo.

However, when it comes to corruption, this Law might eliminate some form of corruption by handing the bureaucratic procedures (such as obtaining permits, licenses or authorizations) to KIESA, but there are concerns that the importance of the status ‘strategic investor’ can become a subject for corruption in the highest levels of state. Such an issue was raised by GAP Institute,

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69 LAW No. 05/L-079 ON STRATEGIC INVESTMENTS IN THE REPUBLIC OF KOSOVO (2017) Official Gazette of the Republic of Kosovo
70 Ibid.
who provided an analysis of the Draft Law on Strategic Investments with concerns regarding some points of the law. This Institute claimed that this law would reserve the Government the right to directly negotiate with investors, without being controlled externally. Similar issues had been raised in Albania and Croatia when they passed their laws on strategic investment. Despite this potential issue, the incentives provided by this law improve the business climate in Kosovo.

Regional countries such as Albania and Croatia, have had laws for strategic investment similar to Kosovo’s for a longer period of time. Albania adopted a similar law on 2015, though, the impact of this law a year later was hard to be identified. While Croatia, which adopted this law on 2013, had a decrease in the unemployment two years after the law was adopted but the rate of investment, similar to Albania, did not increase. However, a study later attributed the failure to increase investments, to the low absorptive capacity of Croatia.

In Kosovo, similar to Albania and Croatia, the Law on Strategic Investment did not manage to increase the investments, especially not from Diaspora. Until March 2019 only three companies have fulfilled the technical criteria of classifying as strategic investors, none of which is claimed to be from Diaspora.

**NGO’s Approach towards Diaspora Investments**

**Germin**

Besides the work carried out by governmental institutions such as MDIS and KIESA, there are activities carried out by the civil society and NGO’s who have identified the institutional gap in dealing with diaspora issues. Germin is among the most active NGO’s when it comes to engaging diaspora in development of Kosovo. The interview with representatives from Germin revealed a slightly different approach from this NGO towards Diaspora compared to the governmental institutions of Kosovo. NGO Germin is based on three pillar that shape their

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71 GAP Institute (2016) p.2
72 Ibid.
73 Ibid.
74 “Two more investors have met the technical criteria, they are planning to invest 225 million euros” KIESA, 2019, https://kiesa.rks-gov.net/page.aspx?id=2,5,368
activity. “Leveraging Diaspora for Policy Development” is one of the pillars, which has been supported by two platforms of this NGO, namely, “Diaspora Flet” and Diaspora.org.75

While the former seeks to establish cooperation between diaspora and public institutions, the latter seeks to connect Kosovars to the world and vice versa. The second pillar, “Channeling Diaspora Finances into Development” has supported a platform of Global Albanian Foundation where diaspora member can easily donate to the organizations and projects they want to support. Other platforms include Diaspora School in Kosovo, which aims to find solutions for local and less developed communities, and Co-investment and Networking Forum, which aims to impact economically the city of Prizren. The third pillar is “Knowledge Transfer” supported by a range of activities.76

Germin plays an important role in incentivizing diaspora to invest in Kosovo, which can be proved by the huge number of diaspora organizations that Germin cooperates. According to its staff there are 256 diaspora organizations that Germin cooperates with. In addition, Germin maintains close cooperation with public institutions in Kosovo including MDIS, Parliament of Kosovo, municipalities, University of Prishina etc. This cooperation with all parties that can increase investments from diaspora allows Germin to have a clearer perspective on this issue77.

Germin also pointed out that there is a lack of valid and accurate data regarding the economy of Kosovo and investment opportunities. The absence of these data opens way for uncertainty among potential investors. Nevertheless, entrepreneurs are more concerned about the lack of judicial insurance for their investments, political instability, corruption, unskilled labor force, and energy instability among many others. A guarantee to solve these issues and incentivize diaspora entrepreneurs to invest in Kosovo would be if diaspora professionals become part of the public institutions of Kosovo.

