

American University in Kosovo
in partnership with
Rochester Institute of Technology
Master of Science in Professional Studies
Public Administration

OPPORTUNITIES TO FOREIGN INVESTMENT IN KOSOVO

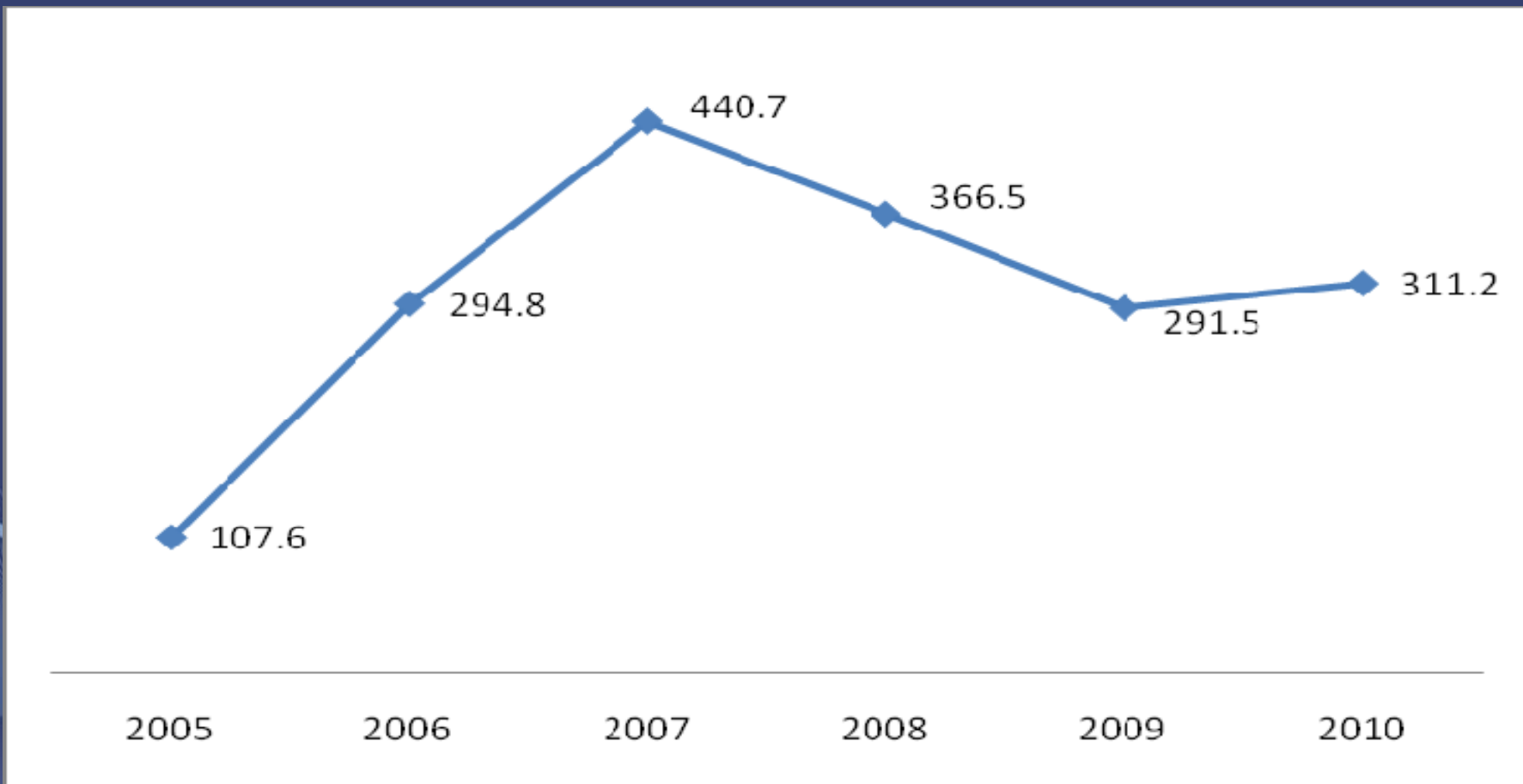
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Prishtina

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Presentation Outline

- Foreign Investments in Kosovo
- Foreign Investments trends in the world economy and in the Balkans region
- World Bank “Doing Business” Report
- Questionnaire results of foreign companies present in Kosovo (existing foreign investors)
- Questionnaire results of foreign companies not present in Kosovo (potential foreign investors)
- Major Recommendations
- Recommendations

Foreign investments in Kosovo 2005-2010 (€Millions)



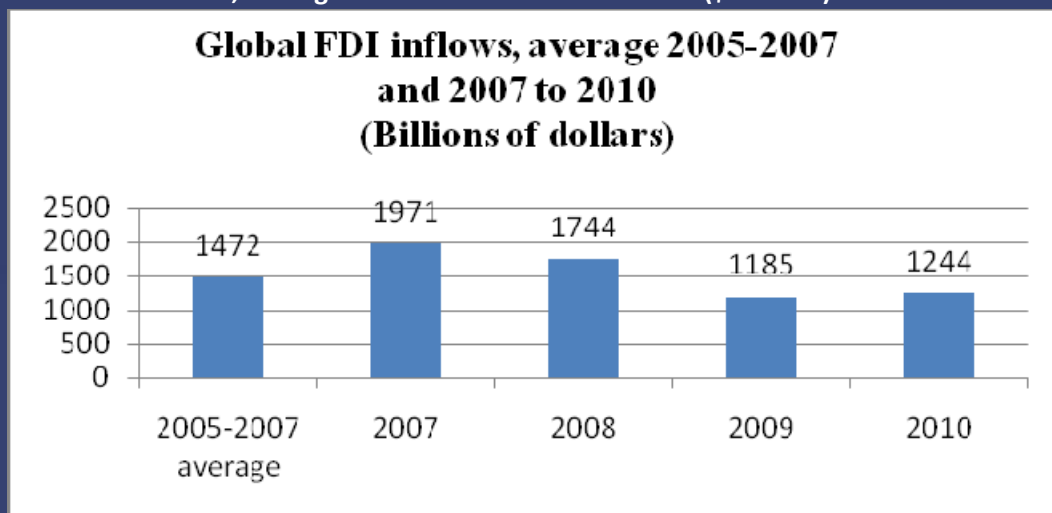
Source: Central Bank of Kosovo

2007 – Privatization process

2009 – Global financial downturn

FDI trends in the world economy and in the Balkans region

Global FDI inflows, average 2005-2007 and 2007 to 2010 (\$ Billions)



In 2010, top 5 host economies for global FDI inflows are :

1. USA - 228 US\$ billions
2. China - 106 US\$ billions
3. Hong Kong, China - 69 US\$ billions
4. Belgium - 62 US\$ billions
5. Brazil - 48 US\$ billions

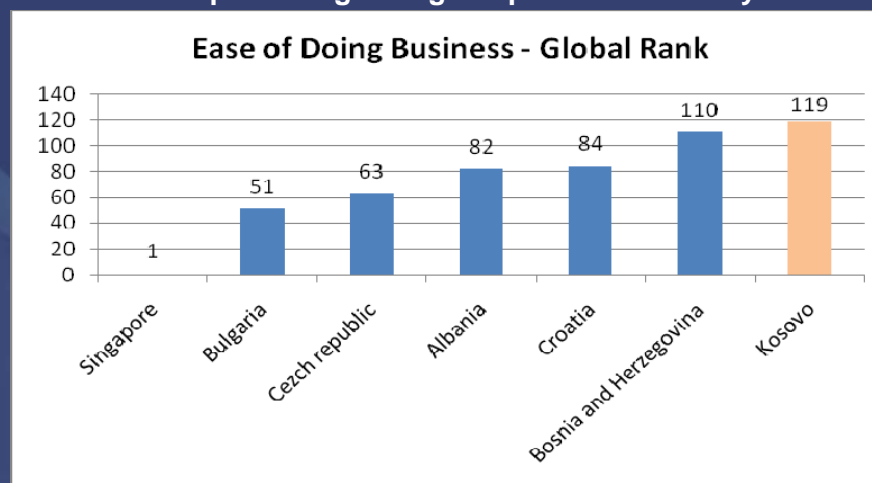
Foreign investments in the Balkans region (2005-2010)
(\$ Millions)

<i>Countries</i>	<i>2005</i>	<i>2006</i>	<i>2007</i>	<i>2008</i>	<i>2009</i>	<i>2010</i>
<i>Albania</i>	264	325	656	988	979	1 097
<i>Bosnia and Herzegovina</i>	613	766	2 080	932	246	63
<i>Croatia</i>	1 825	3 473	5 035	6 179	2 911	583
<i>Macedonia</i>	96	433	693	586	201	293
<i>Montenegro</i>	501	622	934	960	1 527	760
<i>Serbia</i>	1 577	4 256	3 439	2 955	1 959	1 329

World Bank Doing Business Report

According to World Bank Doing Business Report in 2011 Kosovo is ranked 119 out of 183 economies.

