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Investment Climate and the role of Diaspora in economic development, financial and fiscal incentives for Kosovo

Kreshnik Thaqi

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Investment Climate in Kosovo, the role of Diaspora in Economic Development and Incentives for Kosovo

Kreshnik Thaqi

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Submitted as a Capstone Project in partial fulfillment of a Master of Science Degree in Professional Studies at the RIT Centre for Multidisciplinary Studies
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List of Abbreviations

ADA: The Austrian Development Agency  
ACA: Anti-Corruption Agency  
BAC: Business Advisory Circle  
CBK: Central Bank of Kosovo  
CEFTA: Central European Free Trade Agreement  
DfD: Diaspora for Development  
DEED: Diaspora Engagement for Economic Development  
EU: European Union  
EC: European Commission  
ECIKS: The Economic Initiative for Kosovo  
FIAS: The Facility for Investment Climate Advisory Services  
KRHS: Kosovo Remittance Household Survey  
KCC: Kosovo Chamber of Commerce  
KIESA: Kosovo Investment and Enterprise Support Agency  
KCCDM: Kosovo Cultural Centre for Diaspora and Migrants  
MD: Ministry of Diaspora  
MED: Ministry for Economic Development  
OECD: United States Cooperation for Co-operation and Development  
SME: Small and Medium Enterprises  
FDI: Foreign Direct Investments  
IPAK: Investment Promotion Agency of Kosovo  
IOM: International Organization for Migration  
IT: Information Technology  
GoK- Government of Kosovo  
GIZ: The German Society for International Cooperation  
GDP: Gross Domestic Product  
USAID: United States Agency for International Development  
UNDP: United Nations Development Program
Executive summary

This project report provides a framework of possible interventions by central and local governments in tackling some of the crucial policies for increasing the competitiveness and economic support, to attract foreign investment with the special attention to the diaspora.

There are three main areas, where the government should consider making changes in order to promote investments, whether they be foreign or from the diaspora.

These are:

a) Main economic factors affecting in the investment climate.
b) Diaspora investment and its role in Kosovo’s economy.
c) Financial land fiscal incentives.

Survey were conducted with twenty-five diaspora companies. All these companies were selected resulting from contacts made at different conferences.

Results from surveys consistently indicate that Kosovo institutions should create more innovative strategies and provide stronger economic policies and to assist the creation of supportive schemes for foreign and diaspora investments. The policies should include, 1) Incentivizing diaspora, 2) creating special funds as an insurance for investments, 3) system of bonds, 4) Identification of the diaspora businesses in different countries, 5) Establishment of diaspora business parks, 6) Fight corruption, 7) providing services for diaspora businesses and advise them and last but not least, 8) provide list of opportunities to invest in Kosovo.

Aware of the importance and lack of investments from the Kosovo’s this report focuses on the area of attracting diaspora investments from special counties.

Main analyses of the figure below explain the perception of the diaspora businesses on the fields that are shown on the Figure below.
Results of the data analysed showed (see above) that potential foreign and diaspora investors main reasons for the reluctance to invest in Kosovo are weaknesses in: corruption 80 points of the surveyed companies agree that corruption is a huge a problem, 80 points identify bureaucratic procedures as barrier that needs attention of the GoK, 84 points Consider that lack of rule of law is an obstacle and 40 points of the surveyed companies consider that quality of work force in Kosovo does not meet their requirements.

**Major Recommendations merged from this capstone project they are:**

- First of all Kosovo institutions should prioritize the fighting against corruption and bureaucracy as a top priority as these two mechanisms are very important to rank in procedures of doing business and easy of doing business World Bank report.
- Secondly Government of Kosovo should establish a legal framework and mechanisms that warrant implementation laws in order to provide security for diaspora and foreign companies to invest its capital in Kosovo, enforcement of existing laws should be Kosovo’s foremost priority
- Thirdly, Kosovo should follow the example of Macedonia as one of the best examples to reduce bureaucratic procedures on doing business, it also should improve its investments climate and eliminate unnecessary licenses for diaspora and foreign
investors. These include: 1) online starting a business, 2) Easy of dealing with central and local permits, 3) improve ranking on protecting investors, 4) trading across borders and 5) enforcing contracts. All these elements are very substantial that government of Kosovo must take in order to facilitate diaspora and foreign investors to Kosovo. The focus should be mainly in reducing time (days) and procedures (number).

• Fourthly, based on the research findings Kosovo does not provide quality workforce that meets the needs of diaspora and foreign investors. Government of Kosovo should create platforms to offer foreign and diaspora companies the required work force, that can be done by opening 1) professional schools, 2) creation curricula’s for specific professions and last but not least 3) help companies with voucher schemes.
Chapter 1.

Overview of general investment and economic situation in Kosovo

Kosovo declared its independence on 17 February 2008 in coordination with the international community. To date, 108 countries have recognized Kosovo’s independence. Since April 2011, technical talks have been held between Kosovo and Serbia with the sponsorship of the European Secretary Ms. Kathrin Ashton, which have yielded concrete results. Kosovo and Serbia relations remain an issue that needs the attention of the international community to find a solution for normalizing the situation between these two countries. This is a key factor for helping the investments climate of Kosovo.

The Kosovo economy has demonstrated considerable progress over the years, since 1999. The Government of Kosovo has created different organisms in order to facilitate its aspiration for integration in the European Union and the regional initiatives which has allowed the European Commission to establish contractual relations with Kosovo, and therefore has taken the first steps in the Association and Stabilization Process in supporting the country in the process of full membership in European (financial) institutions. In parallel, the European Commission has opened a dialogue for visa liberalization for Kosovo.

Kosovo has adopted the Euro unilaterally as its currency since 2002; although it’s not an official member of the Eurozone. The Central Bank of Kosovo has only limited instruments and does not have the power to issue Euros. Kosovo’s investment climate is the key to attracting foreign direct investment (FDI) in the country. The purpose of this capstone project was to evaluate some of Kosovo’s investments that come from the Kosovo’s diaspora. This report shows Kosovo’s investments climate have areas for improvement. Currently, Foreign Direct Investments FDI in Kosovo is growing steadily, but a number of conditions discourage foreign investors from bringing their assets to Kosovo. Most notably, lax enforcement of duly enacted laws leads to worries about the future status of assets in Kosovo and hence a reticence by foreign investors to open businesses in the country. Kosovo is facing a lot of problems including economic, social, political and as we know, foreign investments, whether in form or direct or portfolio investments, has become a very important source of economic development and social well-being especially for developing countries. In a world characterized and driven by globalization and economic independence, the free movement of goods, services, finances, information and human
capital has become critical for all economies. The Investment Promotion Agency of Kosovo IPAK, whose goal is to attract foreign Investments by organizing Conferences, B2B, meetings, trade missions and workshops in foreign Countries, tries to rigorously promote what are the main opportunities of investing in Kosovo. IPAK offers a range of supports in order to retain investments in Kosovo. Below we are going to present a table of services provided by IPAK to foreign and local investors; it is worth mentioning that with the new law on foreign investments, a new agency was created in order to expand the list of services and covered areas. The new law on foreign direct investors requires a merge’ of two Agencies IPAK and SME agency. There will be a new Agency called KIESA- Kosovo Investment Entrepreneur Support Agency (Law no. 04/I-220 on Foreign Investment)\(^1\).

In addition to the services that KIESA offers to Foreign and diaspora companies which are willing to invest in Kosovo their support is to inform foreign and domestic investors about investments potential, however the survey conducted with diaspora the role of KIESA and relevant support institutions is reflected on the figure below.

Figure 1.1 Central and Local Government Support?

![Bar Chart](image)

Below there is a list of goals form KIESA - IPAK on how to retain foreign investors as well as a list of services offered to different companies’ local or international, willing to invest or expand their products.

\(^1\) [http://mti-ks.org/en-us/Laws](http://mti-ks.org/en-us/Laws), Law on Foreign Investments
1.1 Presentations on potential investment opportunities, there is a list of services provided by IPAK which was lately updated which is shown below.

1. Information on FDI-related legislation
2. Operation cost analyses
3. Specific industry macroeconomic information
4. Regional and national data on social and economic factors for the market and business environment
5. Sector perspectives and opportunities in Kosovo and abroad, including overviews of the sector dynamics and main players
6. Overview of Kosovo’s labor market and explanation of its employment laws
7. Explanation of Kosovo’s fiscal system, concentrating on its tax laws
8. Overview of Kosovo’s legislative system
9. General summary of the living and working environment, including the national education system, current research and developmental processes, and the professional labor market available
10. Overview of Kosovo’s competitive advantages, including the national supply of logistic infrastructures, transport systems, and regional attributes
11. Project consultation, including preliminary evaluation of the business idea, technical, financial and market feasibility, and necessary bureaucratic procedures
12. Any additional information required

1.2 IPAK offers comprehensive business and investment support services throughout the initial development process, including:

1. Assistance with company establishment, including registration, obtaining work permits, paperwork review, acquiring office space, etc.
2. Identifying locations for greenfield projects
3. Finding existing facilities for brownfield investment
4. Matchmaking with joint venture partners
5. Facilitating contacts with national and local authorities
6. Location evaluations, including an overview of various location opportunities, organizing site visits, and support during the evaluation process
7. Legal assistance, including emerging business support, merger & acquisitions advising, and general legal counseling
8. Management of all relevant permits that may involve local authorities
9. Contact assistance with recruitment and local placement agencies
10. Support for the selection of and application for available financial tools

1.3 IPAK provides free, individualized investor aftercare, with the most frequently utilized, being:
1. National and local bureaucracy assistance
2. Expansion, research development, and reinvestment support
3. Application assistance, including work permits, visas, and foreign citizen residency
4. Advice for business service providers, including banks, leasing companies, law offices, consulting firms, real estate agencies, etc.
5. Network establishment, involving meeting creation and coordination with representatives of state administration, self-government bodies, and public institutions
6. Conference, event, and seminar organization
7. Submission of investor proposals to the Kosovo Government for legislative change and investment environment development
8. Assistance in seeking suitable industrial zones and business properties
9. Issue resolution support - covering both administrative and company conflicts, facilitating and accelerating investments, and the creation, organization, and management of cooperation agreements between involved institutions
10. Facility development - scouting of available incentives, financial assistance and support for application processes, and expansion assistance.

1.4 Export Related Services
1. Organization of trade missions, intended to create, develop, and maintain foreign trade relationships, closely tied to the support of Kosovar enterprises’ exporting activities
2. Sector study and analysis provision
3. Maintaining investment and exporter databases
4. Assisting Kosovar exporters in international markets
5. Creation and management of an effective cost-sharing development grant program enhancing the competitiveness of Kosovar companies
6. Assisting in promotion of domestic products at international fairs, expositions and exhibitions
7. Research and identification of export opportunities for Kosovar enterprises
8. Provision of technical assistance to exporting business organizations
9. Marketing local products and services in foreign markets
10. The collection, analysis, and distribution of export-related information inside and outside of Kosovo.

FDI Definitions and what Kosovo should do to attract FDI’s into the country?

Attracting FDI’s is one of the key factors that each of all State organizations dealing with FDIs and the main goal of their job is to attract as much FDI inflows as possible. Above we have provided types of investments as a roadmap for KIESA, we will also present a SWOT analysis.

There are four main modes of FDI that can be identified:

**Mergers and acquisitions:** (M&A) when a foreign company acquires at least 10% of the equity in a local company. It is the most direct method a foreign company can use to gain market share and resources overseas, as well as strategic corporate assets such as brands and research and development (R&D). In developed countries, M&A have been the biggest component of FDI flows.

**Privatization:** the full or partial sales of equity in state-owned enterprises to investors. It is essentially an acquisition involving a state-owned rather than private company. Such method is used from different countries especially those that are in transition process, Kosovo has passed

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60 waves of privatization so far. This has been an important component of FDI in emerging markets.

**Greenfield investments:** Projects that have been in discussion with stakeholders or different economic organizations to establish in a location as a new project in place where investors identified as suitable.

**Brownfield investments:** made when a company purchases an existing production facility to launch a new production activity.

**New forms of investments:** these include joint ventures, strategic alliances, and licensing, franchising and other partnership agreements. They do not necessary involve FDI flows, and therefore may not show up in official FDI data. However, there are hundreds of thousands of these agreements; they can influence economic development, with foreign company providing branding, marketing, technology, access to markets to local companies.

It is worthwhile mentioning that most of the investments projects that FDIs have undertaken have gone through individuals as well as from different business entities. Such projects might include in particular the form of Diaspora investments.