Considering the large amount of remittances sent by the Kosovar Diaspora, Germin representative pointed out the need by the Kosovo’s institutions to employ some mechanisms which can rechannel these financial remittances to increase their impact in the economy.

75 Personal Interview with a representative from NGO Germin (March, 2019).
76 Personal Interview with a representative from NGO Germin (March 2019).
77 Ibid.
According to Germin representative, Kosovo shall expand the formal financial services, following the example of Kenya, which uses a digital funding method, or Bangladesh’s “bKash” system, which has 15 million registered clients with 26 million $ of average daily transactions. Additionally, Diaspora financial bonds should be created, which would increase the availability of capital for investment in Kosovo. The number of conferences and forums should increase to inform diaspora entrepreneurs about the investment opportunities in Kosovo.

Though Germin promotes the idea of increasing the number of events that gather diaspora, they suggest that the current approach by the Kosovo’s institutions must be changed. According to Germin, Kosovo’s institutions use a one-way approach where Diaspora is usually treated as guest rather than a co-organizer. Yet, these events have played a major role in forming connections and networks between Diaspora and Kosovo’s institutions. Germin, considers that Diaspora does not need exclusive incentives to motivate them to invest in Kosovo, but the government must built trust with Diaspora Business Network and develop Diaspora Marketing Campaigns which stimulate investments.

Kosovo-German Economic Chamber

Economic Chambers of Commerce are one of the most effective forms of business organizations that impact the economic development of a country. These organizations gather businesses to a single table to promote cooperation among each other and advance the interests of business community. Through chambers of commerce, businesses find it easier to partner with one another, increase efficiency and positively impact the economic development. There are chambers of commerce that operate in Kosovo such as the American Chamber of Commerce, Kosovo-German Economic Chamber, Kosovo-Turkey Chamber of Commerce among many others.

One of the most active organizations engaged in economic development in Kosovo is the Kosovo-German Economic Chamber. Having into consideration that Germany is the host of the largest share of Kosovar diaspora, the role of this chamber in attracting Kosovar Diaspora is enormous. In an interview with the director of this chamber we could understand that the primary objective of this chamber (written in their organization’s statute) is to promote economic
relations between Kosovo and Germany. This chamber also aims to represent the interest of its members in terms of their economic activity and exchange information and experiences between Kosovo and Germany. To achieve their objectives, the director of the chamber listed some activities this chamber conducts:

- Collecting and distributing information regarding the economies of both countries
- Collecting and distributing information regarding employment and investment opportunities between both countries
- Collecting and distributing information regarding the legislative framework for economic activity between both countries and EU
- Organizing informational sessions in regards to the above mentioned activities and support other legal activities which enable the chamber to achieve its objectives etc.

Viewing the objectives and activity of this chamber we can understand that this chamber provides a great help to governmental institutions such as KIESA and MDIS to achieve their overlapping objectives. The activities of KGEC are similar to the activities of the KIESA and MDIS which eases the burden on these institutions with limited staff.

According to its representative, the KGEC has also offered a package of services for the German investors in Kosovo, which include logistical support, registering the business, individual consulting, arranging meetings with the governmental institutions in Kosovo, help in recruiting staff etc. Similar to KIESA and MDIS, KGEC has also organized conferences for diaspora businesses. This chamber uses a multi-approach strategy which does not focus solely on incentivizing diaspora businesses to directly invest in Kosovo, but it encourages to purchase products made in Kosovo. In the interview conducted with KGEC’s representative, in 2017 this chamber organized 110 B2B (business to business) meeting in a single day between 18 diaspora businesses with 40 Kosovar businesses engaged in production. Examples of these meetings include, diaspora construction companies meeting with Kosovar companies that produce doors and windows, diaspora culinary enterprises meetings with textile companies which can offer uniforms and covers for tables etc. The major partner for these activities has been the Diaspora Business Union in Germany. However, the chamber has also partnered with KIESA and MDIS
for organizing events such as “Diaspora Conference” in 2016 and “Diaspora Business Week” in 2019.

