INVESTMENT, ECONOMIC GROWTH AND KOSOVO’S JUDICIAL SECTOR

KUSHTRIM BAJRAMI
email: kushtrim.bajrami@gmail.com
Presentation overview

- Global Investments
- Overview of the Kosovo’s Judicial Sector
- Judiciary efficiency as a determinant of investment
- Overview of Investing in Kosovo
- Research Methodology
- Survey Results on determinants of Kosovo Investment Climate
- Recommendations
Global Investment trends

GDP growth rate in some of the SEE countries, 2002-2009. Source: IMF
Judiciary efficiency as a determinant of FDI

Kosovo – Ease of starting a business.
Source: Doing Business database
Kosovo ranking on the ease of enforcing contracts index
Source: Doing Business database

- Croatia: 48
- Romania: 56
- Regional Average (Eastern Europe & Central Asia): 60
- Czech Republic: 78
- Albania: 85
- Bulgaria: 87
- Bosnia and Herzegovina: 125
- Kosovo: 157

Rank: 1 to 183
Kosovo – Ease of registering property. Source: Doing Business database
Kosovo ranking on the strength of investor protection index.
Source: Doing Business database
OVERVIEW OF THE INVESTMENT CLIMATE IN KOSOVO


Total value of FDI 291.5 million
Research Methodology

- Quantitative method - questionnaire survey was conducted with foreign companies operating in Kosovo in order to get their perception about what issues they considered as key determinants, advantages and disadvantages for investing in Kosovo.

- The questionnaires were distributed to companies and 50 were responsive. The survey was conducted for two months.

- The most representative industries in this sample were manufacturing, financial services, real estate, construction, trade and food, and beverages sectors.
Literature review on determinants of FDI

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<tr>
<th>AUTHOR:</th>
<th>DETERMINANTS OF FDI INFLOW</th>
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<tbody>
<tr>
<td>OECD (2003)</td>
<td>good governance and institutional quality,</td>
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<tr>
<td>Busse and Hefeker (2007)</td>
<td>macroeconomic stability, corruption, rule of law, political</td>
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<tr>
<td>Daude and Stein (2007)</td>
<td>openness, political stability, quality of bureaucracy, accountability of government,</td>
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<tr>
<td>Wells and Wint (2000)</td>
<td>existence of natural resources, market size, physical and social infrastructure,</td>
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<tr>
<td>Bitzenis (2004)</td>
<td>tax system, geographical distance, bureaucracy, lack of</td>
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<tr>
<td>Genco et al (1993)</td>
<td>skilled labour force, unsound legal framework, cheap</td>
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<tr>
<td>Pye (1998)</td>
<td>labor force, investment incentives, liberal trade regime</td>
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<td>Iammarino and Pitelis (2000)</td>
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<td>Bellak et al (2009)</td>
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<td>Kişmari (2009)</td>
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Survey results on Determinants of Kosovo Investment Climate
FDI in Kosovo according to the economic sector, in percentage

- Financial: 35% (2008), 26% (2009), 19% (2010), 12% (2011)
- Manufacture: 20% (2008), 17% (2009), 12% (2010), 12% (2011)
- Real Estate: 17% (2008), 15% (2009), 13% (2010), 16% (2011)
- Trans & Telecommunications: 27% (2008), 8% (2009), 4% (2010), 6% (2011)
- Energy: 20% (2008), 7% (2009), 7% (2010), 4% (2011)
- Mining: 25% (2008), 6% (2009), 4% (2010), 2% (2011)
- Construction: 36% (2008), 36% (2009), 25% (2010), 9% (2011)
- Processing: 6% (2008), 7% (2009), 6% (2010), 7% (2011)
- Trade: 6% (2008), 6% (2009), 5% (2010), 6% (2011)
According to the survey results the top 5 advantages for FDI in Kosovo are:

- Economy of Scale: 70%
- Geographical Location: 75%
- Availability of Raw Materials: 83%
- Links to Neighboring countries: 85%
- Low Cost Unskilled Labour Force: 90%
According to the survey results, the top 5 disadvantages that hinder FDI in Kosovo are:

- **Political Instability**: 68%
- **Grey Economy**: 69%
- **Lack of Law Enforcement**: 80%
- **Bureaucracy**: 86%
- **Corruption**: 88%
Recommendation 1: Reform of Judiciary sector

- The establishment of a Fast Tracking Mechanism for dealing with the disputes of foreign investors.
  
  *(119,000 backlog cases of commercial nature)*

- Enhancing Alternative Dispute Resolution mechanisms.
  
  *(informal but regulated)*

- Application of the Arbitrary System.

- Functionalize the notary system.

- Improve the efficiency of court management with the development of an electronic case information system that would maintain trial records, file submissions, track distribution and record of final decisions.

- Commercial Law Education.
Recommendation 2: Information and assistance to foreign investors

- Establishment of Information Hub for Investors that will guide to investing in Kosovo and will serve as a single point of contact for guidance on laws, policies, incentives, investment climate and trends, investment opportunities, costs of setting up a business, process for finding land and sector specific information.
Recommendation 3: Avoid bureaucratic procedures and assistance for foreign investors

- Establishment of One Stop Center (OSC) for starting a business, to register business in two easy steps and receive certificate in 24 hours at the Kosovo One Stop Center. This center will avoid the bureaucratic procedures and assist foreign investors by avoidance of administrative and informal barriers and improvement of the administrative environment that would reflect on the reduction of business purchase cost.
Thanks and Acknowledgements

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Questions & Discussions