### 1.5 List of factors to be considered for future promotion:

1. Some of the facts that different companies search before investing in a country are:
   - **Political stability-** Kosovo GoK should be able to keep its political stability in a minimum time of three years as foreign investors always make decision based on a communications that they realize while analyzing the country. In this regards they want to be protected by expropriation, different economic factors and damages after the policy changes (when policy changes they might intervene in the tax system for which an investors would consider leaving from the country as it causes a lot of misunderstanding). The figure below explains how crucial is to have stable macro-economic and political stability.
Figure 1.2 Political and Economic stability
Below there’s a table of SWOT analyses of the Kosovo’s strongest and weakest potentials.

**Table 1.1 Kosovo SWOT analyses**

<table>
<thead>
<tr>
<th>Opportunities</th>
<th>Strengths</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Regional economic integration</td>
<td>• Young Population in Europe</td>
</tr>
<tr>
<td>• EU Stabilization and Association</td>
<td>• Stable Macroeconomic Environment</td>
</tr>
<tr>
<td>• Agreement signed with EU and Regional Countries</td>
<td>• Willingness to Develop economy and reforms undertaken</td>
</tr>
<tr>
<td>• Bilateral and multilateral agreements</td>
<td>• Strong Investment Sectors</td>
</tr>
<tr>
<td>• Large diaspora and remittances around the world</td>
<td>• Strategic Position in the Middle of the Balkans</td>
</tr>
<tr>
<td>• Commitment to future EU integration</td>
<td>• Relatively good infrastructure</td>
</tr>
<tr>
<td>• Commitment to support Foreign and Domestic Businesses</td>
<td>• Very low taxes</td>
</tr>
<tr>
<td>• Decentralized system</td>
<td>• Easy trained workforce</td>
</tr>
<tr>
<td>• Stable economic depth comparing to region</td>
<td>• Multilingual workforce</td>
</tr>
<tr>
<td>• Developing Market</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Weaknesses</th>
<th>Threats</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Low level of Security</td>
<td>• High level of graduates do not meet the demands of private sector</td>
</tr>
<tr>
<td>• Informal economy</td>
<td>• High number of officer having same competences local and central</td>
</tr>
<tr>
<td>• E-government still undeveloped</td>
<td>• Collision of laws</td>
</tr>
<tr>
<td>• Lack of e-services in central and local levels</td>
<td>• Increased competition from neighboring countries</td>
</tr>
<tr>
<td>• Weak coordination between local and central government</td>
<td>• The economy related strategies and normative framework have not been sufficiently implemented.</td>
</tr>
<tr>
<td>• Low level of public service delivery</td>
<td>• Political stability</td>
</tr>
<tr>
<td>• Lack of objective data and benchmarking of Kosovo different sectors</td>
<td></td>
</tr>
<tr>
<td>• Low level of law implementation</td>
<td></td>
</tr>
<tr>
<td>• Lack of general data</td>
<td></td>
</tr>
<tr>
<td>• Perception on country’s image</td>
<td></td>
</tr>
<tr>
<td>• Small market</td>
<td></td>
</tr>
</tbody>
</table>

2. As long as Kosovo has a very low paid labor force, stakeholders should provide policies to attract companies with higher job creation mainly those that are concentrated in
production, as they will contribute in reducing the very high unemployment rate, which is 35.1\%\(^3\).

3. Kosovo Investment and Support Enterprise Agency KIESA should have a strategic direction on Investment Promotion cycle which proposal would be as follow:

**Figure 1.3 Investment policy promotion Circle**

4. KIESA should provide a roadmap of the sectors where investors could have direct access to information with regards to different sector opportunities and potentials. KIESA should also provide sector studies and concentrate which of the sectors could attract more FDI inflows. Some of the sectors that come up during the work of the project that could generate investments in Kosovo are:

- Agribusiness Sector
- Business Process Outsourcing
- Decorative Stone
- Textile

\(^3\) Kosovo Agency of Statistics(\url{http://ask.rks-gov.net/eng/})
There are a lot of things that have to be done in creating such a good business environment in Kosovo for foreign investors; creating services such as “one stop shop” are a key to success, implementing this policy by IPAK (KIESA) will give better image to IPAK, it will also explain the main principles of doing business in Kosovo, acting as a key actor to FDI supporter. Other issue that IPAK has to take under consideration is also to create policies of “know how” to know and where to focus on target sector and countries where investments can be generated from. However, there are still problems remaining in the central government such as, coordination with relevant institutions.

Kosovo has currently a limited number of free trade agreements with foreign countries, but that number is growing. The most limiting factors to the procurement of additional bilateral trade agreements (BTAs) are a lack of universal recognition in the international community, political tensions with Serbia and its allies, and lack of implementation of the law, as well as the image in Kosovo. Kosovo has done an exemplary job of passing new laws to deal with international trade and investment, and the new laws in effect comport with EU and other international standards. The policies necessary to foster FDI are in place in Kosovo, but rigorous enforcement remains a weak point. Nevertheless, corruption, organized crime, bribes and security in Kosovo is widespread, discouraging foreign businesses from investing.

Relatedly, Kosovo’s system of financial incentives will prove crucial to the procurement of FDIs and the development of a strong, growing economy. Tax policies and most business registration and regulatory policies are helpful, but there remains much to be done in the
development of infrastructure and the addition of incentive programs such as subsidies and partnerships. The free economic zone project, which has already past, is a step in the right direction, but it will need to be carefully administered in order to maximize results and minimize the harms that such programs can bring.

The table 1.2 shows the total value of inward FDI for the period of 2007-2012 is 2,342,19 billion Euros. FDI during the year 2013 has increased reaching a value of EUR 258.5 million, compared with the year 2012, in the year 2013 there has been an increase of FDI by 13.08 %. German companies lead in FDI in Kosovo with 397 million Euros (see Table.1.1, followed by the United Kingdom and Turkey. The highest inward FDI are in Financial Services and Real Estate with 19% and construction industry, comprising 16% of overall FDI (see Table 1.2).

Table 1.7 shows the list of countries that have invested in Kosovo, the leading country is Germany with the biggest sum of investments which is 397 Million euro and it’s followed by UK and Turkey.

Table 1.2. Inward Investments year 2007-2013 in Kosovo by country

<table>
<thead>
<tr>
<th>Country</th>
<th>FDI 2007-2013 (in mil EUR)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Germany</td>
<td>397</td>
</tr>
<tr>
<td>UK</td>
<td>298</td>
</tr>
<tr>
<td>Turkey</td>
<td>236</td>
</tr>
<tr>
<td>Switzerland</td>
<td>216</td>
</tr>
<tr>
<td>Slovenia</td>
<td>218</td>
</tr>
<tr>
<td>Austria</td>
<td>154</td>
</tr>
<tr>
<td>USA</td>
<td>76</td>
</tr>
<tr>
<td>Netherlands</td>
<td>65</td>
</tr>
<tr>
<td>Italy</td>
<td>33</td>
</tr>
</tbody>
</table>

Source: Central Bank of the Republic of Kosovo. All data are in mil Euros.

The table below shows the sectors in which most investments have come from year 2007-2013, based on the below table one of the sectors that has attracted investments is Real estate with 19% and the same is followed by financial services with 19%.
Table 1.3 FDI by sector in Kosovo

Source: Central Bank of the Republic of Kosovo Annual reports.

Below there is a table showing the amount of inward investment that has come throughout the years shown in percentage, as it is shown on the table the years of investments in Kosovo is year 2007 when most of investment have come through the privatization process. Some of the big companies privatized at that time, include: Feronikeli (production of Nickel 32 Million) etc.

Table 1.4. FDI by Country - FDI 2007-2013 (in mil Euro)

Source: Central Bank of Kosovo Annual reports
1.6 Overview of socio-economic characteristics of Kosovar Diaspora

Several studies in Kosovar migration confirm that migration in Kosovo started as a response to the unstable political and economic situation, high unemployment level and poverty especially in the rural regions of Kosovo (UNDP 2011; 2012, 25-26; Haxhikadrija 2009, 20-21; Mustafa et al. 2007, 27) Hence, these studies suggest four migration waves in Kosovo as the following:

- Late 1960s-beginning 1970s: Uneducated and inexperienced youngsters from the rural regions emigrated towards Germany and Switzerland mainly to work on seasonal work:

- 1989-1997: Serbian forces persecute and fire educated and skilled men and women from their work places, thus Albanians were forced to leave the country in pursuing better life conditions and work places in the more developed countries.

- 1998-1999: During the war years between Kosovo and Serbia a massive oppression was applied on Kosovars and they were forcefully displaced from Kosovo to other countries, in particular to the neighboring countries.

- Post 1999: This migration phase is characterized by the entry of the International forces in creating a political stability in Kosovo, and more strict emigration policies for Kosovars. Nevertheless, this wave is considered to have the highest number of Kosovar emigrants either emigrating for reunification with their family or emigrating illegally.

Table 1.5 Share of emigrants across emigration waves, pre 1989- post 1999

Source: Kosovo Remittance Study 2013, UNDP
Following the results of the KRHS (2011), the largest share of Kosovar household heads (53.6%) emigrated after the Kosovo-Serbia conflict after the year 1999 (UNDP 2012, 26). According to Riinvest (2007, 39.) about 13% of the Kosovar population lives abroad from the total number of population, which is 2.5 million. Moreover, a group of studies approve that about 30% of the Kosovar families had someone from the close family living abroad. From these emigrants, 65% are male and 35% are female, as well as half of them are married and the average family has 4 members. The average age of the Kosovar emigrants in the world is 28.

A very interesting characteristic of Kosovar emigrants is that they have gone more in to European countries. For instance, Germany and Switzerland are the countries with the highest number of Kosovar diaspora. It is believed that these countries have attracted the highest number of Kosovar diaspora since the first Kosovar emigrants resided there enticing their family members to join them. Nevertheless, there are several other European countries enticing Kosovar emigrants such as: Austria, Scandinavian countries, United Kingdom, France, Albania, Bosnia and Herzegovina, Slovenia and Croatia (Mustafa et al. 2007 29-30; Haxhikadrija 2009, 22). As shown from the table below, Germany is the main destination where our Diaspora has immigrated with 32 % and is followed by Switzerland.

Table 1.6. Distribution of immigrants by host country (* no country>1%)

<table>
<thead>
<tr>
<th>Country</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Germany</td>
<td>32.80%</td>
</tr>
<tr>
<td>Switzerland</td>
<td>24.80%</td>
</tr>
<tr>
<td>Italy</td>
<td>7.60%</td>
</tr>
<tr>
<td>Slovenia</td>
<td>6.10%</td>
</tr>
<tr>
<td>Austria</td>
<td>5.90%</td>
</tr>
<tr>
<td>USA</td>
<td>4.30%</td>
</tr>
<tr>
<td>Sweden</td>
<td>2.90%</td>
</tr>
<tr>
<td>France</td>
<td>2.90%</td>
</tr>
<tr>
<td>UK</td>
<td>2.50%</td>
</tr>
<tr>
<td>Belgium</td>
<td>2.20%</td>
</tr>
<tr>
<td>Norway</td>
<td>1.50%</td>
</tr>
</tbody>
</table>

Source: Study on remittances in Kosovo 2013 DEED - UNDP
The analysis done from the World Bank (2007) suggests that Kosovo emigrants have the income of approximately 4 billion Euros in total, and a large sum of this money is sent from diaspora to their families in Kosovo in the form of remittances. Kosovo diaspora has played a very crucial role through many years in Kosovo, especially after the conflict. The positive trend of the remittances sent in the last decade testifies the strong connections between Diaspora people with their families in Kosovo. These remittances represent very considerable resources of incomes for people of Kosovo which have affect on an increase of consumption and reduction of poverty. To increase the influence of remittances in economic development of Kosovo, Kosovo government has to offer an attractive business environment and other incentives, specifically for investments from Diaspora. In Kosovo, investors from Diaspora have never been discriminated positively with a specific law or regulation; however they have been treated equally to other investors, according to the law on foreign investors. Nevertheless different countries have taken different initiatives to attract businesses from Diaspora, Kosovo hasn’t been that successful in attracting its Diaspora business, only because 3.9% of remittances were used for investment in business (UNDP, 2012).