Despite the activities of all the mechanisms in Kosovo, the diaspora enterprises are not well informed regarding the investment opportunities. Though, there is no research conducted regarding this topic, KGEC has witnessed cases when diaspora enterprises do not posses even the most basic knowledge such as tax rates. In the interview, the KGEC director, declared that there is a lack of efforts by the government’s institutions. Kosovo does not have a national campaign to attract potential investors, and KIESA does not have sufficient staff, or qualified staff who can speak foreign languages. The director also declared that Kosovo lacks economic attaches in its embassies, economic chambers in foreign countries and KIESA offices outside Kosovo. This leaves diaspora enterprises uninformed and not engaged in the economy of Kosovo. Furthermore, according to inside surveys and conversations with potential investor that KGEC has conducted, there are numerous factors which discourage investors to invest in Kosovo such as: corruption\textsuperscript{78}, political instability, lack of transparency and accountability in public administration (especially in the agencies issuing permits), judicial system\textsuperscript{79}, public procuring, no efficient law enforcement, lack of energy security (electricity supply) and small market. To enforce this argument, the director of KGEC citing a research by GIZ and DIMAK declared that diaspora businesses are not very interested in directly investing in Kosovo. That is why, KGEC has oriented most of its efforts in persuading diaspora businesses to import from Kosovo and contribute in economic growth. However, many businesses in Kosovo do not understand the importance of B2B (business to business) meetings between diaspora businesses and Kosovar businesses, which can result in diaspora importing from Kosovo. Since many businesses from Kosovo are not interested in B2B, KGEC is facing difficulties to do the matchmaking.

Lastly, the director of KGEC declared that Kosovo should work in improving the economic infrastructure by providing a safer environment for investors. It also declared that

\textsuperscript{78} Note: According to KGEC director, it is the perception of corruption, since no cases of corruption have been reported to this chamber.

\textsuperscript{79} Note: According to KGEC director, there is no contract enforcement and the judicial system is taking 5-8 years to solve contests as a result of the absence of economic courts.
economic zones are a good incentive for investors especially the Economic Zone in Prizren which will offer concrete incentives and will soon be available to invest.

**Diaspora entrepreneurs**

It has been repeatedly mentioned that Diaspora presents a great potential to invest in their home country. This potential mainly comes from the capital that diaspora members have been accumulating. However, if there is a category which controls the majority of the Kosovar Diaspora capital, we can claim that this category involves the diaspora entrepreneurs and business owners. Consequently, the highest expectations for investments from diaspora come from this category of diaspora members. Diaspora entrepreneurs have been targeted by KIESA and MDIS, through invitations to participate in various events, which, have not been very productive. To complete the pieces of the puzzle, and receive their perspective for investing in Kosovo, a survey with 30 diaspora entrepreneurs was conducted. Businesses which responded to the survey were from different countries with Kosovar Diaspora population. As can be seen in the Chart 1, the majority of the businesses operated in Germany (53%), followed by Switzerland with 20%, Austria 10%, United States 7%, United Kingdom 7%, and Sweden 3%. These businesses were asked a variety of questions to understand factors that hinder their investments to Kosovo. It is encouraging to see that more than 70 percent of the surveyed businesses claim that they either have invested or plan to invest in Kosovo (Chart 2); this gives hope for a future increase in the investment ratio if Kosovo provides the conditions for investment. Though the sample size is small to draw conclusions, if the government focuses in fulfilling the requests of these businesses and improving the business climate, Kosovo can...
become a favorite location for investment even for other foreign investors. Alternatively with only 23% not expressing interest to invest in Kosovo, one can conclude that there is a strong connection between Kosovar Diaspora and Kosovo, which can be translated into development with the adequate mechanisms in place.