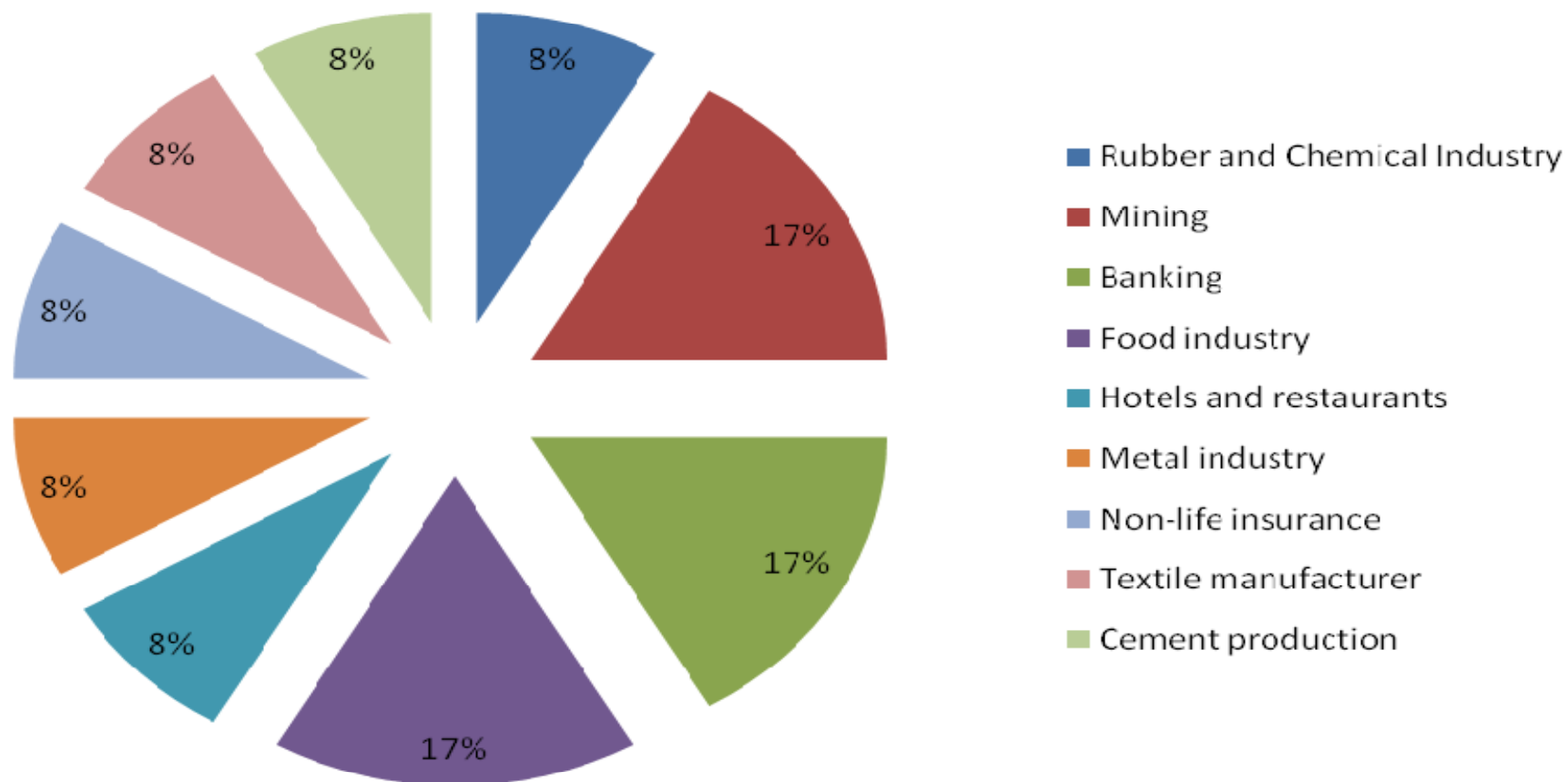
Kosovo – compared to global good practice economy as well as selected economies:



Topic Rankings	DB 2011 Rank	DB 2010 Rank	Change in Rank
<i>Starting a Business</i>	163	158	↓ -5
<i>Dealing with Construction Permits</i>	173	177	↑ 4
Registering Property	65	64	↓ -1
Getting Credit	32	30	↓ -2
<i>Protecting Investors</i>	173	172	↓ -1
Paying Taxes	41	51	↑ 10
<i>Trading Across Borders</i>	130	131	↑ 1
<i>Enforcing Contracts</i>	155	155	No change
Closing a Business	31	28	↓ -3

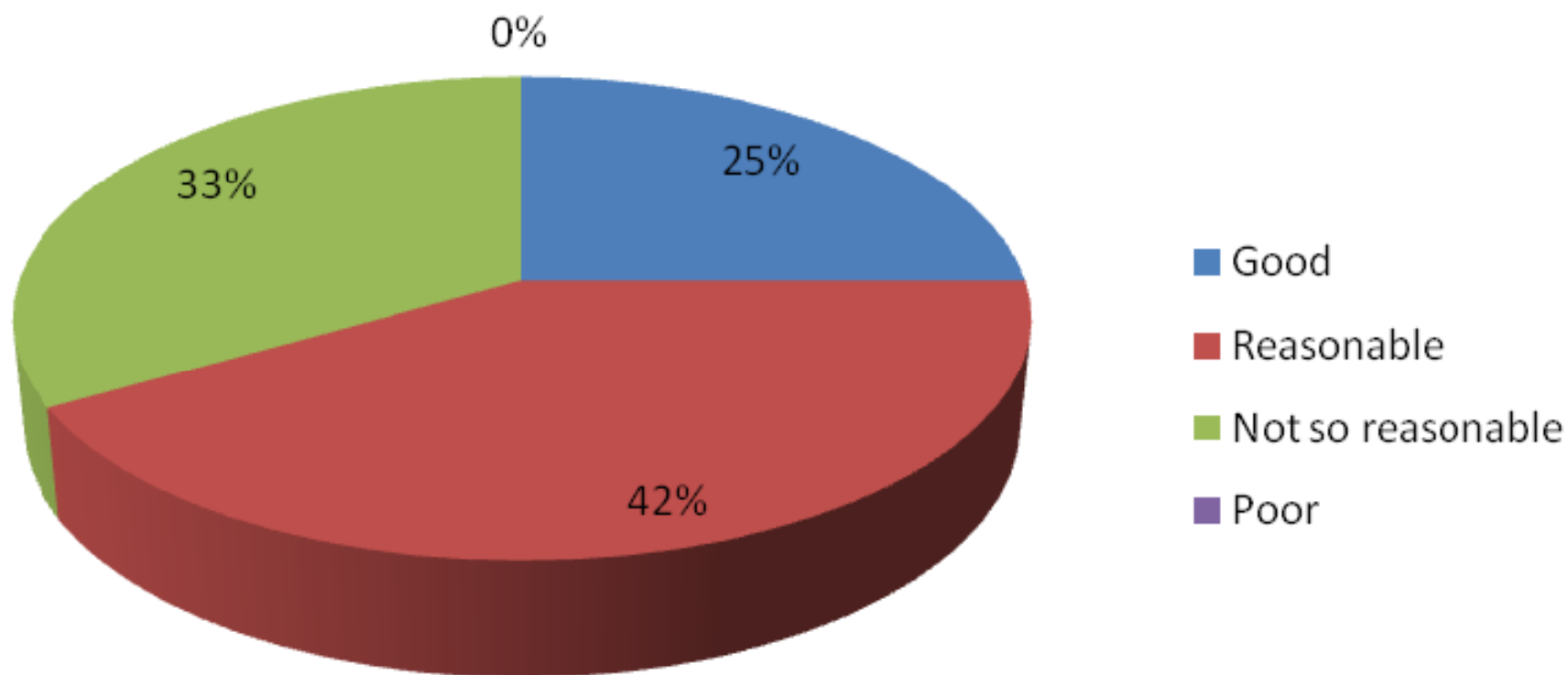
Main type of business of existing foreign companies in Kosovo