In Kosovo there is a large number of organizations who deal with Diaspora treatment and investments as well as a large number of organizations who serve as a one stop shop for Diaspora businesses. A very crucial role to give information on business opportunities plays Kosovo investment Enterprise and Support Agency KIESA (former IPAK) by offering options to Diaspora businesses. While working on the Project report, a list of recommendations will be given regarding the Diaspora business such recommendations include: Investments in Bono from Diaspora, Investments in Industrial parks or forming a group of Diaspora investors to invest in their country in different sectors as a Joint stock Company. The idea of the Joint stock company came while reading Diaspora proposals from different books and studies and below is given an example which could serve to Institutions dealing with support to Diaspora business. The best example that can be used from Indians from India they act as a network of businesses and what they do is they buy all the restaurants and hotels that are sold in different countries around the world, strong point of their successful way is the network that they have, which might be successful from Kosovo point of view.
In order to have an overview of the information about the investment climate, different political factors, business procedures of doing business and investing in Kosovo I was asked to do a project survey. To finish such survey we have selected 150 companies from different countries were Kosovo Diaspora lives, moreover the main principal of this survey is to get inputs from what Kosovo Diaspora plans for future investments. One of the questions that we asked to Kosovo business Diaspora had to do with their participation on different events regarding business activity, the question was: Have you ever taken part in any business activities with regard to Diaspora investments?

Figure 1.4 below shows how positive do they respond when invited to attend in investment conferences and forums about their country, out of 25 companies, 16 (64%) surveyed said that they have actively participated in events being organized by embassy or different organizations focusing investments from Diaspora.

Figure 1.4 Have you ever participated in any event with regard to Diaspora investments?

It was also a list of questions referring to Diaspora events being organized in countries where Kosovo Diaspora lives, and some of our questions had to do with their business activity and other activities, other input we wanted to know from them was whether the event that they participated was fruitful, gave them enough information or what was the main focus of that meeting. Out of 25 companies we surveyed 16 of them that participated in Diaspora investment Forums, 9 of them have had B2B meetings, 6 of them said that they annually participate in Diaspora meeting organized in respective countries, 7 of surveyed companies said they meet in
some other ways. The table below will give a better image of the events where Kosovo business Diaspora participates more:

Figure 1.5 Which is the latest activity you participated as business?

Although, neighbouring countries and countries around the world have offered different incentive, policies and ways to attract their Diaspora to invest in their country of origin, as they are seen as one of the greatest assets that a country could have, as a matter of fact the will of investing in their country of origin is always there, what stakeholders need to do is create policies and provide ready projects in order to bring them and do business.

In order to have such good dates about different questions we raised and in order to successfully complete our capstone project we asked to the surveyed companies about their idea of investing in Kosovo “Have you ever thought of investing in Kosovo”? The research will be carried out to examine the main projects, policies, activities developed and strategies by the national institutions and projects dealing with investments from Diaspora in Kosovo. The study will also attempt to give some useful recommendations to the Government of Kosovo and organizations dealing with Diaspora and steps they should follow in order to have investments from Diaspora. Out of 25 surveyed companies said that they would have invested in Kosovo.
In order to understand the opinion of their final decision on investing in Kosovo, as may studies and literatures mention it, one of the reason why Diaspora invests in their country is that because they have relations and because of that they are always interested in investing in their country. As identified that 24 (99%) of companies are willing to invest in Kosovo, which is an impressive feedback it leaves to GoK to deal with the how to approach to a positive answer from diaspora companies.

The table below will tell us how their perception with regard to their country investment is.

As discussed earlier, Diaspora has always a will to invest in the country, but must have support from institutions and serious institutions as they need to create a trust in those who deal with
support to their future investments projects. The table below will tell us the level of interests from Diaspora to invest in Kosovo, out of 25 surveyed companies 23 of them said that they are committed to future investments in Kosovo.

Figure 1.8 Are you committed to future investments in Kosovo?

<table>
<thead>
<tr>
<th></th>
<th>Yes</th>
<th>No</th>
<th>Maybe</th>
</tr>
</thead>
<tbody>
<tr>
<td>Count</td>
<td>23</td>
<td>1</td>
<td>1</td>
</tr>
</tbody>
</table>

Considering that fact the Kosovo has a very simple tax system, very young and motivated workforce, multilingual and easy trained workforce, free access to European markets, good strategic position we came up to a question for the Diaspora companies whether some of these reasons we mentioned above have influence in their decision to invest in Kosovo. Out of 25 companies, 19 said that the investment climate in Kosovo is favourable, 5 said that investment climate is not favourable, and only 1 said that as a lack of information the response was “I don’t know”.
Figure 1.9 Do you think that investment climate in Kosovo is favourable?

After asking companies about their perception on investment climate, encouraging responses were received, now the dilemma is how fast would they start their business in Kosovo, and the next question would be “If you think that the investment climate is favourable, how fast would you start your business”. Out of 25 companies 13 of them said that they would start their business in 6 months, 7 said they would start their business in a period of 6 months to 1 year, 3 said that they would start the business in 5 years and 2 said they don’t know.

Figure 2.0 if you think that the investment climate is favourable. How fast would you start your business?
There is a number of literatures and works that speak of the Diaspora and their role in country’s economy. Insofar there have been various studies carried out in Kosovo regarding Diaspora’s opportunity for investment in economic zones, per bono as well as opportunities of making funds, the purpose of which is to attract investors from Diaspora, or the most recent one that I had the occasion to get involved directly in establishing the Diaspora network. But, what is the result of this all? There are many people thinking that there is interest, and there are such that think it will never succeed. But an analysis will be made to Diaspora through years which let us understand that we really had an increase or decrease of investors’ interest from Diaspora.

Members of Diaspora express a deep concern and discontent “lack of attention and care”, by Kosovar government institutions regarding their problems they are facing in resident countries. The GoK should build policies to foster better communication, cooperation and effective mechanisms for addressing the needs of Diaspora businesses. Being in desperate need to generate economic growth and new jobs, Kosovo cannot afford to neglect the very high important potential of the Diaspora. Working with Diaspora businesses will help GoK to improve the image of the country as well as it will ease the facilitation of new Project for Kosovo. “The investment-linked risk perceived by the Diaspora is smaller than the risk perceived by other potential investors. It must be said that the global overseas Diaspora invests practically nothing, while the European Diaspora invests the equivalent of 15% of Kosovo’s GDP, which represents 10% of total investments. Further proof of the importance of the Diaspora: it accounts for 70% of company acquisitions.”

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4 Beyond remittances Public Diplomacy and Kosovo’s Diaspora, Behar Xhara and Martin Wahlisch, July 2012 pg. 15
Chapter. II

There is a list of factors to be considered

On this chapter we will tent to give an overview of the factors to be considered in order to do business in Kosovo, meanwhile we will also give a diagram of improvements in different business areas where GoK has done so far to attract foreign investors and support to local business.

Kosovo is currently in the process of developing a business-friendly environment governed by a free market, western system of laws. The Ministry of Trade and Industry has worked to promote foreign direct investment (FDI) in Kosovo, and trade-friendly policies (including the availability of foreign investment in every major sector of Kosovo’s economy) have resulted in the steady and consistent growth of FDI in the country. Select rankings from various economic evaluators and surveyors are depicted in Table 2.1 below, and this section will continue by describing Kosovo’s current policies in regard to each area measured.

Table 2.1 Kosovo Improvements on Corruption and Doing Business Reports.

<table>
<thead>
<tr>
<th>Survey</th>
<th>Year</th>
<th>Ranking</th>
<th>Year</th>
<th>Ranking</th>
<th>Year</th>
<th>Ranking</th>
<th>Year</th>
<th>Ranking</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transparency International Corruption Index</td>
<td>2011</td>
<td>112</td>
<td>2012</td>
<td>105</td>
<td>2013</td>
<td>111</td>
<td>2014</td>
<td>N/A</td>
</tr>
</tbody>
</table>

How to read Table A: The “Survey” column lists the institution giving the rankings as well as the issue being ranked. The rankings for Transparency International and the World Bank represent a numerical ranking of every country in the world.

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5 Transparency International Corruption Index, http://cpi.transparency.org/cpi2013/results/
The Foreign Investment Law mandates that foreign investors be treated the same as citizens of Kosovo. It protects foreign investors from “unreasonable” expropriations and entitles them to due process of law (as well as timely compensation based on fair market value of the property at issue). An eminent domain law was passed by UNMIK in 2005 that limits the availability of expropriations lawsuits, but that law applies only to Socially Owned Enterprises (SOEs) that are a part of the privatization process. The law on foreign investments consider with only 10% of capital brought from outside as foreign investments, same law was updated by the Investment Promotion Agency of Kosovo and ratified in December of 2013 and put into force in January 2014.

Business disputes are resolved within the Kosovo court system unless investors agree upon arbitration or some other mutually acceptable dispute resolution mechanism (both the American and Kosovar Chambers of Commerce have recently made such alternative mechanisms available in order to decrease the costs of disputes). If investors do decide to pursue arbitration instead of litigation, the results of the arbitration are enforceable in court (as mandated by the International Center for Settlement of Investor Disputes, or ICSID, which Kosovo has joined).

Jurisdiction within the Kosovar courts is divided between the commercial courts, which have jurisdiction over shipping, intellectual property rights, and unfair trade practices, and the municipal courts, which have jurisdiction over bankruptcy proceedings. It is important to note that since 2011, privatization in Kosovo has been governed by its own set of laws: the Law on the Privatization Agency of Kosovo (Law No. 04/L-034), the Law on the Reorganization of Certain Enterprises and Their Assets (Law No. 04/L-035), and the Law on the Special Chamber of the Supreme Court of Kosovo. Criminal law is currently governed by the UNMIK Criminal Code and the Code of Criminal Procedure, but the Kosovo Parliament is expected to overhaul the criminal law with new legislation in January of 2013. The new law is expected to streamline court procedures and appeal processes in order to prevent waste of judicial resources.
2.3 Performance Requirements and Incentives

There are currently no performance requirements at all for foreign investment in Kosovo. The value added tax (VAT) is 16% for all companies, regardless of type or size, and contains various exemptions for certain goods (for instance, medical goods and services). Many new companies are granted VAT exemptions in order to encourage FDI and expansion of existing businesses. Exports—both goods and services—are exempt from VAT, and a large number of inputs are eligible for tax credits. The corporate tax rate in Kosovo is a flat 10%.

Table. 2.2 Taxes in Kosovo

[Graph showing tax rates in Kosovo]

Source: TAK, IPAK, Kosovo Statistical Agency

Below there is a table that describes the comparison between Balkan countries regarding the tax rates, the overview of the comparison of the Kosovo tax system with its neighbouring countries is shown in the table 2.3.
Since 2000, despite a lack of universal recognition, the EU has recognized Kosovo as an autonomous customs territory and has removed restrictions on the import of most industrial products, and Kosovo has enjoyed preferential treatment from the EU since 2002. In an effort to improve its prospects for acceptance into the EU, Kosovo is in the process of conforming its customs policies to EU standards. Kosovo also enjoys preferential treatment from the United States. Finally, Kosovo has recently eased its requirements on documentation for both importing and exporting, requiring only one document to export goods (customs export declaration) and three to import (a commercial invoice, a customs import declaration, and a certificate of origin). In order to promote local production, Kosovo’s new Customs and Excise Code (No. 03/L-109) applies a reduced rate of zero percent customs duty on certain capital goods, raw materials and agricultural production inputs. A zero tariff rate is also applied to the export of goods and services.\(^7\) The process is moving with a list of reforms where a number of one stop shops have increased from 26 municipalities to 27 municipalities which allows companies to apply and get at the same time the business certificate, VAT and Fiscal number in any out of 27 one-stop-shops. These policies, combined with Kosovo’s low taxes, make Kosovo one of the more attractive countries in the Balkans for the production and export of goods.

Diaspora businesses have poor information on Kosovo tax System, therefore as part of this project a question for their knowledge was raised during the survey to have a better picture of

\(^7\) www.dogana-ks.org/tarik/.

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**Table 2.3 Comparison of tax system in the Region**

<table>
<thead>
<tr>
<th></th>
<th>VAT</th>
<th>Corporate Tax</th>
<th>Income tax</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Kosovo</strong></td>
<td>16%</td>
<td>10%</td>
<td>0-10%</td>
</tr>
<tr>
<td><strong>FYROM</strong></td>
<td>18%</td>
<td>10%</td>
<td>10%</td>
</tr>
<tr>
<td><strong>Serbia</strong></td>
<td>18%</td>
<td>10%</td>
<td>12-20%</td>
</tr>
<tr>
<td><strong>Bosnia and Herzegovina</strong></td>
<td>17%</td>
<td>10%</td>
<td>5-30%</td>
</tr>
<tr>
<td><strong>Croatia</strong></td>
<td>22%</td>
<td>20%</td>
<td>0-45%</td>
</tr>
<tr>
<td><strong>Germany</strong></td>
<td>17,3</td>
<td>17,3</td>
<td>34,6</td>
</tr>
</tbody>
</table>

*Source: Economic Initiative for Kosovo ECIKS*
whether they have information on applicable taxes in Kosovo. Figure Below describes the level of information that Kosovo diaspora has with regard to taxes in Kosovo.