One of the most common forms employed by Kosovo’s institutions to promote investment to diaspora members are the various events that gather diaspora entrepreneurs to exchange experiences and receive information regarding the investment opportunities in Kosovo. However, the survey reveals that 43% of the respondents did not participate in these events (Chart 3). This indicates further that a huge part of diaspora entrepreneurs may be willing to invest but do not possess the knowledge regarding the investment opportunities in Kosovo and the incentives that Kosovo’s institutions provide for investors. Analyzing the data we can see that respondents are divided mainly between two categories, the ones who have not participated in any event, and the ones who have participated in 3 or more events. Thus, these events must be promoted to a wider population of diaspora entrepreneurs rather than being concentrated to the same businesses. This was all highlighted by the Germin NGO official, who suggested that the
number of such events must increase to reach out for many businesses who lack information for investing in Kosovo.

Besides increasing the number of such events, Kosovo institutions should build a special relationship with businesses after events, by approaching them individually and treating their interest more carefully. If the main idea behind organizing conferences, fair and forums is to attract investment, then the period that follows the event when the effects of the event are expected to be revealed, should receive the attention of the event organizer. However, this has not been the case for more than 60 percent of the respondents who had participated in conferences, fairs or forums, as they have never been contacted by event organizer after the event (Chart 4). As a result the event organizer, which usually is a governmental institution, did not put efforts in translating the desire of the diaspora entrepreneurs into concrete investments as they did not follow with their interest to invest.
Though, KIESA, MDIS and Diaspora Business Unions have dedicated much of their efforts into organizing informational events for diaspora entrepreneurs, the results from the survey results, reveal that diaspora entrepreneurs do not consider themselves well-informed regarding investment opportunities in Kosovo (Chart 5). 50% of the participants in the survey considered themselves not well-informed regarding investment opportunities and the help that Kosovo provides for its investors. 17% considered themselves partially informed while 33% considered themselves well-informed. This information raises again the question about the effectiveness and coverage of events such as conferences, fairs and forums through which Diaspora would get information about investment opportunities in Kosovo. However, these events are not the only source of information for the diaspora entrepreneurs, as large amount of information for investment opportunities and governmental support for investors, can be found online. Yet, as mentioned above from the interview with Germin, there is a lack in valid and accurate data in Kosovo, which makes it very hard for diaspora entrepreneurs to obtain information regarding investment opportunities without thorough research.
One of the most promoted investment incentives for foreign direct investors have been economic zones. Considering the huge importance these zones have in attracting foreign investment, we would expect diaspora entrepreneurs to be informed about them. However, the results from the survey provide a different picture with the majority of businesses that participated in the survey not being informed about the economic zones (Chart 6).

However, for more than 70 percent of those businesses who were informed either fully or partially about the economic zones, economic zones do not fulfill their requirements to invest in Kosovo (Chart 7). These results echo the criticisms from different actors in Kosovo about ineffectiveness of economic zones in attracting investments. This graph shows us that it is crucial to involve diaspora representatives in working groups when economic zones are established which would help Kosovo to offer a business environment that fulfills the requirements of investors from diaspora.
There are multiple factors which discourage diaspora to invest in Kosovo, most of which have been pointed out multiple times by previous research. In this survey, 7 alternatives were included which, I have encountered more often among research papers. ‘Security of Investment’ has been the option selected the most by diaspora entrepreneurs. Out of 30 participants, 24 have selected this option, or 80% of the participants. This is an indicator that Kosovo’s institutions should prove diaspora entrepreneurs that the judicial system is effective. One of the responders further elaborated his answer by adding an option “tribute (exaction) clans which are still active” indicating the fear of diaspora entrepreneurs to operate as Kosovo is not considered a safe environment to do business. Nevertheless, ‘Corruption’ was not ranked far behind. In fact, 22 of 30 responders (73%), selected corruption as one of the factors that discourages them to invest in Kosovo. ‘Electricity Security’ was selected by 50% of the participants, which has been one of the major issues for Kosovo in the past two decades. Despite that, no permanent solution is in sight, as projects for building a new power plant have not advance. Following ‘Electricity Security’, we have the ‘Bureaucratic Procedures’,

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Note: The option was originally in Albanian (alb. Siguria e Investimit) meaning: Security from theft, tribute, exaction through functioning judicial system etc., not to be confused with “Investment Securities”.
‘Infrastructure’, ‘Market Size’ and ‘Tax Rates’. One of the participants considered ‘Water Shortage’, to be a major factor discouraging him/her to invest.