Main type of business



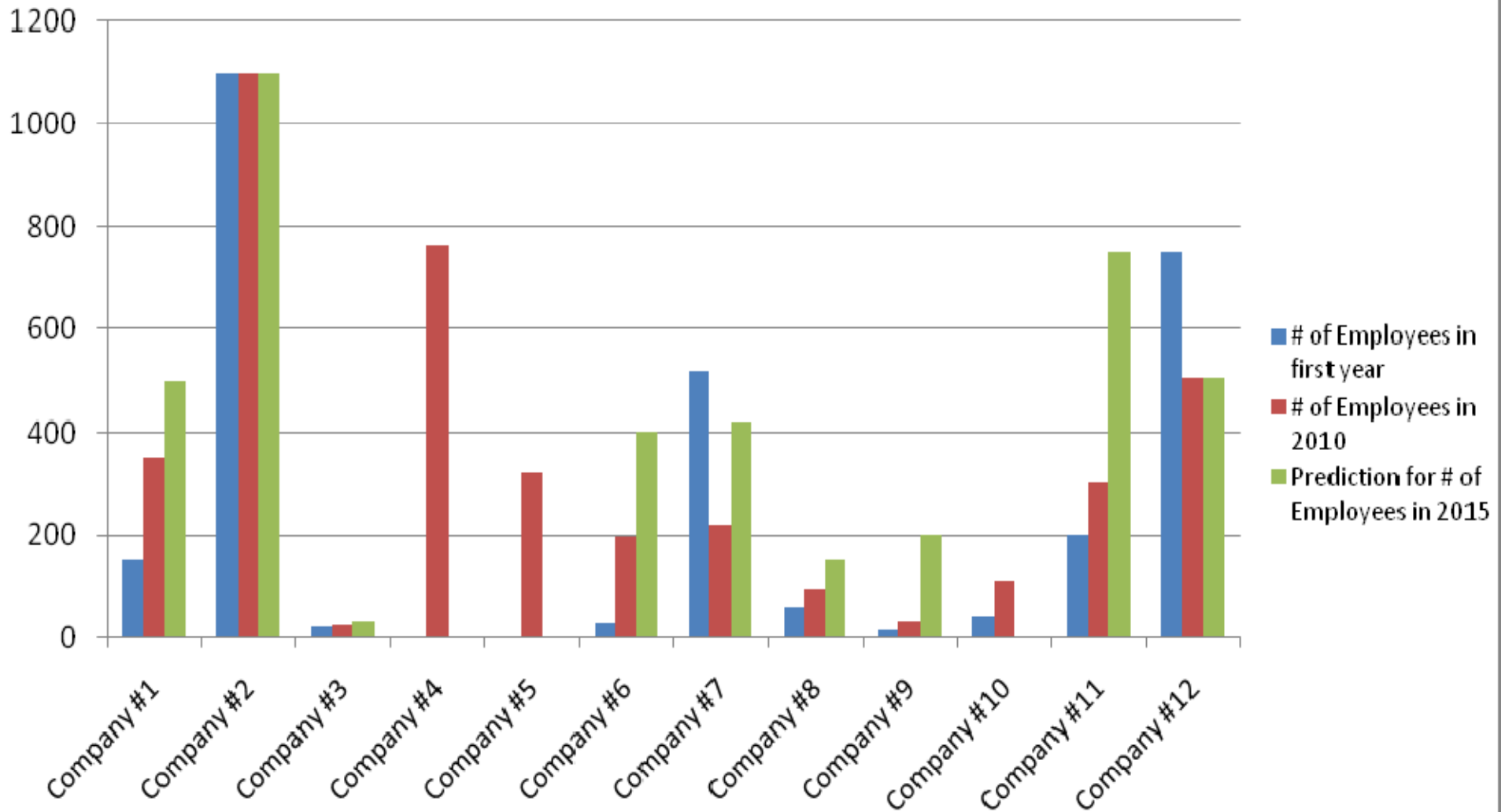
Ranking of business environment by existing foreign companies

Ranking of business environment in Kosovo



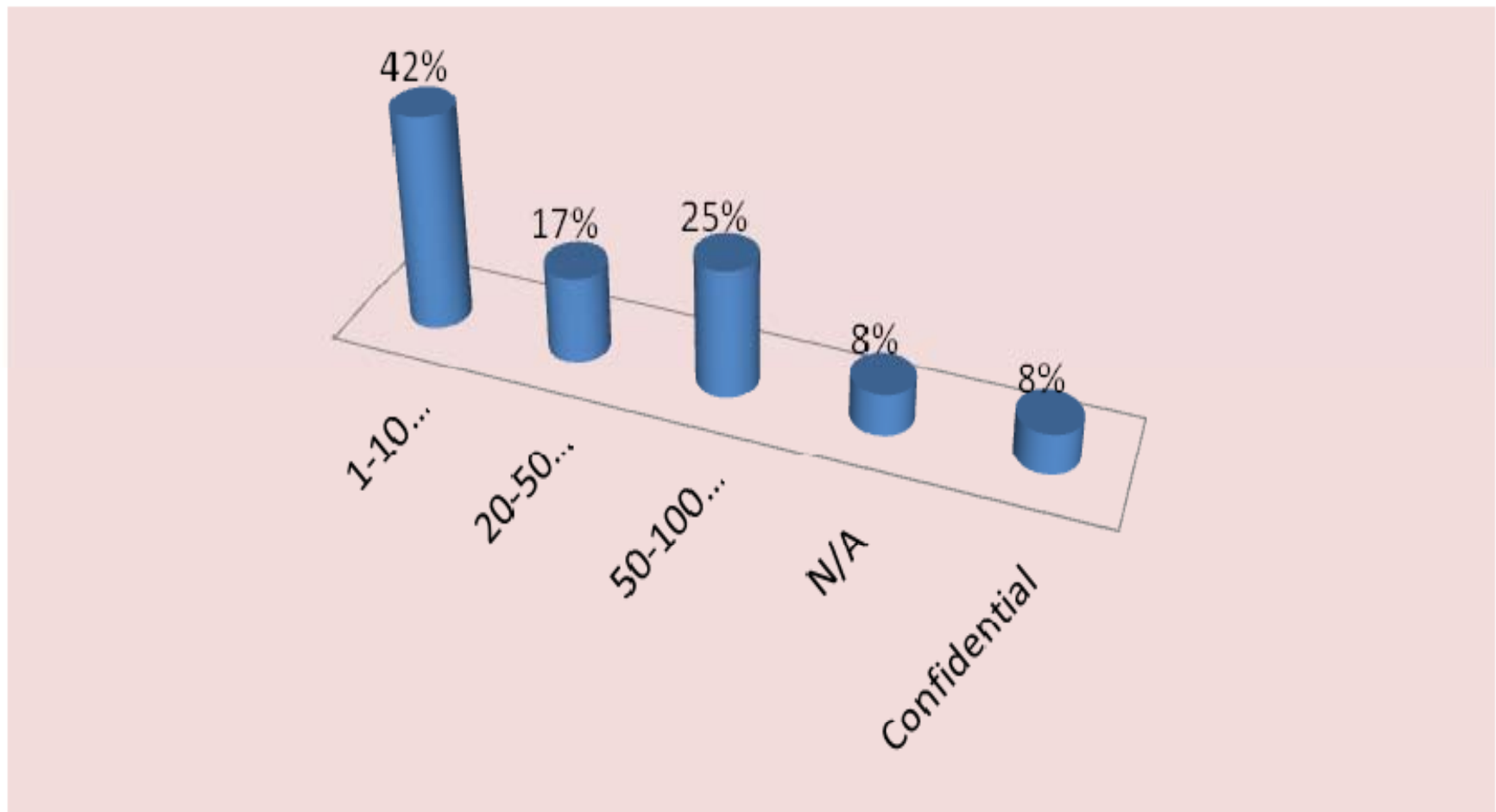
Number of employees in first year, in 2010 and in 2015

Number of employees

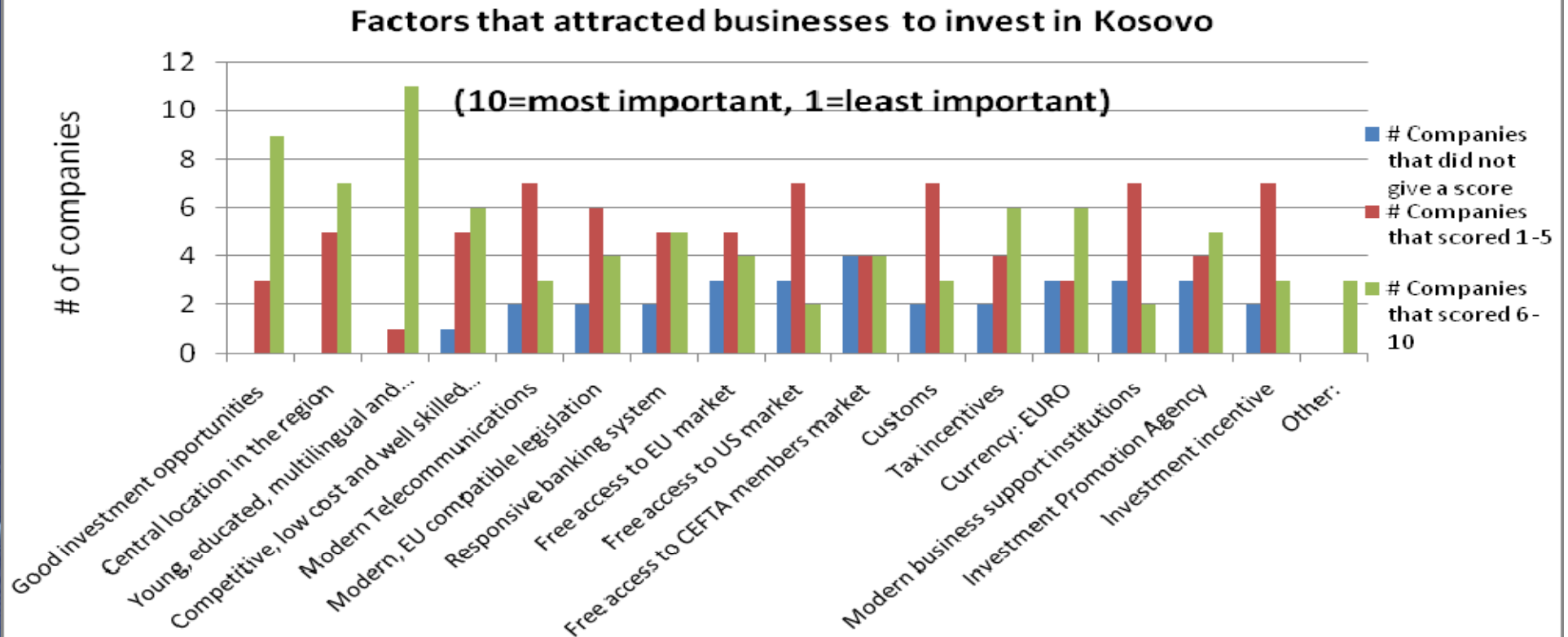


Percentage of companies that have made investments in various amounts up to 2010 (in € Million)