Figure 2.1 Are you well aware of tax system in Kosovo?

Due to the lack of information from diaspora businesses on tax system in Kosovo, question was raised to understand what is the level of their knowledge on applicable taxes in Kosovo. Figure 2.2 explains the level of knowledge that businesses in diaspora have regarding taxes in Kosovo.

Figure 2.2 What is the tax level information you know (1- very low - 5- very high)
After analysing the knowledge that businesses in diaspora have in regard to tax system, a list of applicable taxes willing to have information were asked to companies, figure 2.3 explains the list of taxes they want to have information for.

Figure 2.3 What taxes do you need to have more information?

2.4 Right to Private Ownership and Establishment

Foreign investors hold the same rights as citizens of Kosovo in most areas of business; government approval for foreign investment is not required (except in the case of businesses where domestic investment would also require government approval). Foreign investors hold five important rights that protect the free establishment and use of their property: the right to transfer their property to legally qualified persons, the right to purchase residential and non-residential property, minority shareholder protections identical to those of domestic investors, identical tax obligations as domestic investors, and the right to establish subsidiary enterprises that the investor deems beneficial for his business.
2.5 Protection of Property Rights

Property disputes in Kosovo abound. The majority of disputed land is agricultural. One major problem in this area is a lack of accurate records, since Serbia took the records during the 1998/1999 conflict. Many pieces of property are claimed by a large number of individuals, each one bearing his or her own type of documentation demonstrating ownership. The Kosovo Property Agency (KPA) is charged with resolving these disputes, but fair and equitable resolution is made extremely difficult by the lack of complete and uniform documentation. KPA decisions are appealable only to the Supreme Court of Kosovo.

Private land ownership is recorded in an immovable property rights register, in accordance with the Law on Cadaster (Law No. 2003/25), in order to maintain records of and protect property ownership. The Kosovo Cadastral Agency (KCA) oversees and updates this register. A mortgage and lien registry also exists, as well as mechanisms for enforcement of mortgages and liens.

Intellectual property rights in Kosovo are governed by three laws passed by the Kosovo Assembly in 2011: the Law on Patents (Law No. 04/L-029), the Law on Trademarks (Law No. 04/L-026), and the Law on Industrial Design (Law No. 04/L-028). These laws work in conjunction with UNMIK resolutions to provide for the establishment, protection, and enforcement of copyrights and patents. Kosovo’s laws comport with international conventions. The recently established National Intellectual Property Council serves to increase agency coordination among the various agencies and offices involved in the implementation of intellectual property law.

Despite Kosovo’s modern system of laws and policies, enforcement is very poor. Counterfeit goods are widely available (especially DVDs, CDs, computer software, and clothing) and are even openly sold in many places with no reprisal and the implicit cooperation of the police.
2.6 Transparency of Regulatory System

Kosovo is in the process of creating a large number of new institutions to issue licenses and permits, processes for obtaining these is often unclear. There is a lack of transparency in this regard is due more to the novelty of the institutions than to any sort of corrupt or bad-faith intentions on the part of government officials. All tenders in Kosovo are advertised in both Albanian and Serbian, with the larger tenders also being advertised in English. Like the majority of Kosovo’s new laws, Kosovo’s regulatory and accounting systems were created to match EU standards and are, in general, business-friendly. All rules, regulations, and procedures of the tendering process are published by the Government of Kosovo and are available online.

2.7 Corruption

Corruption is one of the world’s greatest problems especially when it comes to business importance, it’s an issue that has been fought for many years. Nevertheless, corruption is one of the main obstacles for economic and social development in Kosovo. There are many leaders who agree that corruption is the most severe problem for Kosovo as it frequently voiced in reports Transparency International, corruption remains prevalent in many areas and affects the access of citizens to public services.

In order to fight corruption in Kosovo, several laws have been adopted as part of the government’s anti-corruption program even the European Commission have included Kosovo in so many reports about the issue of corruption and they repeatedly urged the GoK to combat corruption. Moreover, in many aspects, corruption continues to be classified as a major obstacle for business growth in Kosovo by businesses and foreign investors. Lately a survey conducted for foreign investor’s perception from IMF suggest necessary steps to be taken in order to get foreign investors. Another example is, a survey of the American Chamber of Kosovo (ACK) conducted in 2008 revealed that around 40% of Albanians and 18% of Serbs who run businesses report to that they are faced with corruption. The figure 2.4 explains hat out of

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25 companies 20 of them agree that corruption in Kosovo is a problem that needs the attention of the Government of Kosovo. Therefore the mechanisms to fight corruption are powerless.

Figure 2.4 Do you agree that there is a corruption in Kosovo?

![Bar chart showing agreement levels to corruption in Kosovo]

After 6 years of independence, Kosovo struggles with uneven rule of law and a weak justice system that is failing its citizens. The mechanisms who guarantee the rule of law are erratic performers, prone to political interference and abuse of office remains an obstacle. However critical weaknesses remain, notably in the courts, and the government, supported by the international community, and must act swiftly to curtail them. The figure 2.5 shows the perception of diaspora business with regard to function of rule of law.

Figure 2.5 Lack of Rule of Law

![Bar chart showing perception of rule of law]

Many reports rank Kosovo as a bureaucratic country even though Kosovo government is highly concentrated in eliminating procedures for doing business and dealing with different licences and permits; however bureaucracy remains a concern for diaspora businesses. The figure 2.6 explains the opinion about bureaucratic procedures in Kosovo.

Figure 2.6 Do you believe that in Kosovo you have too many Bureaucratic procedures?

Opinion shows that most Kosovars believe that corruption in Kosovo is “widespread.” Kosovo’s Anti-Corruption Agency (ACA) is the primary body responsible for anti-corruption policymaking and enforcement in Kosovo. Currently, the ACA is tasked with preventing conflicts of interest, overseeing the assets of public officials, monitoring the receipt of gifts by public officials, participating in the drafting of a code of ethics, and working with the local and the national governments to ensure that anti-corruption policy meshes and is carried out in each municipality. The ACA performs these tasks through the implementation of three “pillars”: enforcement, prevention, and education.

Foreign businesses should investigate the specific level and methods of corruption in their particular field of interest and hire individuals to ensure compliance with anti-corruption laws. In some sectors, bribery is common practice. Kosovo is currently working with the United States and other countries, as well as the UN, to combat corruption. A number of anti-
corruption laws have been passed, but as with many other laws in Kosovo, they are not rigorously enforced and even less rigorously observed.

2.8 Bilateral Investment Agreements

Kosovo holds free trade agreements with Albania, Macedonia (subject to occasional imposition of duties on some Kosovar agricultural products), Croatia, Bosnia and Herzegovina, the Central European Free Trade Area (CEFTA), and the EU Common Aviation Area. It also enjoys preferential treatment in the United States. In order to secure alternate sources of energy, Kosovo has also joined the Athens Process on Energy for the Southeastern Europe Energy Community Treaty. Kosovo is currently in the process of actively soliciting free trade agreements with a number of other countries and the number of agreements is expected to rise in the near future.

2.9 Investment Guaranties in Kosovo

**Investment guarantees** since 2000, OPIC has provided investment insurance to American investors in order to spur American investment in Kosovo. Investment insurance in Kosovo is also available from the World Bank, the Multilateral Investment Guarantee Agency, and the International Monetary Fund (IMF). Currently there are three organizations providing Investments guaranties in Kosovo:

I. The Multilateral Investment Guarantee Agency MIGA (a member of the World Bank Group) guarantees investments in Kosovo up to the value of 20 million Euro. Kosovo is a member of MIGA since June 2009, and it has been supportive side to different agencies and institutions in helping them to create better policies on business protection. Kosovo has full access to MIGA’s risk mitigation instruments. On December 22, 2010, MIGA issued a guarantee of $50 million to ProCredit Holding (PCH) covering its investment in its subsidiary in the Republic of Kosovo. The coverage is for a period of up to 10 years against the risk of expropriation of funds for mandatory reserves held by the subsidiary in the central bank of its jurisdiction.

II. The US Overseas Private Investment Corporation (OPIC) also provides political risk insurance for foreign investors in Kosovo.
III. For investment and credit guarantees from Austria please contact the Austrian Kontrollbank (OeKB) and for Germany the Euler Hermes Kreditversicherung.

3.0 Labor

Labor law in Kosovo requires employers to pay overtime for hours over forty per week, comply with occupational health and safety standards, provide annual leave, provide twelve months of maternity leave (six months partly paid and six months unpaid), and pay a minimum wage of €170 per month. Enforcement is carried out by a compliance office within the Ministry of Labor and Social Welfare and disputes are adjudicated in the Kosovar court system. The social security contribution for businesses in Kosovo is the lowest in all of Europe at 5%. Businesses in Kosovo according to law on insurances are not obligated to pay health insurance or any other insurance taxes, up to date the law on Health Insurance has been ratified by the Assembly of Kosovo 10.04.2014 and promulgated by Decree of the President of Kosovo 25.04.2014, the law will start to be implemented by all organizations from January 2015.

On the survey it was also included two of the many reasons why diaspora companies would consider Kosovo as a location to invest, the figure 2.7 explains the view that these companies have with regarding to the cheap and skilled workforce. Out of 25 surveyed companies 14 of them agree that Kosovo has a cheap workforce, 7 companies remain neutral to that and 4 of them don’t agree that workforce is cheap.

Figure 2.7 Cheap workforce?

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9 http://www.kuvendikosoves.org/?cid=1,191,1091
In addition to that the young and motivated workforce is seen as an advantage to use to invest in Kosovo. Out of 25 surveyed companies 20 of them consider that Kosovo has young and motivated workforce.

Figure 2.8 Young and Motivated workforce?
Chapter III

Free Economic Zones examples to be implemented

This chapter’s focus is on free economic zones present in Kosovo, some of the best examples to be followed in order to have success. The challenges that could face an economic zone as well as the incentives that could be provided to foreign and diaspora investors to allocate on the economic zone. This chapter will discuss the doing business procedures Kosovo’s ranking on procedures in doing business. Improvements taken by Government in Kosovo I easy of dealing with licenses and permits.

Free Trade Zones – Doing Business in Kosovo

The aim of this chapter is to present policies, examples as well as steps that are being taken from different countries and institutions in order to improve the business environment as well as the role of free economic zones in Kosovo.

Actual types of Business Parks in Kosovo

a) Free Economic Zones - mostly attract export oriented and production businesses because of tax incentives, tax breaks, and easy procedures to do business offered at such zones. As part of free economic zones, the sales that those companies make are typically "deemed" exports; hence, they are eligible for duty drawback and other export incentives.

b) Industrial Parks – this type of Park attract already existing businesses as well as FDIs. Some of the benefits that such zones offer are: renting of a parcel for 99 years; location of the park; less bureaucratic procedures to open and operate a business; easy access to infrastructure such as security services, access to electricity, access to water, phone and internet services as well as easy of cooperating with any of the businesses present on the park. The implementation of the business parks in Kosovo started in 2004 when MTI sponsored the establishment of Business Park in Glogoc, since that several other parks has been built: Business Park in Suhareka, Prizren, Vushtri and Mitrovica.
c) Business Incubators – This type mostly attract start-ups and those that are in need of a space and those that are in very early stages of operation. Benefits offered from business incubators are: availability of comfortable space and accommodation, close to relevant institutions, security services, there’s a parking space in some of them, access to electricity, phone and other services. An example of a business incubator in Kosovo is business incubator in Gjakova, Deqan and Gjlogoc.

Kosovo has approved the plans for “free economic zones”, designed areas where taxes are cut, and regulatory policies are simplified in order to promote business expansion. However, critics point out, though, the free economic zones present the danger of “ex-territorial” or lawless areas in which businesses carry on the sorts of practices they cannot get away with another paces and government cronies receive tax breaks. Moreover GoK should be very careful as poorly administrated free economic zones fail to promote the sort of growth that is supposed to be their chief aim. In order to eliminate such potential harmful consequences and promote a friendly and effectively business environment, Kosovo must follow the best practices in the world, and create specific schemes designed and promote businesses in the zones as effectively as possible.