In addition, to all the factors that discourage diaspora entrepreneurs to invest in Kosovo, the feedback and recommendations of entrepreneurs, who have already invested in Kosovo, are very important. Most of the entrepreneurs seek suggestions from other entrepreneurs prior to investing. In the case of diaspora entrepreneurs, most of the feedback from investing in Kosovo was negative. From the survey, 60% of the participants responded that the recommendations received from other entrepreneurs were negative. Thus discouraging them to invest in Kosovo.
MIK Group

A good example of an entrepreneur who chose Kosovo to invest and start-up business is also Valon Asani who was born in Switzerland. The emotional ties of his family with Kosovo, expressed in random talks and annual visits in Kosovo, encouraged Valon to consider applying his entrepreneurial skills in Kosovo. After graduating from Technical Business School Zurich, he initiated an outsourcing agency, which used employees from Prishtina to serve clients in Switzerland. Over a course of 7 years, Mr. Asani has invested in a variety of industries including production of pellets, call center services, dental clinic etc.

However, the peak of his entrepreneurial career (till now) is the establishment of the agency, MIK Group, which is an acronym of Made In Kosovo. MIK Group is a digital marketing company with a staff distributed between Prishtina, Zurich and Berlin. Even though, a young company, MIK Group collaborates with multi-billion companies such as BMW, Philips and Beiersdorf. Furthermore, they are the only company in Kosovo to have partnership with Google Partners. Although, a success story of an entrepreneur from diaspora, Mr. Asani has faced many challenges throughout his road as an entrepreneur in Kosovo. In an interview for the platform KosovoDiaspora.org, he mentions the absence of professionalism displayed by public institutions, high interest rates, limited high qualified people, and small loans, as the prevailing difficulties in Kosovo. The answer from Mr. Asani, who was raised surrounded by high quality infrastructure in Switzerland, was to orient his mindset towards solutions rather than problems. Despite all the issues, Mr. Asani encourages Kosovar Diaspora to promote Kosovo as a place with potential for the service sector including digital marketing, IT-services, call centers etc.

Sojevë Manufaktur

The fact that Kosovar’s living abroad can promote investment can be witnessed with the company Sojeve Manufaktur. A visit from Switzerland of Besnik Etemi’s former professor in Mr. Etemi’s village, resulted in a direct investment from Switzerland. Mr. Etemi’s professor, facing the vast unused land availability of Etemi’s family in the village Sojevë, decided to involve some partners to exploit the opportunity and make a profitable investment. Kosovo offers the perfect conditions for cultivating fruits and vegetables, yet, Kosovo’s market was full of imported fruits and vegetables. Having this in mind, Joachim Lichtenhahn decided to invest. In the case of Sojeve Manufaktur, the investors, were pleased with the business climate available in Kosovo. Registering the business was easier compared to Switzerland as there are fewer steps, no prerequisites of minimum capital and you the filling forms are available in many languages. However, the location of the land was close to NATO base, which obligates the company to request permitting from the authorities. In addition, the company faced some minor issues when they requested permission to install photovoltaic systems to provide electricity. The authorities were unclear regarding the permission, but, a local private company managed to complete all the procedures within a week, which is very fast compare to other alternatives.

The machinery to operate this business was available in Kosovo as well, which eliminated the costs of transporting them from Switzerland, however, the company had to bring a food engineer from Switzerland for planning their activity. Most importantly, this company did not face any situation of bribery or corruption, which is an issue raised by many businesses in Kosovo. The example of Sojeve Manufaktur, demonstrates that even diaspora members, who have not accumulated enough capital to solely invent in Kosovo, can promote Kosovo to foreign investors.