Total investment up to 2010



Factors that attracted existing investors to invest in Kosovo



Comments provided under option **Other**:

- *Company's strategy for expansion*
- *People/partners who are trustable*

Three most important factors are:

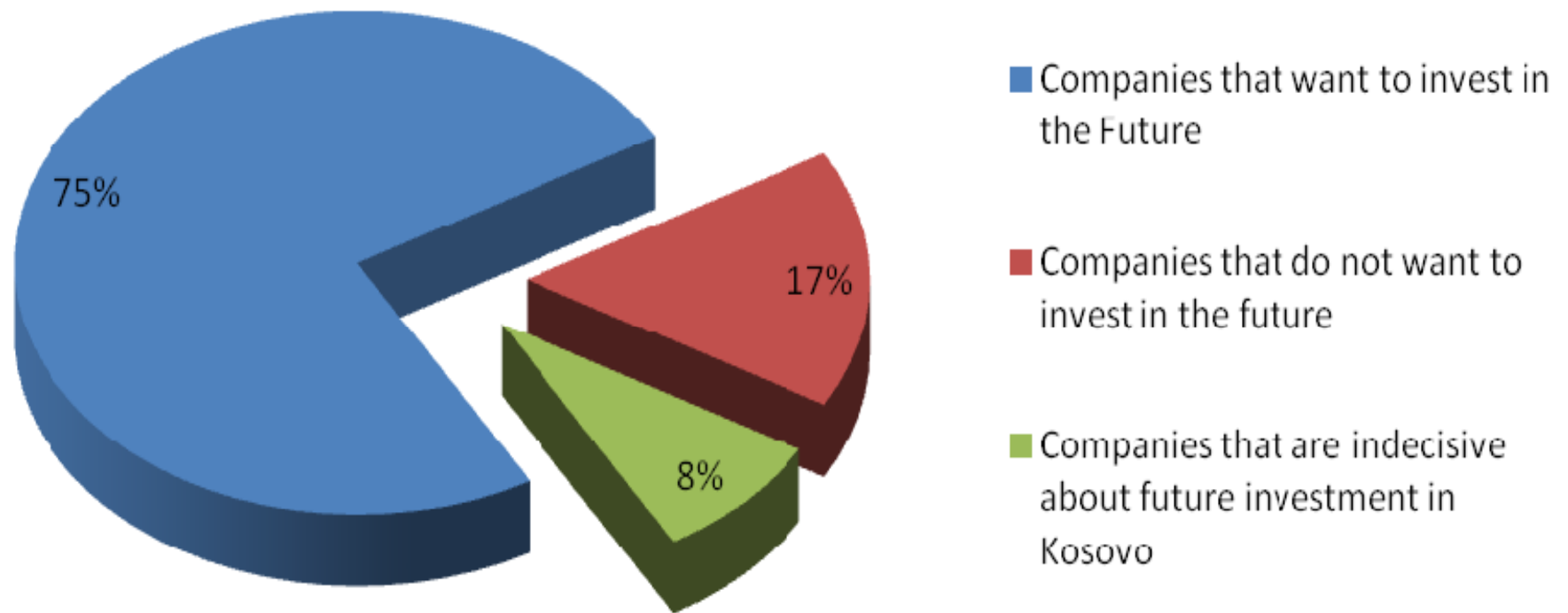
Young, educated, multilingual and dynamic population; good investment opportunities and central location in the region.

Three least important factors are:

Modern telecommunications; free access to US market and customs.

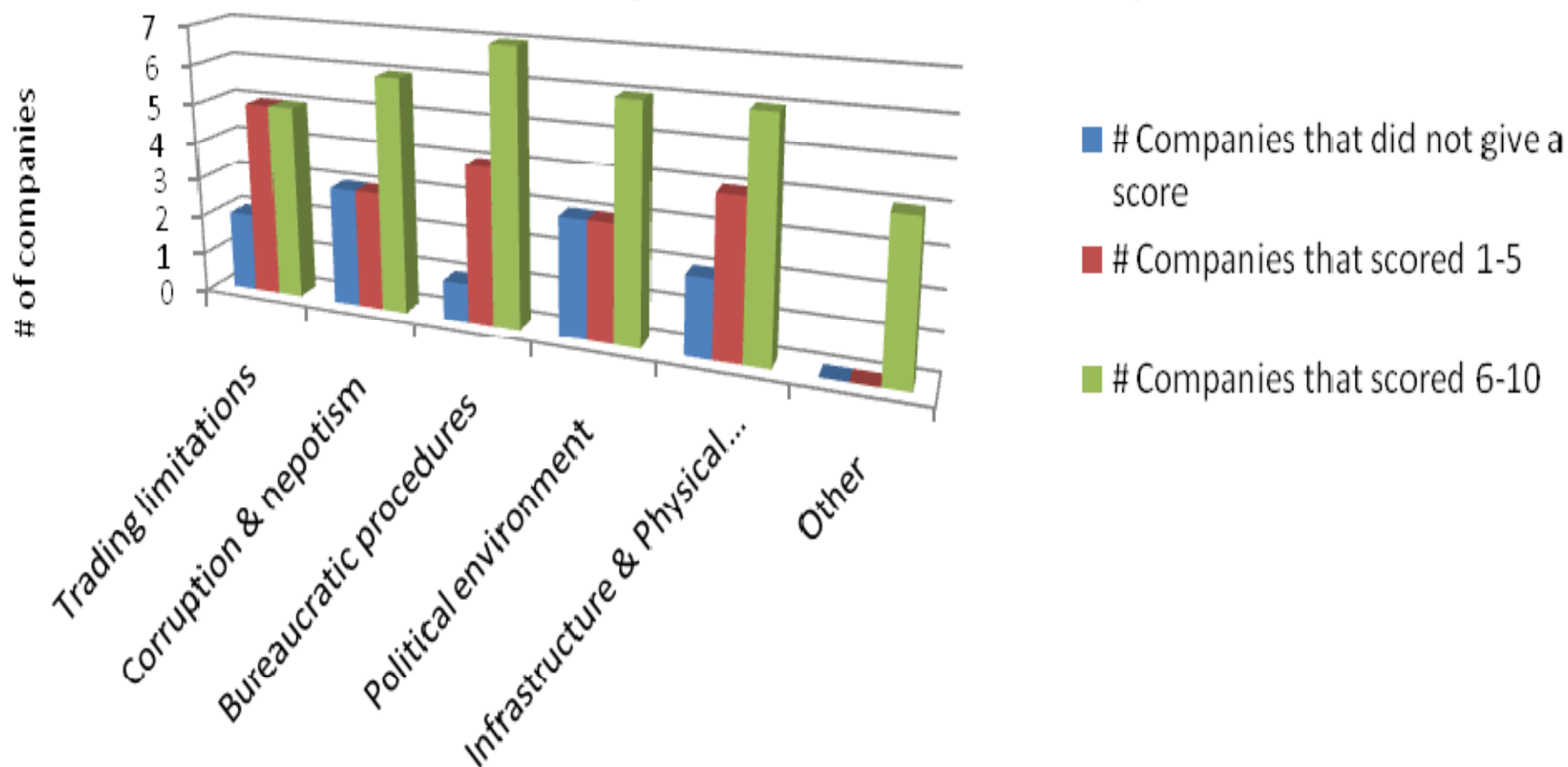
Investment plans in the future by existing foreign investors