Lately GoK of Kosovo have established three free economic zones as of the date of this capstone project, but their enforcement is underway and is expected to be completed in the near future. The new law on Economic zones allows municipalities to establish its free economic zones, such initiatives have been taken from Municipality of Gjakova, Mitrovica and Prizren for which the Government of Kosovo has past the decision of giving the right to these municipalities to initiate the application for their free economic zones http://www.kryeministri-ks.net/repository/docs/Vendimi_i_mbledhjes_se_178-te_te_Qeverise 2014.pdf. The main purpose of these free economic zones is to create employment, attract foreign and domestic investors, increase of production and raise Kosovo’s exports. By creating these zones Kosovo government will improve the economic development, raise living standards of the citizens and it will also increase competitiveness. The GoK has also approved the administrative instruction (MTI No. 03/2014) for functionalizing the free economic zones and install businesses on the

10 http://www.kryeministri-ks.net/?page=1,5 (Decision on establishing free economic zones)
zone. Benefited municipalities can provide fiscal incentives for Investors who are concentrated mainly in production sector, and also companies will benefit from tax holidays, tax breaks which will be introduced in near future by Ministry of Finance or related mechanisms.

What Kosovo should do to succeed.....?

The examples of Dubai and Macedonia are instructive in this regard; thus, this capstone project will analyze and critically compare the plans of Dubai and Macedonia with the proposal of Kosovo.

3.1 DUBAI AS AN EXAMPLE OF SUCCESS

Brief Historical Overview

The emirate of Dubai was founded in the 18th century as a fishing village. By the 20th century, the region had developed into a major trading port and economic crossroad, but it remained relatively obscure and was not particularly wealthy. In the 1970s, it joined the United Arab Emirates (UAE), of which it remains a member emirate today.

Maktoum bin Rashid Al Maktoum, the leader of Dubai in the 1980s, undertook the creation of free economic zones because he wanted to diversify the emirate’s assets and reduce dependence on oil exportation. His stated goal, according to author Matthew Strong, was to transform Dubai into a “thriving Middle East economic magnet”, but his program saw only modest progress until the 2000s. Between 2000 and 2005, Dubai enjoyed growth rates of 17% (the highest in the world), and in 2006, Sheikh Mohammed bin Rashid Al Maktoum expanded his predecessor’s project dramatically. The Jebel Ali Free Zone was followed by thirteen additional free zones, and there are plans for an additional fifteen zones. Dubai now constructs two thousand buildings per year and attracts over 300,000 new residents per year; according to the Central Intelligence Agency, it boasts the world’s 5th highest per capita GDP. It is worth noting that areas of Dubai outside the free zones, such as the agricultural sectors, have suffered relative economic stagnation during the same time period.

The Dubai International Financial Center (DIFC) is a 110-acre free zone in the emirate of Dubai. The DIFC is innovative in that it became the first nation to deliberately and independently
“imports” the laws of another nation to govern its territory when it explicitly adopted British common law to govern commercial transactions within the Center (criminal behavior is still regulated by Sharia law). In creating its British common law system, Dubai drew heavily from the English Civil Procedure Rules (CPR) of 2006.

The adoption of a British common law system has been central to the DIFC’s success in its free economic zone projects. The world’s top four financial centers—London, New York, Hong Kong, and Singapore—as well as number eight (Chicago) and number ten (Sydney) all resolve economic disputes and govern commercial transactions under a common law system, leading many prominent economists (Robert Barro, for instance) to conclude that having a common law system is more conducive to economic growth than having a civil code system (which, of course, is much better than having no system at all). Common law legal systems provide predictable and reliable methods of property dispute adjudication and are thus attractive to investors, spurring economic growth. They are generally more flexible, stable, and workable than civil code systems.

In addition to adopting such a system, the DIFC ensured proper administration by recruiting experienced English judges to preside over the DIFC who had worked with the common law. The DIFC has been a model of how legal systems should work to foster economic activity: it has been proactive in communicating the relations between businesses governed by DIFC law (that is, English common law) and those outside the DIFC (who are governed by the UAE’s civil code) but who conduct business with DIFC entities, making business interactions clear and fluid; it has taken feedback from the business community after promulgating its Rules of Court; and it has treated its legal system as more of a good or service than as a government fiat, advertising it and working with “customers” (businesses) instead of simply laying down the law. By December 2008, more than 750 firms had registered in the DIFC.

In his article “Dubai’s Free Zones: A Scalable Strategy for Global Free Market Reforms” (2010), Michael Strong lists the three most common causes of failure in free economic zones: administrative issues, marketing issues, and infrastructure issues.

In regard to administrative issues, overbearing or complicated regulatory frameworks and inefficient bureaucracies force businesses to either a) spend significant time and resources just trying to comply with government regulations, or b) bribe government officials in order to
bypass the cumbersome regulatory process. Neither result is helpful for sustainable economic growth. Additionally, a lack of true autonomy within free zones hinders the zone from accomplishing its purpose of making business easier and cheaper; in Jordan and Egypt, for instance, free zone budgets require not only the approval of the governing board of directors of the zone, but also of ministers and councils outside the zone. In order to achieve their purposes, Strong argues, free economic zones should be truly autonomous, both in name and in practice.

Another administrative impediment to the success of economic free zones is lack of clarity in the law. Constant and unexpected changes in the law confuse investors, leading them to lower their confidence in the region and take their business elsewhere. Free zones must be mindful to carefully delineate the overlap (and avoid potential conflict) between the law in the free zone and the law in the rest of the country, especially in regard to customs (it is in this regard that the DIFC Court proved especially apt). The substance and workings of tax and regulations must be clearly defined beforehand in order to avoid ad hoc deals between businesses and the government that serve little other than to give government cronies tax breaks and generally fail to generate the kind of economic growth free zones exist to promote.

Another potential pitfall of free economic zones is a lack of adequate marketing. The DIFC took the correct approach to this when it treated itself and its legal system as a good or service being offered to businesses, its “customers.” During the creation of a free zone, businesses and potential investors should be notified early on about the opportunities that will be available, and the zone itself should be advertised as if it were a product to sell. The businesses and potential investors should be given the chance to comment on the law and make suggestions for improvement. When the DIFC did this, it underscored the economic advantages inherent in the free zone to businesses, bringing in more money and investors and ultimately contributing to its success.

Finally, some free economic zones have failed due to a lack of adequate infrastructure. This concern is tied to administrative issues, but goes further: whereas for administrative concerns the issue is whether the law is clear, and for marketing concerns the issue is whether the law is well-communicated, for infrastructure concerns the issue is whether the law is properly enforced in an efficient and equitable manner. To achieve this goal, Kosovo must ensure a
quality police force, adequate equipment, and a fair system of detection and enforcement. Measures against corruption are especially important in a free zone, where the potential for crooked dealings is high. Moreover, basic infrastructure concerns (roads, hospitals, fire stations, etc.) should be heavily emphasized and put in place as soon as possible so as to make the free economic zones attractive places for businesses to go especially foreign ones.

3.2 ANALYSIS OF KOSOVO’S PROPOSED FREE ECONOMIC ZONE POLICY
Kosovo’s proposal, “The Draft Law for Economic Zones” (as it is yet to be enacted, no law number has been assigned at this point) is well-structured but very general. If my reading of it is correct, it does not actually establish any free economic zone in particular, but rather establishes the rules and procedures for creating economic zones in the future.

The proposal is strong in that it encourages cooperation between governmental branches and levels. The mandatory consultation with the municipality in which the economic zone will be located is extremely important and beneficial. It is good that the ministries of trade and finance will collaborate to form the National Council, and it is also good that administrators of economic zones will work closely with customs officials in order to work out the rates on imports and exports. In sum, the combination of national oversight and local practicability is well-advised.

The proposal’s principle weakness, however, is its vagueness as to who is really in charge of each zone. Article 11, Section 1 provides that each

“[e]conomic zone is administered by the establisher who is obliged to ensure financial means for the establishment and administration of [the] economic zone...”

The establisher of each zone is also granted a number of other powers (see, for example, the rest of Article 11 and also Article 12, Section 3). Despite the fact that the “establisher” is granted very broad authority within each economic zone, that person is defined in the law only as the “public institution which under this law establishes the economic zone” (Article 3).

This definition is inadequate because, as highlighted above, a number of “public institution[s]” collaborate in a number of different processes in order to collectively “establis[h]
the economic zone.” Which one of these public institutions, all of which had a role in establishing the zone, is the legal establisher? The law should be very clear about who the establisher is, since that person will wield a very high degree of control in setting a whole host of policies in the economic zone.

Additionally, even once the legal establisher has been clearly defined, the law should provide further detail as to which agencies/individuals are responsible for which specific tasks. This will avoid potential authority conflicts and differences of opinion between governmental agencies and businesses/administrators, as well as between one governmental agency and another. The law should provide clear, bright-line legal definitions as to “who is who” and “who does what.”

3.3 SUBSTANTIVE POLICY SUGGESTIONS FOR INDIVIDUAL ZONES

According to Kosovo’s proposed law, the establisher, in conjunction with local and national public institutions, is tasked with setting the specific substantive policies for each zone. Section II of this memo details the general attributes of Dubai’s economic zones that made them so successful: the adoption of British common law and competent judges to administer it, regarding their legal system as a good/service to be marketed, a clear legal framework, a powerful marketing campaign, and a strong infrastructure. This section is more specific, offering concrete policy examples that were instituted in Macedonia that contributed to each region’s success.

a. Strict Leadership Rules
One common criticism of free economic zones in general is that they frequently turn into criminal safe havens where illicit activities find a shelter from the law. In order to avoid this, Macedonia implemented very strict and specific laws delineating who is in charge of each zone and exactly what responsibilities and powers that person holds. As discussed above, Kosovo should further clarify who is in charge of each zone and exactly what competencies that person or institution will be given.

b. Export Promotion
Ultimately, the purpose of an economic zone is to increase production and exports in the host country. In order to ensure that its economic zones are being used in the way most beneficial for the country (and not just beneficial for the individual business), Macedonia requires developers within the zone to export at least 65% of the goods and services produced in the zone in order to remain eligible for the tax incentives. Additionally, it requires businesses to show that their exports and business activities within the zone are genuinely new activities, not merely old activities that have been moved into a tax-friendly region. Kosovo should follow this example in order to maximize the benefits of its economic zones and create as much new production and exporting as possible.

c. Job Creation

In order to spur job creation and boost local economies, Macedonia requires businesses within the zone to use local manpower and prefer domestic suppliers “whenever economically feasible.” This requirement promotes local economic growth while allowing for an exception when such growth would cost too much for the company to stay in business. With its high unemployment rate, this policy would be especially helpful to Kosovo.

d. Vetting of Developers

Macedonia institutes a comprehensive vetting process prior to approving any trade association or developer to open a free zone. The developer must provide “written proof of their financial ability matching their financial obligations under this Law”, which must include official documentation verifying the existence of adequate funds, as well as “demonstrate previous experience and track record in trading or in the operating of free zone sites.”

In applying to operate a free zone, developers must also submit an environmental impact assessment, a marketing plan, and a business plan or feasibility study. If a developer declares bankruptcy, is caught lying in the application, or fails to build the free zone in accordance with local regulations, approval is automatically revoked. By ensuring that the developers of a free zone are qualified and able to undertake the task successfully, Macedonia has been able to weed out “loser enterprises” and achieve a greater success rate in its free zones.
e. Protections against Extraterritoriality

One concern that critics frequently level against the creation of free zones is that the zones become “ex-territorial” areas, essentially lawless regions ungoverned by a general or comprehensive legal code. Macedonia took care to emphasize that this was not the case, and Kosovo should do the same. All domestic laws of Macedonia remain fully applicable within its free zones; the only difference is in the rates of customs and taxes. Macedonia’s law creating free economic zones repeats frequently and unambiguously that domestic Macedonian laws remain in full force within the free zones.

As described above, Dubai took a different approach when it specifically excluded its DIFC free economic zone from general trading laws. It was nevertheless successful because of the meticulous way in which it laid out exactly which new laws would govern the region (Sharia law for criminal actions, English common law for commercial transactions, and an elaborate and well-communicated system of meshing the common law requirements of businesses within the DIFC with the civil code requirements of businesses outside the DIFC in order to foster trans-zone business interaction), thus erasing concerns that it was merely a lawless area. Whichever approach Kosovo chooses to take, it should ensure that its free economic zones do not become mere safe havens for criminals. Kosovo’s new law should either incorporate a system of common law to govern the zones, or it should explicitly state that the zones remain under the general Kosovar legal scheme.

f. Generous Tax Exemptions and Incentives

Drawing the precise tax exemptions and incentives is perhaps the most important part of creating an economic free zone, since these things are the heart of what attracts businesses and spurs growth. Macedonia’s law grants businesses the following tax exemptions:

“Sales tax on products within the free zone site except for those products sold for final consumption within the free zone; Sales tax and VAT on goods imported into the free zone site for production purposes and for performing other approved activities in the free zone; Sales tax on services provided in the free zone immediately linked with export of goods and services; Profit tax for a period of ten (10) years from the day of commencement of activities in the free zone; Property tax for a period of ten (10) years from the day of commencement of activities in
the free zone; All taxes otherwise applicable to any transfer of property or rights thereof between developers and users within the free zone.”