Conclusions and Recommendations

The primary objective of this study was to identify the reasons behind the unsatisfying performance of Kosovo’s institutions to attract investment from Kosovar Diaspora. The research conducted, in particular the interviews with the main actors involved in the process of attracting investment KIESA, MDIS, Germin NGO and KGEC, enriched this study with information that explains the low amount of investment from diaspora. In many cases, these institutions mentioned and provided factual explanation for the same factors, leading to repeated conclusions. Likewise, most of the factors derived through the interviews and survey with businesses from Diaspora confirmed finding from previous studies on this field. Taken together, this study derived the following conclusions:

*Diaspora is not well informed regarding the investment opportunities in Kosovo.* Despite numerous events organized by governmental institutions and NGO’s, the survey results from the study as well as experiences of KGEC and Germin with diaspora entrepreneurs reveal that in many cases diaspora does not possess even the basic knowledge regarding the economy of Kosovo. Diaspora businesses are divided between those who regularly participate in events organized for information, and those businesses who have never participated in any event, which remain uninformed of the investment opportunities in Kosovo. In addition, information regarding investment opportunities are very hard to be found online, since Kosovo’s institutions have not still uploaded information that explain in details information about investment opportunities.

*Institutions engaged in investment attraction are understaffed and operate with minimal budget.* The two main institutions that are engaged directly in attracting investment are understaffed. Even though economic development is one of the main priorities of Kosovo, and diaspora presents the greatest potential for FDI, the departments of the two main institutions that promote investment combined have less than 10 staff members. These people are perform different tasks and face numerous challenges to conduct their tasks.

*The governmental institutions have failed to follow-up with diaspora businesses.* One of the major issues that has proven out government inefficiency in attracting investment, is their inability to follow-up with diaspora businesses. Even, if businesses have participated in
conferences or forums and expressed desire to invest in Kosovo, the event organizer has not managed to maintain contact and advance their desire into concrete investment.

*Kosovo is facing many challenges in offering a better environment for investment.* It has repeatedly been mentioned in the interviews that many factors have discouraged investors to invest. These factors are: such as political instability, inefficient law enforcement, unsecured electricity supply, small market size, inefficient judicial system, lack of security for the investment, unskilled labor force etc.

*Economic Zones are not fully functional and do not offer the conditions for diaspora investors.* Even though, economic zones are considered to be one of the most important incentives for investors, they are not ready to welcome investors. In fact, economic zones have been a subject of negative critiques by many actors in Kosovo. Furthermore, a large number of diaspora entrepreneurs are not informed about the economic zones and the incentives they offer. In fact, the information regarding the economic zones is almost inexistent online. However, the small number of diaspora entrepreneurs who have information about economic zones, do not think that they offer the right conditions for them to invest.

*Kosovo has a bad image among diaspora businesses.* Despite improvements in many areas of doing business, Kosovo is not recommended for investments among the entrepreneurs themselves. People and businesses in Kosovo advice diaspora entrepreneurs not to invest in Kosovo. Similarly, many of the diaspora businesses list corruption as one of the discouraging factors not to invest in Kosovo, however, there are few or no cases of corruption reported by diaspora businesses.

*The effort to attract investment from diaspora do not follow a strategy.* The efforts of Kosovo’s institutions to attract investment are more of spontaneous nature. There is no defined strategy which guides the efforts of governmental institutions. In addition, there are no studies which can set the pillars for creating a strategy. In contrast to governmental institutions, KGEC has more diverse efforts to achieve its objectives, which are based on research. Being aware that many businesses from diaspora refuse to invest in Kosovo, KGEC organized B2B in order to build
partnerships with businesses in Kosovo. Through importing from Kosovo, diaspora businesses can contribute to Kosovo’s economy as much as directly investing in Kosovo.

The conclusions derived from this study call for actions by Kosovo institutions in several areas:

Create an online platform with information regarding the incentives offered by Kosovo’s Government for diaspora investors.