Investment plans in the future in Kosovo



Factors that indicated difficulties for existing investors

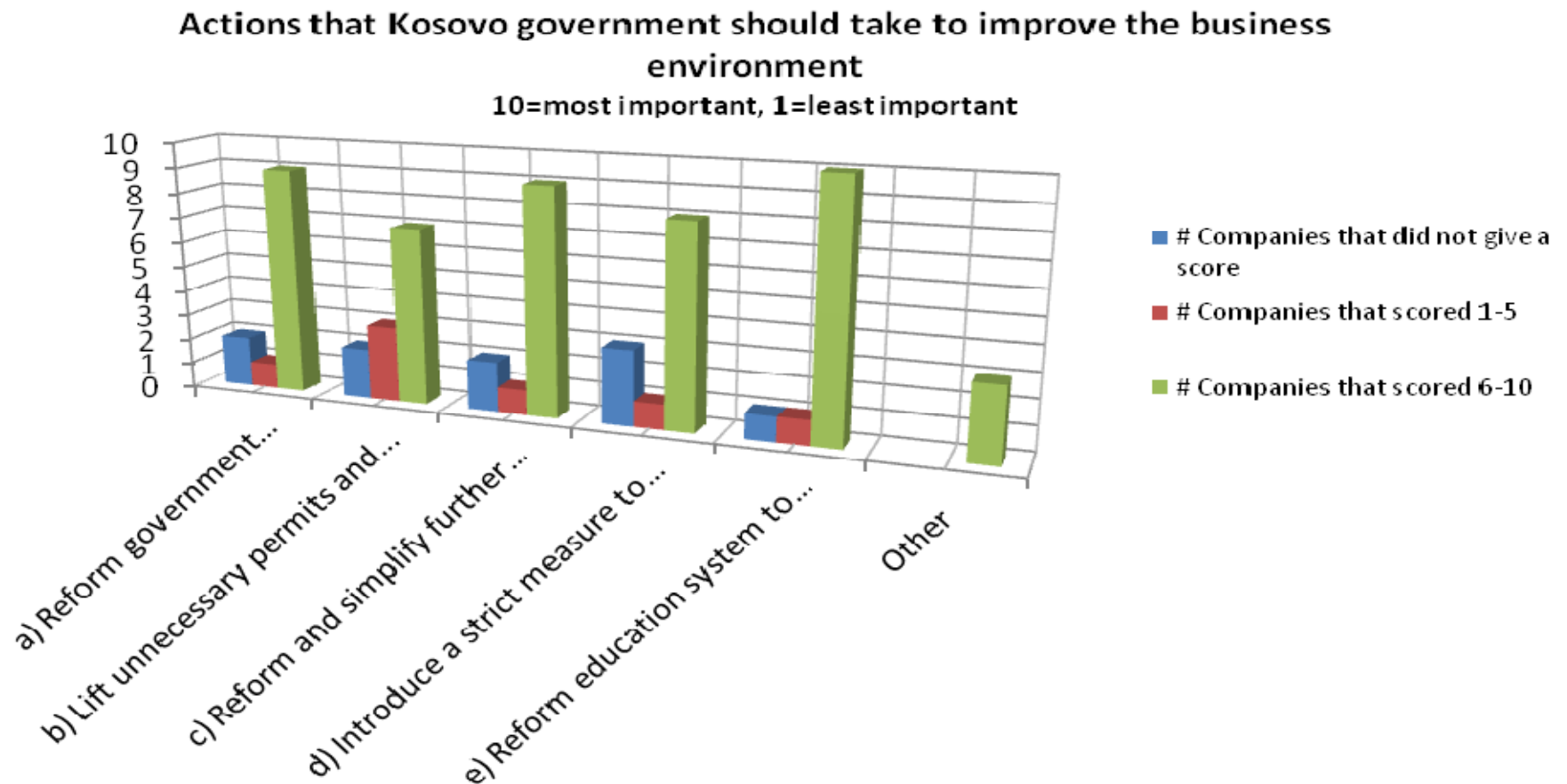
Factors that indicated difficulties for businesses to do business in Kosovo
(10=most difficult, 1=least difficult)



Comments provided under option **Other**:

- CEFTA and EU
- Legislation & Energy

Actions that Government of Kosovo should take

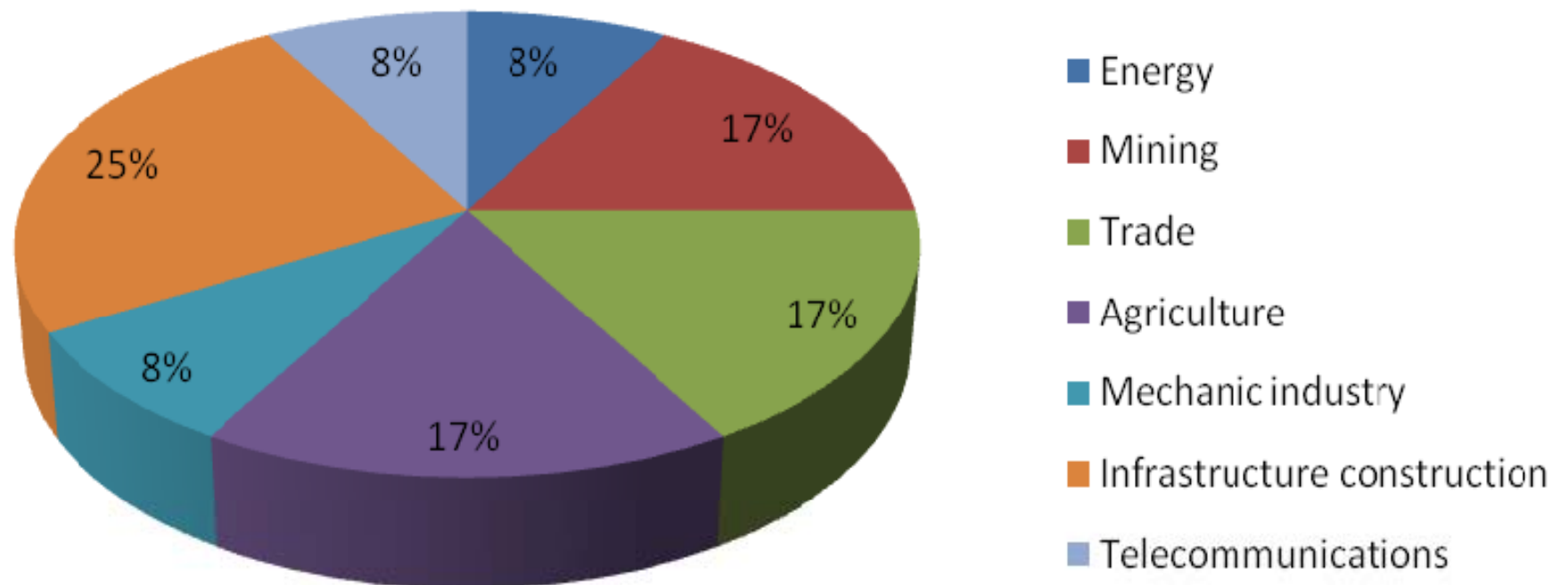


Comments provided under option *Other*:

- *Reform Kosovo's judiciary*
- *Stop informal economy*
- *Improve legal environment*

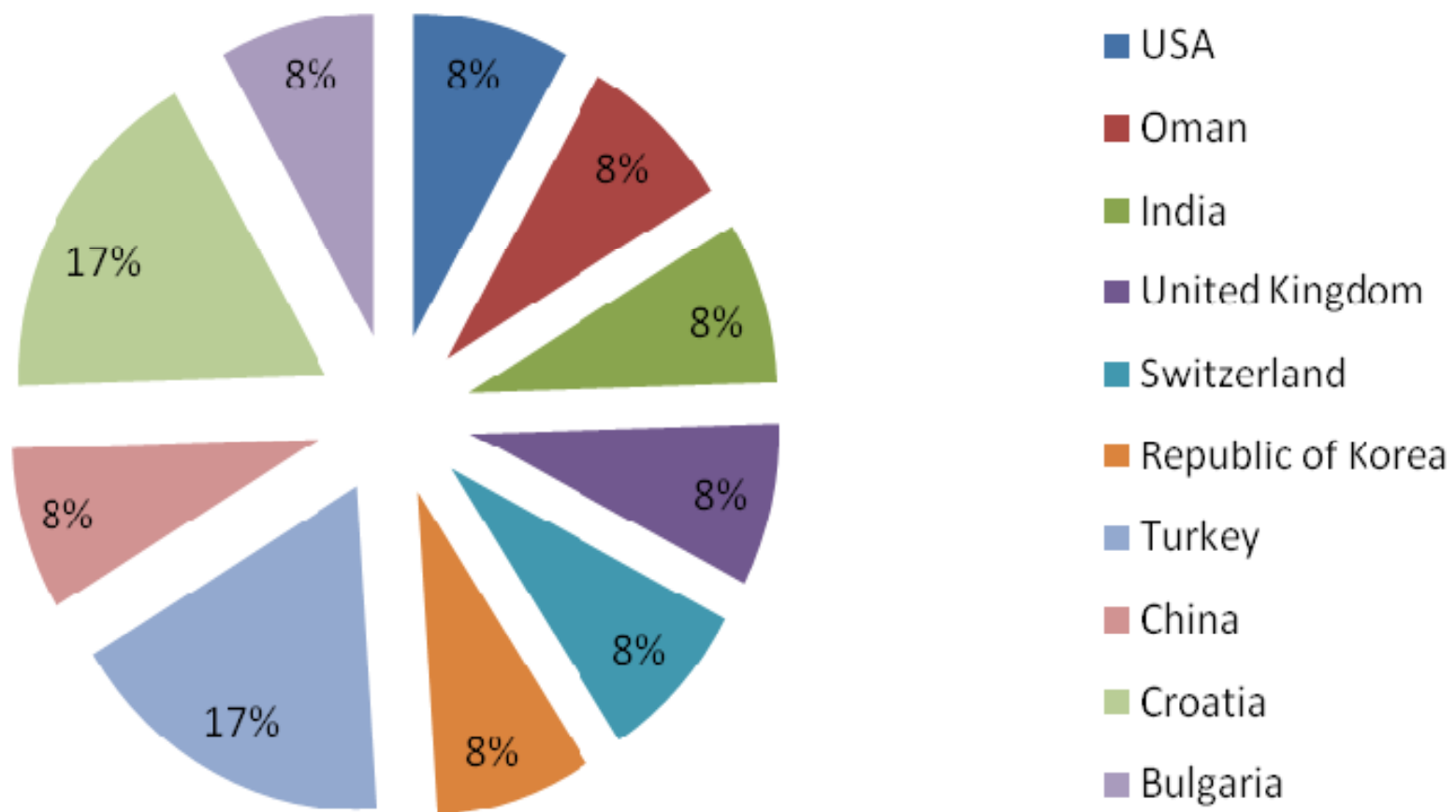
Main type of business of potential foreign investors