In addition to exemptions, Macedonia offers a variety of other tax-related incentives, including the following:

“Free zone users reinvesting in the capital assets of the free zone site shall be entitled to a reduced profit tax base for the amounts invested after the expiration of the 10-year period. Free zone users shall be exempted from paying participations (contributions), taxes and other duties pertaining to use of land for construction, connection to the water supply, sewerage, heating, gas and power supply networks. Free zone land may be leased to foreign investors for a period of fifty (50) years, with a possibility to extend the term to another twenty-five (25) years, pursuant to the law. The developers of the free zone shall have the full right to sublet or rent parts of the free zones or structures thereon or rights thereof to the users.”

3.4 Business Sectors - Doing Business

One of the Kosovo’s big gap is to improve the trade balance: such as increasing exports and replacing imports is essential to balance macro-economic disproportions, as it’s stated in many reports out of 100% of the goods consumed in Kosovo 90% of goods are imported and only 10% being produced in Kosovo. If the GoK wants to have positive results in replacing the trade balance by doing it itself and by continuous strengthening of the private sector and the resulting increase of competitiveness will help to reduce such disproportions, and if GoK does that it is believed that until 2015 the level of the trade deficit will drop to around 36% of the GDP. Some of the suggestion from this Final report to the specific stakeholders dealing with economic growth would be that during the coming period to be concentrated in increasing the potential of sectors, which will pay strategic importance to the industry sector of small and medium enterprises as the engines of economic growth such as: Information Communications technology, Financial Services, Production and Manufacturing of Different Goods, Use Kosovo as an Outsourcing Destination due to different benefits, metal and Mineral sector as well. To offer Kosovo as market to foreign and domestic (diaspora businesses) as a potential site where investments can be made there is a list of factors to be considered to improve for
attracting investments. Such improvements include: Infrastructure for foreign investors, Financial Stability, Energy supply, Enforcement of rule of Law, Fight Corruption, Offer Quality work force, Eliminate Bureaucracy etc. Figure 3.1 shows that the lack of infrastructure is a big gap that needs the attention of the GoK in order to be ready to expect diaspora investments in Kosovo. Out of 25 Companies 18 companies said that Lack of Infrastructure remains a problem, 4 of them were neutral to situation, 3 disagree to situation.

Figure 3.1 Lack of infrastructure?

Kosovo’s financial sector has continued to expand its activity, thus reflecting high levels of stability in all its constituent parts. The banking system, as the core component of the financial sector, continued to maintain a satisfactory liquidity position, high capitalization level and high quality loan portfolio, despite the slight increase of non-performing loans to total loans ratio. The figure 3.2 explains that the financial stability remains a neutral topic for diaspora businesses. Out of 25 companies 7 of them agree that Kosovo have financial stability, 11 said that they remain neutral, hence 7 of them consider as a problem.

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11 Central Bank of Kosovo - FINANCIAL STABILITY REPORT 2012, pg 11.
Companies from diaspora identify Lack of Energy as one of the biggest problem to do business in Kosovo. Out of 25 companies 9 fully agree that Kosovo lacks on energy, 15 agree to that point and 1 disagrees. The figure bellows shows their reflection.

A Kosovo rank 86th in 2014 out of 189 economies out world and has much room for improvement in this regard. The “Doing Business” ranking, conducted by the World Bank, represents an amalgamation of various individual elements. Below we will see a table that explains the years of World Bank reports on Kosovo’s doing Business reform.
Table 3.1 Improvements in World Bank doing business of Kosovo.

![Diagram showing improvements in doing business in Kosovo from 2011 to 2014.](image)

*Source: World Bank Doing Business Reports 2011-2014*

The table below is shown the ranking on business reforms that has been taken from the GoK in easy on doing business in Kosovo, and as a result of reforms being taken from the GoK Ministry of Trade and Industry, Kosovo was considered on the World Bank doing business report as the 5th most dynamic reformer.

Table 3.2 The World Bank Doing Business Report 2014

Based on the data seen from the tables above, it’s seen that Kosovo has done a lot in improving business environment, however there not much room for satisfaction as GoK should do more in order to get ranked better in world Banks “Doing Business Reports”. As one of the key factors in attracting foreign investors are reforms on easy of doing business and in this regard Kosovo can always take good examples of reforming business environment from Macedonia which has been one of the most reforms in the world for couple of years.

Based on the reforms that GoK has taken to improve its doing business, a question of which way would they choose to do business in Kosovo was required to know from companies. Figure 3.4 explains the way of how companies’ would decide to do business.

Figure 3.4 which way would you choose to do business in Kosovo?

![Bar chart showing choices of doing business in Kosovo](image)

After requiring the way of doing business in Kosovo, next what was required to know from companies was their expected challenges while doing business in Kosovo. Figure 3.5 explain the challenges that companies expect to face during the process.
Since challenges have been identified another opinion were asked to companies and that is the type of their proposed business in Kosovo. Figure 3.6 explains the proposed types which companies would register in Kosovo.

Based on the answers received from diaspora companies it is seen that these businesses are interested to enter Kosovo’s market and do business as they feel that they can have success in their business activity thinking of advantages that Kosovo offers. Nevertheless there’s a list of gaps needed to be taken from GoK such as bribes, corruption, infrastructure, security and that
is best explained from the figures above. Another way that GoK should keep in mind when
trying to attracts diaspora companies is the sincerity and seriously in offering the right
information and the right treatment before doing business.
Chapter IV.

COMPARISON BETWEEN INVESTMENT INCENTIVES IN KOSOVO AND THE REGION

When talking about incentives there’s always a thought that different countries are doing in order to attract as much investors as possible considering that incentives are a key factor to support local producers mainly export oriented companies and invite foreign investors to invest in the country. The location of FDI may also be influenced by various incentives offered by governments to attract multinationals. These incentives take a variety of forms. They include fiscal incentives such as lower taxes for foreign investors, financial incentives such as grants and preferential loans to MNCs, as well as other incentives like market preferences and monopoly rights. This chapter will focus mainly on a comparison of Kosovo with neighbouring countries regarding the incentives provided by each country in the Balkans region. The focus will be on, Albania, Macedonia, Serbia and Bosnia and Herzegovina. Each of these countries provide a list of incentives competing with each other.

Benacek et al. (2000), concludes in their literature review that according to Lankes and Venables (1997), “Tax incentives for foreign investment are not considered important to the location decision i CEECs, although individual agreements between the investor and the government are significant for a small group of investors. The creation and implementation of financial incentives for foreign investors is a key step in cultivating an investment climate that will attract FDI. For its part, Kosovo has taken a number of steps to create investment incentives, and it is in the process of creating more. This section lists and compares the investment incentives advertised on the websites of the Investment Promotion Agencies (or otherwise-named equivalents) of Kosovo, Macedonia, Serbia, Bosnia and Herzegovina, and Montenegro in order to highlight areas for improvement in Kosovo. For Albania, since the investment incentives are not listed on the Albania Foreign Investment Promotion Agency’s (ANIH’s) website, all information comes from the Albania Times, a daily news source in Albania.

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12 The Economics of International Investment Incentives pg. 169, Magnus Blomström, Stockholm School of Economics, NBER and CEPR UECD 2002
4.1 Macedonia

Like Kosovo, Macedonia offers low taxes: 0% on retained earnings, flat 10% corporate income tax, and flat 10% personal income tax. Labor is relatively cheap, with an average monthly salary of €488. As a member of the Stabilization and Association Agreement (SAA), the Switzerland, Iceland, Norway, and Lichtenstein Agreement (EFTA), and CEFTA, Macedonia has access to a customer base of 650 million people. Finally, like Kosovo, Macedonia allows foreigners to directly buy and lease land.

Macedonia is also home to various Technological Development Industrial Zones, which include benefits of their own. In these zones, personal income tax and corporate income tax are waived for the first ten years, there is never any VAT or customs duties for export production, Macedonia subsidizes up to €500,000 of building costs, 99-year land leases are available at concessionary rates, export to the EU is expedited by a special customs channel, and access to a railroad and airport is available. Macedonia’s free zones, built on these conditions, have proven successful in the past.

There are specific tax incentives offered by Macedonian Government with the aim of increasing the FDI inflow in the country, the Law on Technological Industrial Development Zones provides for a special tax treatment for any investor who invests in the appointed zones. Generally, these incentives include:

1. A Ten-year tax holiday from profit tax for entities performing its business activities in the zones
2. A Certain exemption from VAT for trade made within the zone and for imports in the zones
3. Tax holiday from personal income tax on salaries to all workers employed at entities carrying out business activities in the zones for a period of 10 years from the month in which the first salary is paid. Besides the tax incentives, this law also provides for certain customs exemptions, exemption from fees for preparation of the construction site, free connection to the water, sewerage, heating, gas and power supply networks, and other incentives in the direction of maximization and attraction of new foreign direct investments
in Macedonia, the Macedonian Government has put in place several programs and mechanisms for improving the investment attractiveness of the Country:

**Tax heavens**

Government of Macedonia has taken the recent reforms of the tax system include a flat rate tax of 10% was introduced on corporate and personal income. The cut was from 15% on corporate tax rate and from 15%, 18% and 24% on personal income tax. In order to stimulate additional foreign and domestic investment, corporate tax on retained earnings is set at 0%. Special tax incentives are offered for companies operating in the technological–industrial development zones (TIDZs). These include a 10-year personal and corporate income tax exemption for the first 10 years. Every company is exempt from tax on retained earnings.

Moreover, Macedonia has signed numerous double taxation agreements in order to avoid double taxation of foreign companies operating in Macedonia. Technological–Industrial Development Zones (TIDZs) are centers in which highly productive clean manufacturing activities are concentrated and new technologies are developed.

Investors in TIDZs are entitled to personal and corporate income tax exemption for the first 10 years. Investors are exempt from payment of value added tax and customs duties for goods, raw materials, equipment and machines. Foreign Investors are also exempt from paying a fee for preparation of the construction site. Fast procedures for business activity registration are provided in TIDZ which makes the TIDZs a one stop shop service that further reduce the costs of setting up.

**4.2 Serbia**

Serbia’s tax rates are a bit higher, with VAT at 18% (standard rate) or 8% (reduced rate), social contributions at 17.9%, corporate profit tax at 10%, taxes on dividends at 20%, capital gains personal income tax at 10%, salary personal income tax at 12%, copyright tax at 20%, and annual income tax between 10% and 15%. Serbia’s wide range of trade agreements, spanning the EU, the USA, Russia, CEFTA, EFTA, and Turkey opens it up to a market of more than one billion customers. FDI has, on average, been rising since 2000, with $3.125 billion in 2011. A
well-developed infrastructure makes the transportation of goods and exports simple and available.

Serbia administers a state grant system to subsidize the creation of new businesses, with the size and availability of the grant depending on the type of businesses, the worth of the business, the minimum investment amount, and the number of jobs created. The country has also established corporate tax holidays, allows for a number of tax exemptions and deductions, avoids double taxation, and administers free zones with no VAT.

4.3 Bosnia and Herzegovina

Instead of creating elaborate tax or subsidy programs, Bosnia focuses on the treatment of foreign investors. As in Kosovo, foreign investors are entitled to the same rights and the same treatment as a Bosnian citizen, banks may be freely used, foreigners can own real estate directly, and foreigners may employ other foreigners. A Foreign Investors Support Fund has been established, which serves to help foreign investors and to ensure the continuation of a stable business environment.

An investor in Bosnia can partner with the government to create a free zone, provided that the investor can prove that exports from the zone will exceed in value at least 50% of the manufactured goods leaving the free zone within one year. Various social incentives exist; for example, if an employer employs 50% or more disabled individuals, he is exempt from corporate income tax.

Bosnia’s free trade agreements include CEFTA and SAA. Finally, an FDI insurance program run in Bosnia allows foreign investors to insure their assets in the country.

4.4 Montenegro

Montenegro has one of the most business-friendly tax policies in the region, with VAT ranging from 0% to 17%, corporate profit tax at a flat 9%, and personal income tax at a flat 9%. Property taxes are between 0.08% and 0.8% of the property’s market value. Macedonia has concluded free trade agreements with the EU, EFTA, CEFTA, and Russia. FDI is at over one
billion euros and rising, and the poverty rate is low (around 5%). Nevertheless, in 2009, GDP fell by 5.9%.