- This platform should include information for Procedures to Open a Business, Economic Zones, Tax Rates, Subsides offered by Kosovo’s government, etc.
- It should be largely advertised by the government of Kosovo to reach all the diaspora members and entrepreneurs in particular, who are uninformed about the investment opportunities.
- It should not be complex to use and it should answers the commonly asked questions.
- The services offered by the platform should be on multiple languages which are spoken in countries where the majority of Kosovar diaspora lives.
- It should include simplified versions with bullet points from the laws relevant for operating a business in Kosovo, in particular the Law on Foreign Investments and Law on Strategic Investments.
- It should include contacts (emails and phone numbers) information of the officials involved in investment attraction etc.
- It should be an active platform that posts success stories to encourage potential investors to invest.

Increase the number of staff members for departments/sectors dealing with investment promotion in KIESA and MDIS

- The responsibilities of each KIESA and MDIS official that deals with investments should be clarified.
- The responsibilities of each institution should not overlap with one another, though the cooperation should increase.
- KIESA and MDIS should increase the number of its officials to distribute the tasks assigned by the government and law. At least one of the institutions should have a separate group of officials dealing solely and more proactively with strategic investors.

- KIESA should also have a separate group of officials (including translators) dealing with investors from diaspora.

- KIESA should also have a group of officials that deal with advertising the investment opportunities in Kosovo.

Appoint economic attaches in its embassies and consulates in countries with Kosovar diaspora.

- They will serve as the first people that can be physically contacted by diaspora community to obtain information for the economy of Kosovo, including laws, investment opportunities etc.

- These attaches will make sure that the diaspora community in countries they serve are well informed by leading informational campaigns and reaching all the diaspora members in the countries/regions they serve.

- Appointing these attaches will ensure a better coverage of diaspora with services and will decrease the load of work of other institutions.

Focus in completing the infrastructure in some Economic Zones, rather than trying to work at the same time in all the Economic Zones.

- The government should prioritize one or two Economic Zones to invest in their infrastructure and to make them completely functional.

- The completed Economic Zones should be well advertised to the business community in Kosovo and in diaspora.

- These Economic Zones should provide easily accessible information regarding the benefits and incentives they offer for the investors.

- The government should create a working group which will observe the work of Economic Zones and make the required changes in the Zone to match the requests of investors.

Create a strategy on engaging diaspora in economic development of Kosovo.
• This strategy should be created in coordination with Diaspora Unions, Economic Chambers of Commerce, and Entrepreneurs.

• It should make sure that diaspora will be represented in working groups that draft economic development policies.

• The strategy should have a multidimensional approach for economic development seeking to increase the cooperation between domestic companies and diaspora companies as well as attracting direct investments from diaspora.
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Appendixes

Appendix 1

Informed Consent Form for Social Science Research
RIT Kosovo

Title of Project: Attracting Investment from Kosovar Diaspora

Principal Investigator: Dritëro Bajrami, RIT Kosovo Student
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+38349903183

Purpose of the Study: This capstone project attempts to analyze the efforts employed by institutions of the Republic of Kosovo, to promote and attract investment in Kosovo. In addition, it seeks to identify the challenges these institutions face and the effectiveness of their efforts. The ultimate purpose of this study is produce recommendations which can improve the effectiveness of institutions of Republic of Kosovo in attracting investment from Kosovar Diaspora.

1. Procedures to be followed: You will be asked to answer some questions.
2. Duration: It will take about 30 minutes to complete the interview.
3. Statement of Confidentiality: Your participation in this research is confidential. The data will be used for qualitative insights and for research analysis only.
4. **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 and to be working/have worked in the private sector in Kosovo 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
Appendix 2.

Figure 2.9: Percentage of annual income saved and invested in Kosovo

Appendix 3.