Main type of business



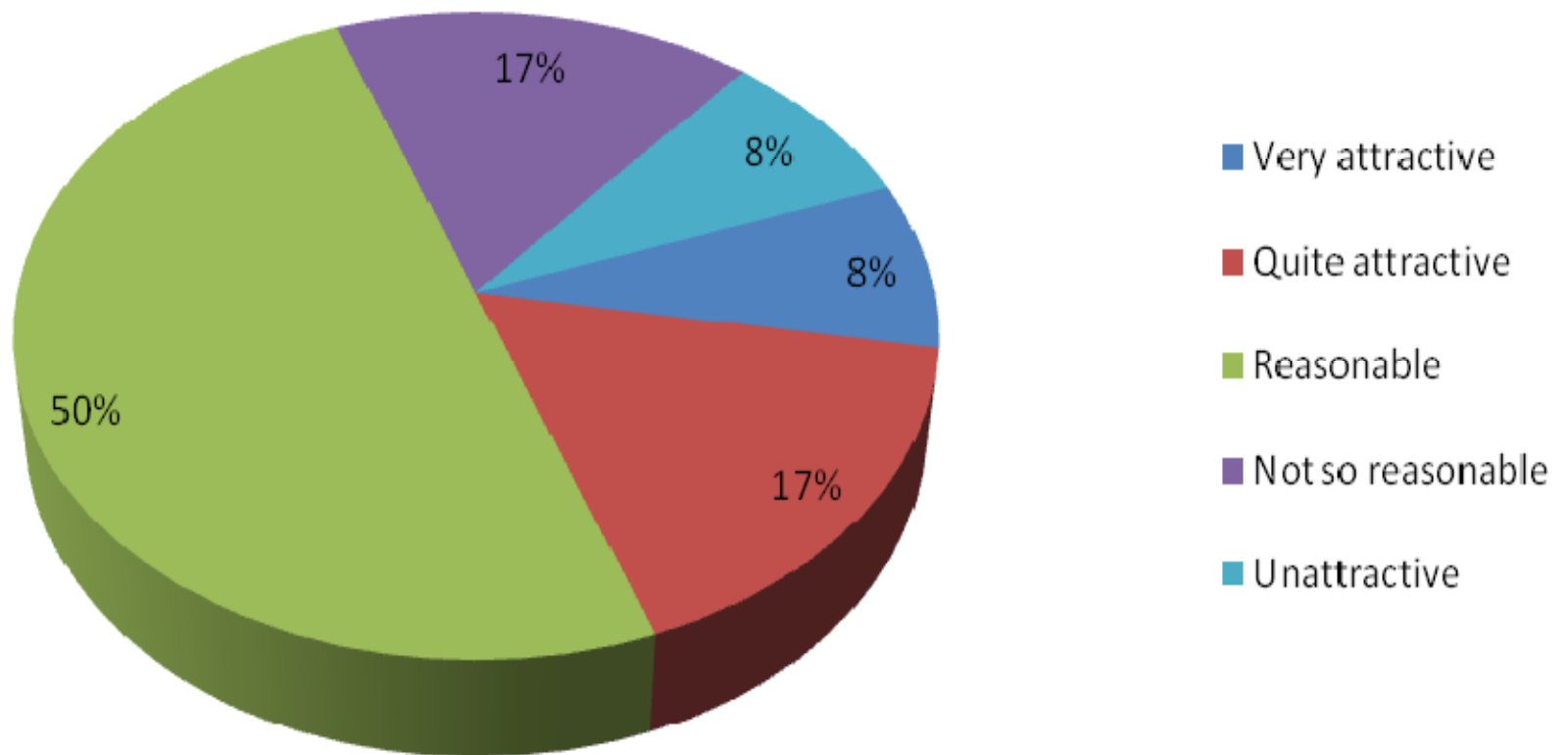
Location of head office of potential foreign companies

Location of head office



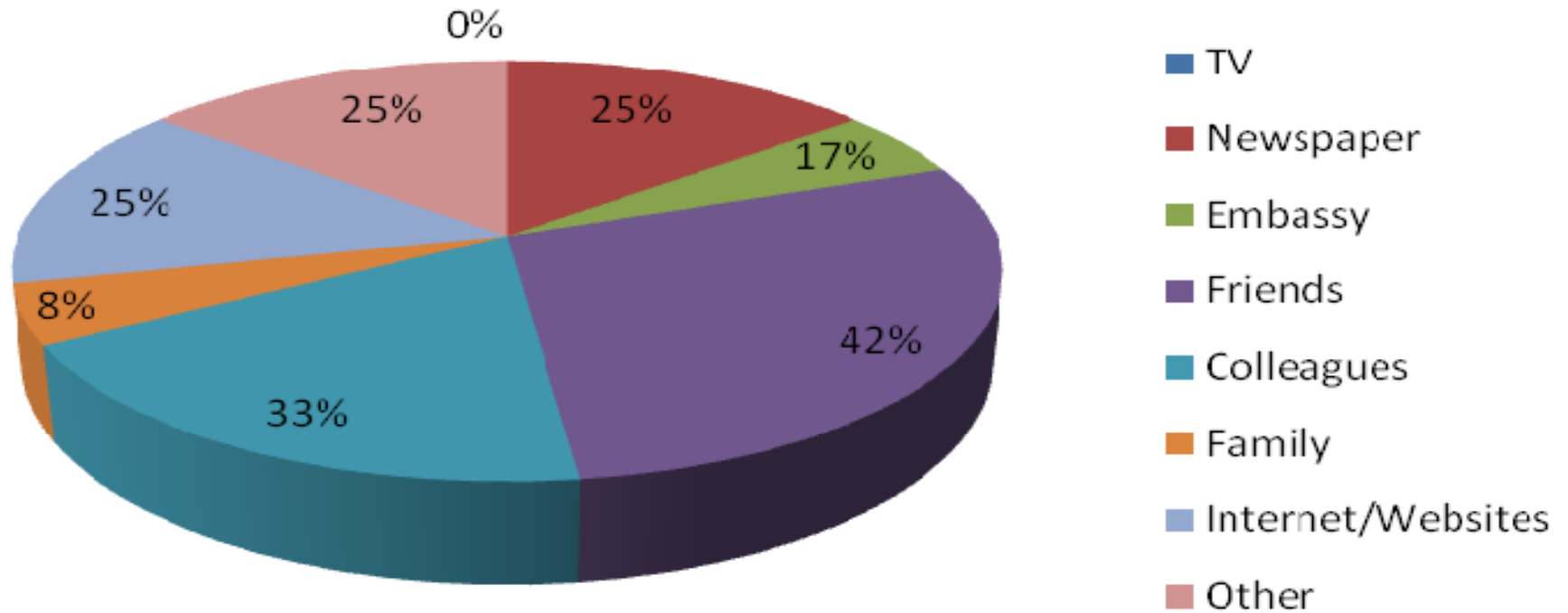
The classification of Kosovo investment situation

In general how attractive would you classify the Kosovo investment situation to be?



How potential investors heard about Kosovo?

How did you know about Kosovo?