Montenegro offers a number of both tax incentives and of customs/tariffs incentives in order to promote FDI. If a company invests in fixed assets, it can reduce its tax liability by up to 25%. Companies that choose to invest in specially designated less-developed areas of the country are exempt from corporate income tax for three years. Any business loss resulting from business relations can be used to offset profits in tax calculations for up to five years. In the case of imports of raw materials used to create products for export, no customs at all must be paid. There is no customs tax on the import of equipment (although there is still VAT). Finally, exports are exempt from customs, and refunds are available for most VAT taxes on exported raw materials.

Tax credits – The amount of tax due can be reduced by 25% of the amount invested in fixed assets for the respective tax period. This reduction cannot exceed 30% of the total tax liability.

Incentives for non-developed areas (Northern part of the country) - New founded companies, in the area of production, are corporate tax-free during the first three years of operation.

Carrying Loss - Losses resulting from business relations, excluding those resulting in capital gains and losses, may be transferred forward to offset profit generated in future calculations periods, but not exceeding five years.

Investments in securities – If profit from capital investment is used for purchase of new securities, such profit is not taxable under to condition that it is reinvested within 12 months from its arising. Profit from sale of securities held by a taxpayer for more than two years in his portfolio is exempt from taxation\(^\text{13}\).

\(^{13}\) Tax Incentives in Montenegro [http://www.mipa.co.me/investment_incentives](http://www.mipa.co.me/investment_incentives)
4.5 Albania

Albania has a number of new, innovative programs to spur FDI and economic growth in the country. It will soon begin implementation of its “Albania 1 Euro” program, which prioritizes the market entry plans of foreign investors. Machinery imports are eligible for VAT tax credits, and Facon producers are exempt for VAT altogether. The government of Kosovo is the owner of a variety of enterprises, but it leases many of those enterprises out to private investors at subsidized prices.

In April the VAT legislation has been subject to further amendments in the ambit of the 2014 fiscal package. VAT reimbursement for exporters during the meeting of 9th of April 2014, the Council of Ministers approved the decision “On the Definition of Terms and Criteria for classification of Exporters for the purpose of the VAT Reimbursement” (“Decision”). The Decision determines the following criteria to be met by the taxpayers in order to be classified as “exporters” under article 50/4 (“VAT Reimbursement”) of the VAT Law and benefit from the VAT reimbursement within 30 days from submission of their request: a) the taxpayer exports goods in compliance with articles 181 and 182 of the Customs Code; b) the value of the exports made during the fiscal year is not less than 60% of the turnover (including exports); and c) the VAT credit balance exceeds the amount of Leke 400,000. Moreover, the Decision establishes the criteria to be met by exporters classified as “Zero Risk Exporters” that are entitled to an automatic reimbursement of the VAT amount (ie. no tax audit is needed to confirm their reimbursable VAT). Taxpayers satisfying the following criteria are deemed Zero Risk Exporters: i. the value of the exports made during the fiscal year constitutes 100% of their turnover; ii. The export activity is carried out for more than two years; iii. The taxpayer evidences the performed exports with the customs export declarations; and iv. The taxpayer does not have any unpaid social and health contributions. In respect to the VAT reimbursement, recent amendments (introduced on February 2014) to the Instruction no. 17, dated 13.05.2008 “On VAT” provide for new rules on VAT reimbursement procedures, applicable to the procedure of VAT request examination, notification of taxpayers on acceptance of the reimbursement request for further
processing, and the role of the Treasury Directorate. Finally, in order to promote the production of energy, energy producers are eligible for a variety of tax credits, including customs duties exemptions.

4.6 Kosovo

Kosovo maintains a very business-friendly tariff policy, with no tax at all on exports and only 10% tax on imports. In an effort to join the regional free trade zone, Kosovo is a signatory of the Memorandum of Understanding on Trade Liberalization and Facilitation. The country has free trade agreements with CEFTA and various EU nations, as well as preferential treatment in the United States. Altogether, with its regional free trade agreements, Kosovo opens up to more than 22 million consumers. The corporate income tax and the personal income tax in Kosovo are both a flat 10%.

Three programs are available to insure FDIs and their assets. The first, the Multilateral Investment Guarantee Agency (MIGA), is administered through the World Bank and insures assets up to €20 million. The second, the US Overseas Private Investment Corporation (OPIC), is run through the United States and provides political risk insurance. The third program is more widely available and is administered through the IMF.

Due to high rates of unemployment (currently around 31.5%), the labor market in Kosovo is readily available and very cheap, with an average monthly salary of €350. Work permits are simple and cheap to obtain. Government of Kosovo has already passed the law on the establishment of free economic zones, which will operate in a private/public partnership capacity, but the specifics of the law are not yet public. Nevertheless there’s a special package which has been discussed in Ministry of Finance for incentivizing new projects in Kosovo, these incentives include financial and financial, and the process is still under discussion.
Chapter V.

Methodology of the Project

The main principle behind the project surveys was to get a feedback of diaspora perception about the investment climate in Kosovo. Secondary data was used on the project concerning the information provided from different studies and literature on FDI as well as diaspora determinants. An attention were given on countries where Kosovo Diaspora lives, and have given some examples on free economic zones as well as financial and fiscal incentives in attracting FDIs. The realization of the project was landed in such way to get the primary information on perception of Kosovo of Diaspora and collection of their thought about investing in Kosovo.

In order to receive primary results of the project have seen an email to companies from different countries mainly where Diaspora businesses were present, it is worthwhile to mention that the selected companies have been previously met by the researcher in different conferences where the main focus of these conferences was to present the investment opportunities in Kosovo. Nevertheless, 150 emails were sent to different companies from United States, Turkey and Europe, meantime we received only 25 questionnaires”. It is also important to mention that the first draft was sent 10th of April to all above mentioned companies. Below there is a diagram of how did the meetings have been proceed on the methodology.
Figure 5.1 Meetings and Discussions for Project Capstone

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<th>Activity</th>
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After calling the companies while talking to them we got some very interesting information, somehow Diaspora businesses feel that they are being abused from different people calling them whenever there’s is an interests but, at least a couple of companies said that, the other thing worth to mention is that they hesitate to respond on different questions and on time due to lack of communication and misunderstandings that they have creating about reality.

The primary data will be presented below based on the questionnaires received from diaspora businesses. The very first question of the questionnaire wanted to know was to know the year of establishment of the Diasporas business the main idea was to know whether they are young or whether they have long experience on business. The figure 5.2 will show the years of establishment of the companies we have surveyed:
Figure 5.2 Year of Establishment of surveyed companies.

![Bar chart showing the year of establishment of surveyed companies.]

The other information that was included on the survey was defining the location, 150 Questionnaires were distributed to different countries figure 5.3 shows the results received from companies. 9 completed questionnaires were received from companies in Germany, 7 from Austria, 5 from Switzerland, 2 from Belgium and 2 from France.

Figure 5.3 Country of the location of each Company.

![Bar chart showing the country of location for each company.]

On the questionnaire were also included the activities that Diaspora businesses have and results are shown in Figure 5.4.
Other question included on the questionnaire was the main market of their business. Out of 25 companies the main business activity of the surveyed companies is in Europe, however there are companies where their activity relies on other continents such as USA, Africa, Australia and Asia.

Other information needed from the businesses was their performance in order to see the demand for their purchased services, and the results are shown in Figure 5.6 Out of 25
surveyed companies answered an increase of their demands where 5 of them had a decrease due to decrease of demands.

Figure 5.6 has the demand in the last years of your operation increased or decreased?

![Pie chart showing 19 increases, 1 decrease, and 5 none.]

In addition this question we have added another extra question see why their demands have increased or decreased. The figure 5.7 shows that companies have had an increase of their services due to new technologies and new innovative ideas presented from their companies. However, some companies say that due to the increase of tourists they have had an increase of their services.

Figure 5.7 Why did you have an increase of your demands?

![Pie chart showing 38% increase of demands, 15% new product, 31% increase of tourists and marketing, 8% increase of quality, and 8% price.]

The main reason of the decrease of the demands have been: the unfavourable market, increase of competitiveness and the most important cause of the decrease of the product is global crises.

Figure 5.8 Decrease of the demands?

There were no information on the size of the companies surveyed before the project capstone, after the project outcomes it was realized how big and what potential does Kosovo Diaspora companies present to Kosovo for future investments.

Figure 5.9 What is the Size of your Company?
Something that threat the results of the survey was whether Annual turnover to be included on the survey, however it was decided to include as most of the respondents described their annual turnover. The Figure 6.0 shows the results of what was told by companies about their annual turnover, the results were surprising as 4 companies declared having from 100.000 thousand up to 1Million annual turnover, 9 companies over 1,000,000 million and 12 companies refused to declare the sum of annual turnover.

Figure 6.0 what is your company annual turnover?

All the results collected from surveyed companies about their annual incomes tell to the report that Kosovo Diaspora businesses have potential to expand and make their investment in their country.

As a part of the survey a question was raised to diaspora companies about the Kosovo’s market and investment climate, and based on the data’s collected from survey out 25 companies 13 agree that Kosovo is small market. The figure below shows their opinion.
Figure 6.1 Kosovo is small market?

Due to the small market demands diaspora business sees that this problem could lead to an unfavourable investments climate. The figure 6.2 describes the opinion about that.

Figure 6.2 Unfavourable business climate?

Kosovo has all necessary conditions to grow faster and it’s a growing economy, out of 25 surveyed companies 5 fully agree, 11 agree, 8 neutral and 1 disagree. The figure 6.3 shows their opinion about question.
Figure 6.3 Potential to grow fast and growing market?

In order to receive foreign and diaspora investors to Kosovo, GoK should provide whether fiscal or financial incentives schemes to support projects and companies mainly concentrated in production. Another question asked on the survey the attractive taxes financial or financial could act as a factor of their investments decision.

Figure 6.4 Attractive taxes and other incentives (financial and fiscal)

Another fact that would help foreign and diaspora businesses to show an interest in investing in Kosovo is the membership in different world organizations.
The figure 6.5 explains the importance of being a part of CEFTA, EBRD and other organizations. Up to date Kosovo has free trade agreements with CEFTA which is Central Economic free Trade Agreement which consist of 28 million consumers and Kosovo is a member since 2011 with a GDP 150 of billion Euros. Autonomous Trade Preferences with the European Union where Kosovo can export unlimited duty free access for specific types of goods, Generalized System of Preferences with the US for 4,000 goods.

Figure 6.5 Membership in regional and international Organizations (CEFTA, EBRD, WB, IMF)

From what was presented above the overall conclusion would that diaspora companies that have started their business mostly in European countries, imply that all these companies could consider investing in Kosovo soon. According to the analysed data there are some elements that motivate diaspora to take decision of starting their business in Kosovo motivations: a) Connection with the origin, b) willingness to bring their money to Kosovo, c) cheap labour force, d) young and motivated workforce and the last but not least e) simple tax system and low taxes. However, there are some other elements that prevents these companies to invest in Kosovo: a) the lack of rule of law, b) corruption and bureaucracy, c) small labour market, d) lack of qualified work force and e) Lack of energy and infrastructure. Kosovo needs to do more to improve all above mentioned areas in order to attract foreign and diaspora investments to Kosovo.
Chapter VI.

Conclusions and Recommendations

Kosovo’s biggest problems in maintaining a positive investment climate and attracting FDI are not policy-related, but enforcement-related: the Kosovo Assembly has been quite active in passing business-friendly laws that comport with EU standards since 2008, but those laws must be more stringently enforced if investors are to feel better about their assets in Kosovo.

Kosovo’s GDP growth has been modest in recent years, largely because of weak private sector expansion. The level of private investment is growing, but investment efficiency is a major concern. Uncertainty over the impact of donor downsizing on the economy, which has largely been sustained by foreign assistance, is significant.

Kosovo has a very large current account deficit and low levels of exports that are highly concentrated. It is highly dependent on remittances and foreign aid. A bright spot is increasing FDI. Kosovo’s commitment to education is evident in high enrolment rates, widespread literacy, and significant public spending on education.

Increase of investments and support to develop the private sector is the foundation of a sustainable economic growth. Amendment and completion of the essential legislation that create conditions to attract investment in Kosovo and removal of excessive administrative barriers facilitates operation of the private sector and contributes to the economic growth of the country.

Through adopting necessary legal infrastructure and institutional actions the aim is to improve Kosovo’s ranking in the World Bank’s Doing Business report, offer Guaranties for foreign and diaspora businesses, provide grants for large sums of investments, provide fiscal and financial incentives and fight corruption as well. Implementation and enforcement are problems due to lack of capacity in local institutions corruption is perceived as an impediment to business.

Implementation of activities set out in this final report suggest Government of Kosovo to improve its legal framework in a mid-term period, improve investment climate and last but not
least improve its Doing Business reform by raising Kosovo to top reformers in procedures of easy of doing business.