Table A12 Use of remittances across consumption categories, mean ratios

<table>
<thead>
<tr>
<th>Expenditure categories</th>
<th>Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current consumption (food, clothing, services, utilities)</td>
<td>35.4%</td>
</tr>
<tr>
<td>Other consumption (furniture, home appliances, cars, weddings, funerals, etc)</td>
<td>24.8%</td>
</tr>
<tr>
<td>Housing investments (purchase/building of house/apartment, renovation of house/apartment)</td>
<td>19.6%</td>
</tr>
<tr>
<td>Human capital investment: (education (4.6%); healthcare (6%))</td>
<td>10.6%</td>
</tr>
<tr>
<td>Business investment (purchase of land (0.8%), business (0.9%), productive assets (2.2%))</td>
<td>3.9%</td>
</tr>
<tr>
<td>Savings (bank, under mattress, lend to relatives/non-family members, other savings)</td>
<td>3.7%</td>
</tr>
<tr>
<td>Debt repayment (acquired to depart/migrate, for other purposes)</td>
<td>2.0%</td>
</tr>
<tr>
<td>Total</td>
<td>100%</td>
</tr>
</tbody>
</table>
Appendix 4

Organogrami i Ministrisë së Diasporës dhe Investimeve Strategjike

Appendix 5

Senior Marketing and Public Relation Officer
Director General of KIESA
Executive Assistant

Director of the Private Sector Promotion Directorate
Director of the Private Sector Development Directorate

Head of Investment Promotion Sector
Head of Export Promotion Sector

SME Senior Officer
Senior Officer for Economic Zones Development

Investment Promotion Officer
Tourism Promotion Officer

Senior Officer of Export Promotion
SME Senior Officer
Appendix 6

Tërheqja e Investimeve nga Diaspora e Kosovës

Pyytësor për Bizneset e Diasporës

1. Emri i ndërmarrjes (biznesit)? Name of enterprise?
   _________________________________

2. Në cilin shtet operoni? In which state do you operate
   _________________________________

3. A keni investuar apo planifikoni të investoni (të hapni biznes) në Kosovë? - Have you invested or plan to invest in Kosovo?
   a) Kam investuar (I have invested)
   b) Planifikoj të investoj (I plan to invest)
   c) Nuk kam investuar dhe nuk planifikoj të investoj
   d) Other...

4. Në sa panaire, konferenca apo forumë të organizuara nga institucionet e Rep. Kosovës apo Unionet e Diasporës keni marrë pjesë? - In how many fairs, conferences or forums organized by institutions of Rep. Kosovo or Diaspora Unions have you participated?
   a) 0
   b) 1
   c) 2
   d) 3 e më shumë

5. A jeni kontaktuar dhe pyetur nga institucionet e Kosovës (apo organizatori) rrëth interesimit për të investuar në Kosovë pas pjesëmarrjes në konferencë, panaír apo forum? Have you been contacted and asked from Kosovo’s institutions (or event organizer) about your interest to invest in Kosovo after participating in the conference, fair or forum?
   a) Po (Yes)
   b) Jo (No)
   c) Other...

6. A e konsideroni veten të mirëinformuar rrëth mundësive të investimit në Kosovë dhe ndihmës që ofrohet nga institucionet e Kosovës për investitorët? Do you consider yourself well-informed regarding the investment opportunities in Kosovo and the help provided by Kosovo's institutions for investors?
   a) Po (Yes)
   b) Jo (No)
   c) Pjesërisht (Partially)
7. Are you informed about the Economic Zones in Kosovo?
   a) Yes
   b) No
   c) Partially
   d) Other...

8. If you are informed about economic zones, do they fulfill your requirements to invest in Kosovo?
   a) Yes
   b) No
   c) Other...

9. Which factors discourage you to invest in Kosovo (You can choose more than one)?
   - Corruption
   - Bureaucratic procedures
   - Security of Investment
   - Tax rates
   - Infrastructure
   - Electrical energy security
   - Market size
   - Other...

10. If you have met with entrepreneurs in Kosovo (from Kosovo or Diaspora), what kind of recommendations did you receive for investing in Kosovo?
    a) Positive
    b) Negative
    c) Other...