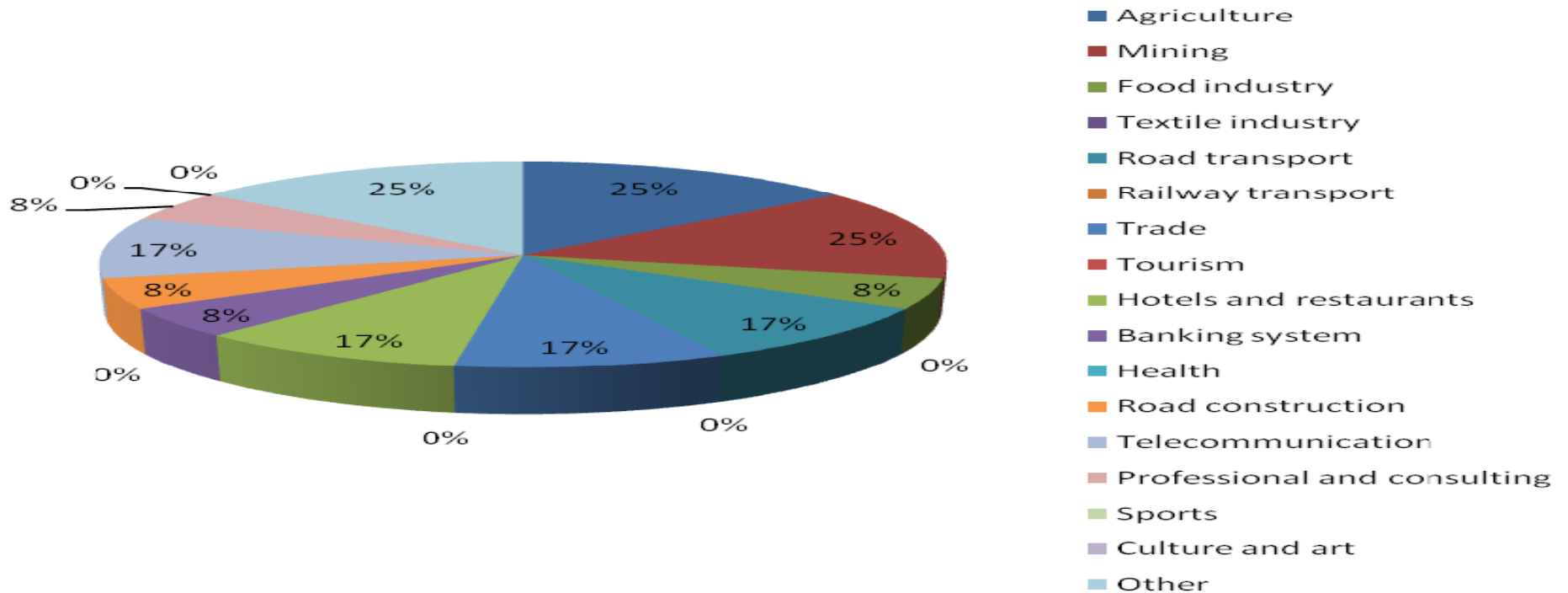


Comments provided under option **Other**:

- Chamber of Commerce
- Personal connections
- Business operations

Some of the most important areas to invest in according to the potential investors

Which is your area of most interest for investment?

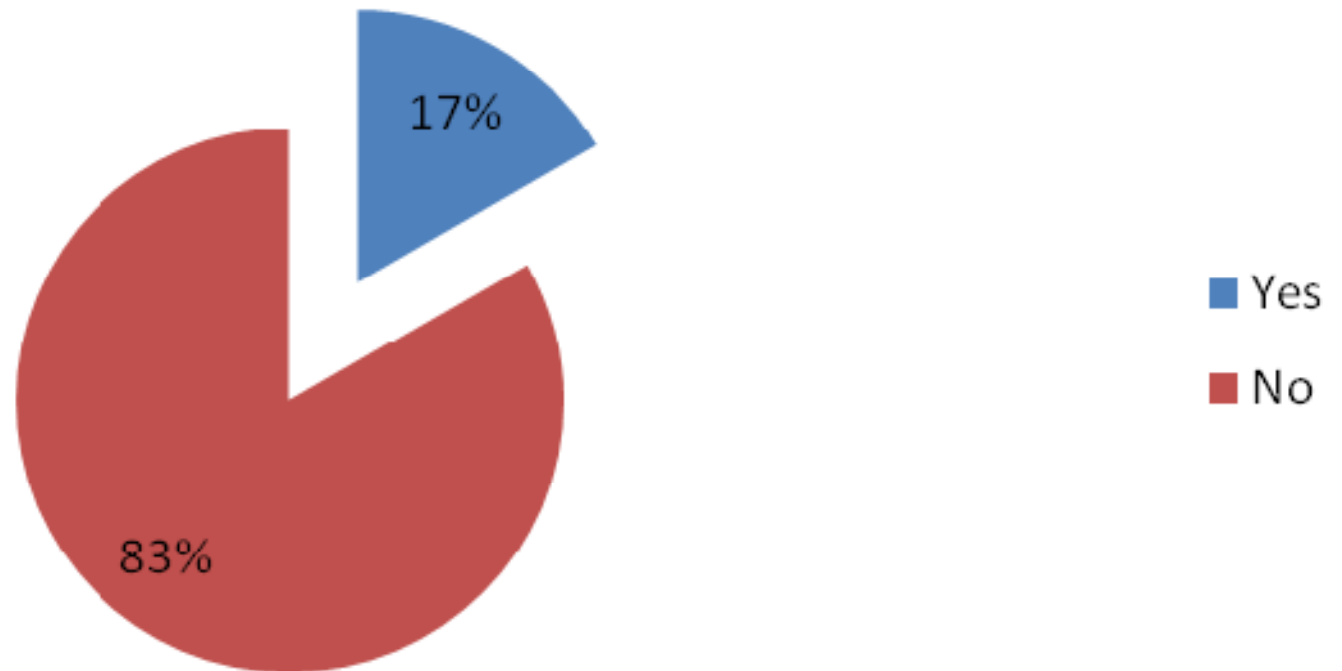


Comments provided under option *Other*:

- Manufacturing plant for wind turbines and supporting energy infrastructure
- Tobacco
- Industry - Production

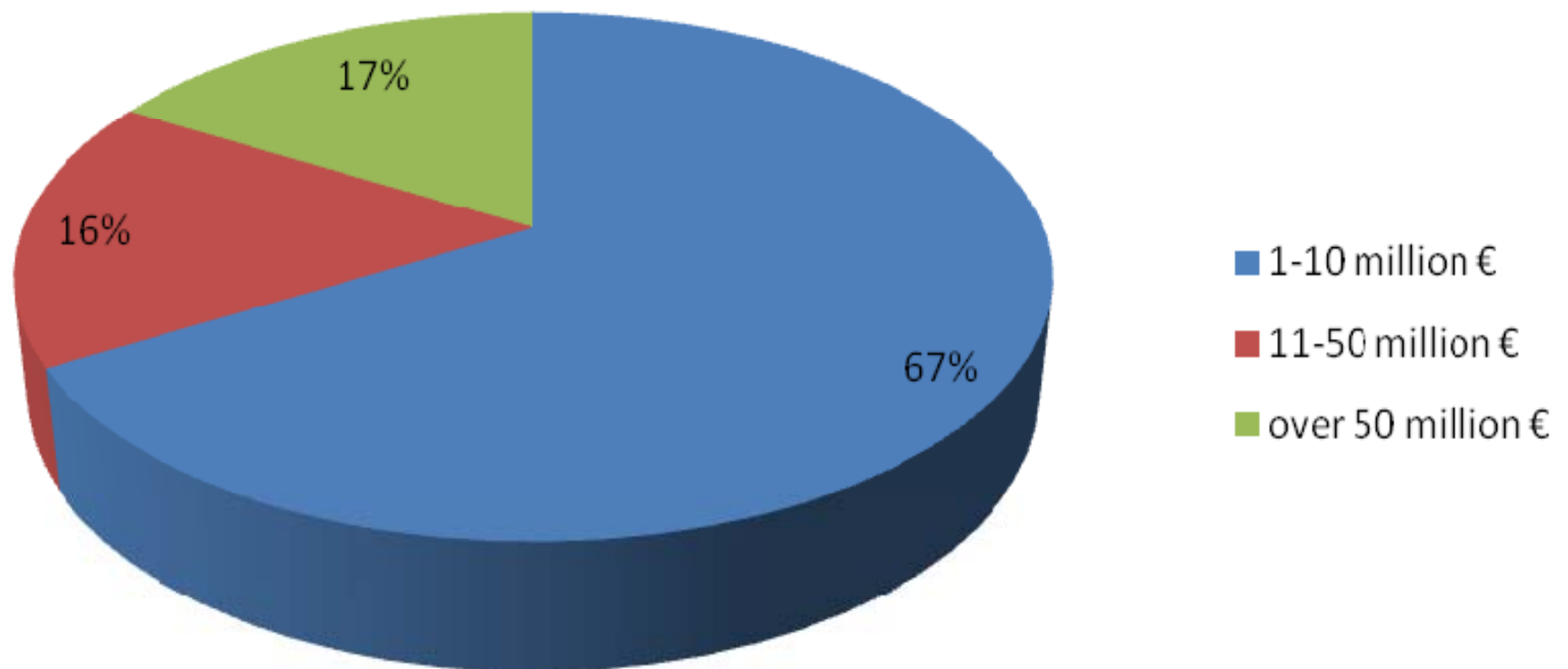
Do companies have a precise date in mind for making an investment?