Kosovo relevant institutions dealing with foreign and diaspora investments need to coordinate together with embassies around the world to establish database of diaspora businesses which could engage all necessary parties to explore all Kosovo companies in order to identify the exact number of businesses and inform them about the investments climate and opportunities. Nevertheless there’s a special need to establish policies in supporting investment projects coming from diaspora, meanwhile all above institutions are recommended to create policies and schemes where diaspora businesses could have an easy access to funds and grants in order to realize their investments in Kosovo.

Another aspect in terms of developing this sector is intensifying activities for attracting foreign investment and integration in the international financial institutions. Last but not least there’s a huge need to specify a list of loans that could be provided by government and different institutions as many companies whether local or foreign could not find information for different loans as well as specific procedures needed to full fill in order to receive grants. Meanwhile Kosovo government should create policies to encourage export companies in order to increase exports of Kosovo.

Based on the research findings the GoK should undertake a several steps to attract the attention of foreign and diaspora investors to invest in Kosovo such as:

**Recommendation 1#**

*Fight against corruption* - First of all Kosovo institutions should prioritize the fighting against corruption and bureaucracy as a top priority as these two mechanisms are very important to rank in procedures of doing business and easy of doing business World Bank report.

**Recommendation 2#**

*Enhance institutional coordination* - There is lack coordination between institutions dealing with policy changes and policy making, as well as lack coordination about different activities, all the policies of different institutions are made ad hoc choices, there is lack of detailed information
on the relevant sectors and sub-sectors as well as concrete projects where foreign and diaspora companies could invest.

**Recommendation 3#**

*Enforce the rule of law* - Kosovo’s current legal structure defining the investment climate and establishing financial incentives is, in many respects, adequate. What needs immediate work is increased enforcement, increased respect for the rule of law, and increased efforts to detect and combat corruption. These issues must take place before any of Kosovo’s generally good trade laws will be able to reach their full effect.

Although the further development of business-friendly policies is important, then, the foremost priority Kosovo should have is to enforce existing laws. Relatedly, Kosovo needs to step up its anti-corruption efforts. The ACA should be given wider authority in inquiring into the records of businessmen, should be better-staffed, and should maintain detailed records of the assets of politicians in order to monitor transactions for potential corruption. The courts should enforce the ACA’s right to subpoena documents it thinks will aid in a corruption investigation.

**Recommendation 4#**

*Improve entrepreneurial approach* - Kosovo’s institutions should work on level of changing the approach of entrepreneurial culture as well as the promoting and learning of entrepreneurial in both in a formal and education in business field. There a specific need to sponsor and issue certificates of quality for companies mainly those who deal with large sums of exports, and there also need to improve standard as well as the application of European standards in order to meet European rules and regulations especially for the work force which is a huge problem for a foreign and diaspora company see as an obstacle. Kosovo has enough work force but not qualified for meeting demands of the interested companies such as engineers, programmers. Based on the survey conducted with diaspora companies were required to include the level of quality of work force they think meets their demands.
**Recommendation 5#**

*Establishment of support programs* - Kosovo’s government should support innovative ideas and leaded in different sectors, although there’s a huge need to create a national database of importers, exports, need to create a general database of information and information system about exports and necessary procedures to deal with.

**Recommendation 6#**

*Transparent Privatization process* - Careful privatization process of the assets left from privatization waves, this process needs a structural reform and development of the private sector. The privatization of the remaining socially owned enterprises and attracting private investments in public enterprises should be a next step to develop and foster economic development. In this direction the main focus shall be: a)The continuation of a transparent and fair process for the privatization of socially and publicly owned enterprises b)coordination and Continuation to attract private investments and privatization of some public enterprises c)Ensure fair distribution of funds from the privatization of public enterprises as based on the past experience the privatization gave a very bad experience on distribution of the 20% of the funds for the employees of socially owned enterprises .
**Recommendation 7#**

*Improve access to finance and investment promotion* - KIESA should initiate the discussions between institutions such as Ministry of Finance and the Central Bank to establish the economic impact of improving access to finance for exporters and competitiveness Project. KIESA should also draft strategies promoting diaspora direct investments, provide funds to diaspora investors; create a fund that is closely linked to investments in projects with interest for the public and diaspora investors.

**Recommendation 8#**

*Development of free economic zones* - The development of free economic zones is a positive step, but it will need to be implemented with care to avoid negative consequences. The ACA should be given a role in structuring the private/public partnerships for the free economic zones in order to protect against potentially corrupt deals that will not serve the public interest or promote business.

Figure 6.2 What is the level of your proposed investment?
**Recommendation 9#**

*Incentivize investment projects* - Another policy-related area that could be improved is the implementation of specific incentive programs for businesses in order to spur investment. Kosovo currently has a flat 16% VAT, with no performance requirements for businesses. On one level, the lack of performance requirements allows for more experimental businesses and thereby increases investment; on another, though, it fails to incentivize businesses to ramp up production and exports. Instead of having a flat 16% VAT, Kosovo could offer lower rates to businesses that meet specific minimum requirements of production and export. To better see how that does affects Diaspora companies the figure below explains that companies see that taxes in Kosovo are high compare to the economic situation and they realize that for the first time registering business in Kosovo, there must be a tax holiday, or tax break at least for the first year of their operation.

Figure 6.3 High Taxes in first year of operation?

![Bar chart showing responses to high taxes in first year of operation](chart.png)

**Recommendation 10#**

*Equal treatment and fair competition* - The state’s trade policies should continue to be based on the principles of open trade. However in mutual relations with other countries it is important to ensure the implementation of the principles of fair competition and reciprocity. Kosovo
producers should be entitled to equal support and status as other enterprises of the region and beyond. More specifically, this includes: In collaboration with the local authorities and the Municipalities in Kosovo to attain a coordination of activities for improving the environment for the establishment and development of SME by facilitating access to business locations, advancing public services, public infrastructure and urbanization; Designing training programs for employees and various categories of potential entrepreneurs both beginners and existing entrepreneurs in order to increase the performance of Kosovo SME-s which will result in increased work productivity;

**Recommendation 11#**

*Membership in important organizations* - Strongly recommendation to institutions such as MTI to facilitate relations with international, regional organizations mainly related to promotion, support to exporters those organizations would be : (World Trade Organizations, international Trade Centre and UNCTAD).

Finally, Kosovo could adopt some of the incentive programs of neighbouring countries, such as Albania’s “1 Euro Program” (which attracts FDI by prioritizing market entry for foreign investors) or Serbia’s generous government subsidy program for businesses that create jobs, with detailed and specific performance requirements to qualify for the subsidies. Unique programs such as these, which do not seem to be particularly widespread in the Balkan region, would set Kosovo apart from the rest and present a unique attraction to FDIs.

The upcoming economic free zone proposal is promising. If carried out responsibly and under careful leadership, this program has high potential to attract FDI and improve Kosovo’s economy as a whole. One of the most crucial aspects of ensuring this program’s success will be the careful, detailed, and specific enumeration of requirements for businesses and an even more careful enforcement of that policy in order to prevent cronyism and maximize job production and growth.
Figure 6.4 Are you committed to future investments?

Based on the figure 6.4 diaspora companies are interested and committed to future investments in Kosovo, out of 25 companies 23 said that they are committed to invest in Kosovo in near future.

Figure 6.5 Do you think that investment climate is favourable?

Another concern which was a major concern from diaspora companies is that they consider that investment climate need more improvement and attention from GoK, figure 6.5 shows that 19 companies agree with the investment climate situation in Kosovo.
Figure 6.6 How fast would you start your business in Kosovo?

Based on the table above it is seen that the interested to start business in Kosovo from Diaspora companies is shown in figure 6.6 where 13 companies expressed the readiness to start business in very short period of time (within 6 months).

Figure 6.7 Do you agree with the following statement that foreign investors are not satisfied with legal framework to do business?

Kosovo government should work on level of changing the perception of foreign investors as well as Diaspora in companies about the country image and investor’s perception. The figure 6.7 shows that out of 25 surveyed companies 18 of companies fully agree with the perception
that investments climate, legal frame work and doing business procedures are a gap to their future investments in Kosovo.

Foreign direct investment and Diaspora companies can play crucial role in raising a country’s technological level, generating new employment, promoting economic growth, bring new ideas and new technologies, give better image to country etc. Many countries are therefore actively trying to attract foreign investors in order to promote their Economic development. However, there are different ways to attract FDI. On this final report was given a clear picture of what policies does GoK need to intervene; it was also a list of incentives included focusing foreign and diaspora investments needed to be taken as a serious step to attract foreign and diaspora investments.
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Electronic Sources


RE: Questionnaire about the General background of Entrepreneur.

Dear Sir/Madam,

My name is Kreshnik Thaqi and I work for the Investment Promotion Agency of Kosovo IPAK, I am finalizing my master’s degree at Rochester Institute of Technology in Prishtine. With the request from my university, the below questionnaire is designed as a part of my master’s program and the main purpose of this is to define the role of Kosovo’s Diaspora in Economic Development.

Please notify that all the results from this survey will be strictly confidential, responses received from you and others will be used as primary data for my research project as part of my master’s degree at Rochester Institute of Technology RIT. I would appreciate your contribution offered through your participation in this research project. Your opinion is valuable and much appreciated.

Please do send the filled questionnaire at my email address kreshnik.thaqi@gmail.com, if you need anything in addition to the questionnaire, please do not hesitate to contact me through my personal mobile number 044 655 334 or write me at kreshnik.thaqi@gmail.com
A1. Year of Establishment ________?

A2. Address of the Company (country)?

B1. Activity of the Company?
   a) Construction (specify_______)
   b) Agriculture (specify_______)
   c) Textile (specify_______)
   d) Automotive (specify_______)
   e) Wood
   f) Decorative Stone (specify_______)
   g) Consulting Services (specify_______)
   h) IT and Telecommunications (specify_______)
   i) Infrastructure (specify_______)
   j) Others please specify ______________

B2. Where is your company main market?
   a) Europe.
   b) USA
   c) Africa
   d) Australia
   e) Asia
   f) Others Specify ____________.

B3. Has the demand in the last years of your operations increased or fallen?
   a) Increased why ________________________?
   b) Decreased why ________________________?

B4. What’s the size of your company?
   a) Small (1-25)
   b) Medium (25-50)
   c) Big Company (50 over)

B5. Your business annual turnover?
   a) 0-10.000
   b) 10.000 – 100.000
   c) 100.000 – 1.000.000.
C1. Have you ever participated in any economic activity with regard to investments from diaspora?
   a) Yes (If yes please describe the activity question C2)
   b) No

C2. What was the name of the activity you have participated recently?
   a) Diaspora investment Forum.
   b) Business to Business meeting (B2B)
   c) Diaspora annual meeting (respective country)

C3. Are well aware of the tax system in Kosovo
   a) Yes
   b) No

C4. If yes please describe the level of information you have? (1 - very weak - to 5 - very good)
   1   2   3   4   5

C5. If yes! Please describe of which taxes do you need more information?
   a) Corporate tax
   b) Personal Income tax
   c) Customs
   d) VAT
   e) Other taxes __________?

C6. Have you ever thought of investing your capital in Kosovo?
   a) Yes
   b) No

D1. Are you committed to future investment in Kosovo?
   a) Yes
   b) No
D2. Do you think that investment climate in Kosovo is favourable?
   a) Yes
   b) No
   c) Lack of information.

D3. If yes how soon do you expect to start your business?
   a) In next 6 months
   b) 6 months to -1 year
   c) 1-2 years
   d) More than 5 years
   e) Not sure

D4. Do you agree with the statement that in Kosovo, foreign investors are not satisfied with the legal framework for doing business?

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D5. If yes please describe how do you plan to do it?
   a) Local Municipality
   b) Chamber of Commerce
   c) Ministry of Trade / Investment Promotion Agency of Kosovo
   d) Ministry of Diaspora
   e) European Commission
   f) Through your analyses agent.
   g) Other __________________________/

D6. If yes, which challenges do you expect to face your business?
   a) Bribes
   b) Bureaucratic Procedures.
   c) Lack of investment security
   d) Lack of rule of law
E1. What type of business do you plan to register in Kosovo?

   a) Individual Business
   b) General Partnership
   c) Limited Partnership
   d) Limited Liability Company
   e) Joint Stock Company
   f) Foreign Company
   g) Socially Owned Company
   h) Publicly Owned Company
   i) Agriculture Cooperatives

E2. What is the level of your proposed investments?

   a) < 500,000
   b) 500,000 - 1mil
   c) 1.01 Mil - 5 Mil
   d) 5.01 Mil - 10 Mil
   e) > 10 Mil

E3. Please indicate whether you agree with the following statements?

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Thank you for participating in the survey.
## Appendix 2

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