Do you have a precise date in mind for making an investment in Kosovo?



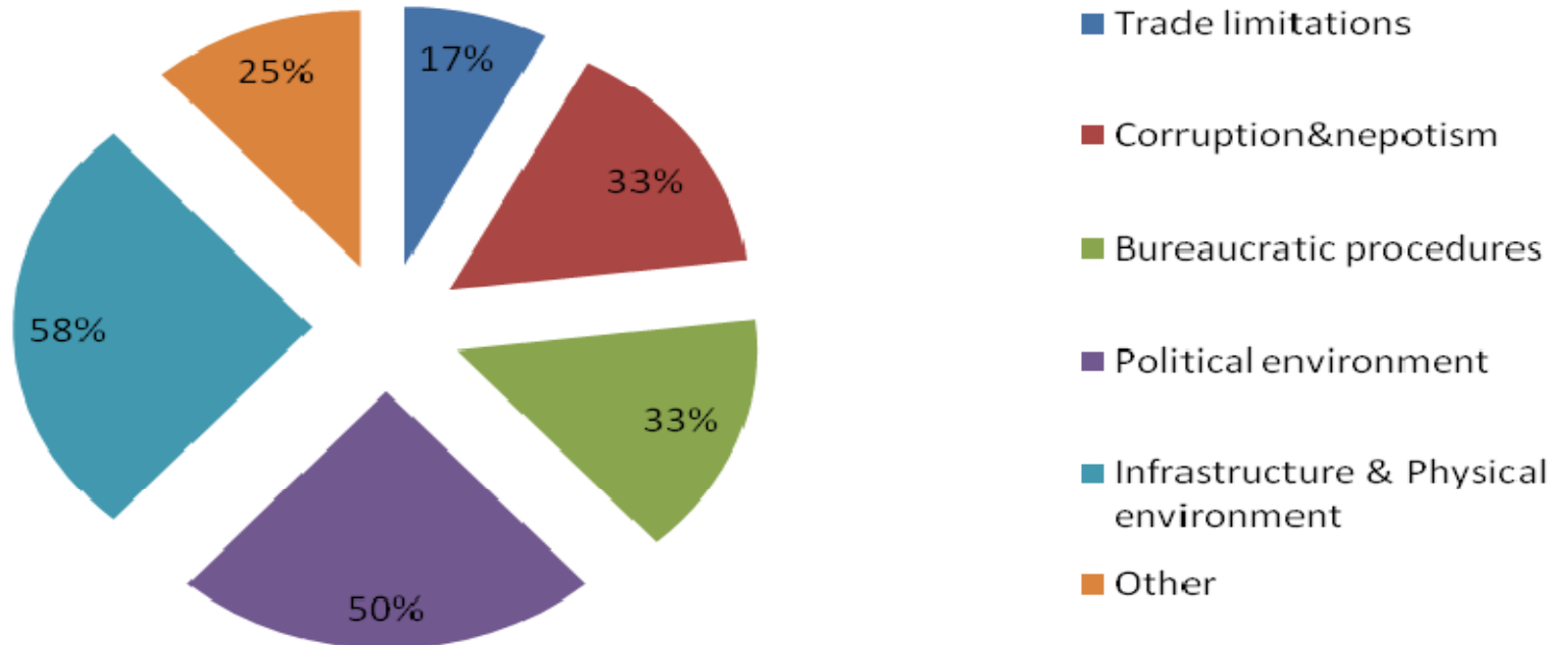
The size of the investment that potential investors are considering to invest

What is the size of the investment you are considering?



Main reasons for the reluctance to invest

Main reasons for the reluctance to invest in Kosovo

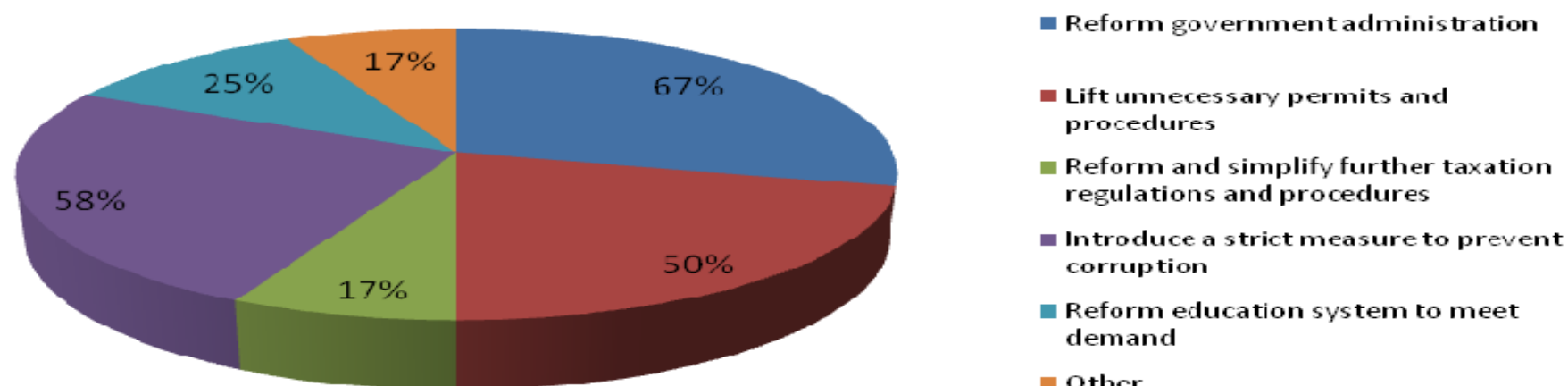


Comments provided under option **Other**:

- Need for special training of staff
- Lack of existing leasable space
- Negative information for investors available on internet
- Not enough road construction to make investment feasible

Main incentives required by foreign investors that Government of Kosovo should consider

What special incentives would you like from the Government of Kosovo?



Comments provided under option *Other*:

- Better access to market data
- Negative factors which must be taken care of
- More powers should be assigned to IPAK officials
- There should be little flexibility in all kind of rules & regulations

Major Recommendations

- ✓ Kosovo now needs to create a sound business environment.
- ✓ Kosovo institutions should make serious efforts in improving the items that were identified by the foreign investors, i.e. infrastructure and physical environment, bureaucratic procedures, political environment, corruption & nepotism, reform government administration and education system.
- ✓ Although Kosovo institutions made investments in areas such as: energy, water supply, roads, railway, telecommunication, etc, there is still needs for further investments and these areas required to be in top agenda of the government of Kosovo.

Recommendations

- ✓ Improve infrastructure and physical environment.
 - *roads, electricity, railways, water supplies, telecommunications, etc. Total investments in all these sectors up to 2015 could be: €2.5 Billion.*
 - *utilization of industrial zones and industrial parks.*
- ✓ A key condition for economic development is political stability.
 - *strict adherence to rule of law*
 - *strengthening democratic processes*
 - *resources for national security*
 - *cultivation of tolerance*
- ✓ Build transparent and accountable system of governance at all levels.
 - *implementation of laws and increasing the number of judges and prosecutors for 80% are important elements that greatly reduces corruption.*

Recommendations

- ✓ The findings of “Doing Business Report 2011” by World Bank are a good basis for improving investment climate in Kosovo.
 - *the focus should be mainly in reducing time (days) and procedures (number).*
- ✓ Reform of public administration.
 - *a well planned civil service reformation is needed and also increased capacity and professionalism based on merit (recruitment process).*
- ✓ Foster and strengthen the relations between Government of Kosovo and Kosovo’s Diaspora.
 - *establishment of the Diaspora Investment Office within the Ministry for Diaspora. There is a need for analysis of statistical data to study the volume and the direction of remittances. Further to this, the identification of the Diaspora’s businessmen is necessary. This office could initially have 5 employees.*

Recommendations

- ✓ Reform of education system.
 - *engagement of some professional advisors who will orient students based on their professional aptitudes.*
 - *because of high demand there is need to increase the number of students up to 300 who complete the internships in different enterprises.*

- ✓ Privatization process to run smoothly and efficiently.
 - *there is need to learn from the experiences of neighboring countries.*

Recommendations

- ✓ Draft a policy of investment incentives.
 - *to provide a 3-5 year tax holiday if the companies invest in fixed assets an amount exceeding approximately €5 Million, and throughout the investment period they employ roughly 50 employees.*
- ✓ Increase the capacity building of IPA K.
 - *helping increase the staff up to 20 employees (well qualified) and financial resources up to €1 Million until 2015.*

**THANK YOU FOR YOUR
ATTENTION!**

**Questions
Comments**