10 REASONS WHY TO INVEST IN KOSOVO

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The American Chamber of Commerce in Kosovo
OVERVIEW

Kosovo has a free market economy with attractive corporate income taxes and favorable foreign investment policies. In the Doing Business Report of the World Bank 2020, Kosovo was ranked 57th out of 190 countries in the World Index of Ease of Doing Business. Kosovo was able to record this result as a result of high scores in ease of starting a business (12th) and ease of obtaining credit (15th).

This shows that Kosovo is a country with a lot of potential for investment and with an increasingly attractive environment for investors. With these results and positive percentages around businesses Kosovo has managed to have a large number of registered and functional businesses. In 2021 alone, 2416 businesses were registered in Kosovo, and most of the businesses registered are 13 years old.[1]

INVESMENT OPPORTUNITIES

According to the U.S Embassy in Kosovo, Kosovo is a developing country which offers different opportunities for investment. Possessing the fifth largest lignite reserves in the world, benefits Kosovo, both in the economic sector, as well as the natural resources sector. Kosovo’s possession of natural resources translate into investment opportunities in many sectors, such as mining, energy and agriculture. Investment in these sectors promises a profitable future, not only for the investors, but Kosovo and its citizens as well.

Some of the sectors with the potential for investments are:

Energy

Faced with a significant domestic power deficit, Kosovo is looking to expand its power generation capacity and diversify its energy supply, including through commitments to renewable energy. [2] The EU long term strategy aims for decarbonization of the energy sector by 2050. This has put Kosovo on the road towards finding alternative energy sources. As Kosovo modernizes its power generation and diversifies its energy supply, natural gas, and renewables present potential market opportunities. [3]

Mining

Mining is an important sector for Kosovo’s economy. However, this sector’s activity has declined in recent years, due to lack of investment in equipment, facilities, and development of new mines. The sector has significant foreign investment potential, and the Independent Commission of Mines and Minerals (ICMM) has issued over 500 exploration and mining licenses since 2007. [4]

Telecommunications and Information Technology

The Government of Kosovo is working to position the country as a regional hub for information technology (IT)-related products and services, building on the strong IT and English-language skills within the workforce. [5] There is an increasing number of IT companies who focus on outsourcing services to European and U.S. companies. Another type of outsourcing service offered by Kosovo are call centers.

Health

The health sector in Kosovo is dominated by public-sector services. However, in recent years there has been an increase in private sector investments. Many of Kosovo's citizens who possess the means, travel to other countries to acquire medical care. Local solutions present a potentially lucrative opportunity for outside investors. [6]

In addition, due to the pandemic, there has been an increase of demand for telemedicine services in Kosovo.

Waste Management and Recycling

As a developing country, Kosovo's waste has increased faster than its capacity to manage it. [7] There are many illegal dump sites and insufficient landfills that are poorly managed and constructed. Although recycling has only recently begun in Kosovo, certain companies in niche markets have been able to operate profitably in this sector. [8]

In addition, as Kosovo's economy develops, the need for expert financial, legal, architectural, engineering, software development, public relations, and graphic design services will grow. [9]
REASONS FOR INVESTING

I. Advantageous Geographical Position
Kosovo's close proximity to the port of Durres as well as the port of Thesaloniki, provide a desirable strategic position that would benefit any investor. According to research, in the next 20 years the trade of goods from Asia to Europe through the Balkan Peninsula will experience a multiple increase. Located in the heart of the Balkans Peninsula, Kosovo offers an advantageous route for trade between Europe and Asia. The new and modern roads built in recent years, for many companies, serve as the shortest route between the Adriatic Sea and Black Sea.

II. Young Population
Kosovo has the youngest population in Europe. 53% of Kosovo's population is under the age of 25 years old. The younger generation of Kosovo are ambitious, hardworking and resilient in pursuing their goals of personal development as well as their country's development. Despite their limited opportunities, and traveling constraints, young people of Kosovo try to make the best out of what they have, with a creative spirit and unwavering inspiration towards a brighter future. This type of motivation and potential found among Kosovo's population is a rare characteristic and would be beneficial to anyone interested to invest in Kosovo. The young population, with a good knowledge of English and eagerness to learn, as well as low labor costs, make Kosovo's labor market a good reason for investing in Kosovo.

III. Low income Tax Rates
Kosovo is among the countries with the lowest income tax rates in Europe. With a capped 10% tax rate on personal income, and a fixed 10% tax rate on corporate income tax, Kosovo's tax rates offer a profitable environment for investing. Having low income tax rates can help each business complete their yearly projects. This is considered as help since only a small portion of their budget goes for taxes towards the state. The Tax Policy Center stated that by having low income tax rates, companies will be more attracted to invest in Kosovo. [10] In addition, these tax rates serve as protection to the companies that operate in Kosovo's market.

IV. Institutional support for businesses

Institutional support is an important factor for businesses to attain their investment ideas and programs. In Kosovo the institutional support for businesses comes from various nongovernmental and private institutions. The American Chamber of Commerce in Kosovo offers this support to its members through facilitating high-level business networking environments, business referrals and introduction. This supportive business environment established by such institutions, makes investing in Kosovo safer and more profitable.

V. Quick and Easy Process of Registering a Business

Kosovo’s process for registering a business is quite simple and fast. The procedures for registration are the same for local and foreign companies, which means that it is the same for every business company in Kosovo.

Setting up a bank account, registering the company in the Kosovo Business Registration Agency (KBRA), the company seal and the employee registration for a pension scheme with a tax administration are all procedures that take two to eleven days to complete. [11]

VI. Secure Banking System

Kosovo uses Euro as its national currency. According to the US Embassy, the banking system in Kosovo is a system that is well regulated, profitable and liquid. [12] The banking rules and regulations are adopted from the Central Bank in Kosovo (CBK/BQK). It is important to mention that the Central Bank of Kosovo (CBK/BQK) has the authority to supervise, license and regulate financial institutions and also the insurance companies in Kosovo. [13]

VII. Stable Currency

According to New World Economic a currency is constant and stable when its value does not change through the years. [14] The Euro is a stable currency considering how its value has not changed over the years. According to CMC Markets, Euro is the official currency of 19 countries which makes it the 8th strongest currency in the world. [15] Having Euro as the national currency, it is easier for Kosovo to trade with eurozone countries and thus, easier for companies in Kosovo to do business with companies outside of Kosovo.


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VIII. Supportive Business Environment

Business is an important part of a country’s economy. It not only brings individual profits, but it also brings state profits too. The government should provide a supportive business environment for companies dealing with different issues concerning their clients as well as their employees. Therefore, having a supportive business environment is necessary for companies to achieve their goals and accomplish their commitment to contributing to the country’s economy. Kosovo is proud to say that such support and sense of encouragement exists among businesses in Kosovo, as well as public institutions.

IX. Liberal Trade Regime

Liberal trade policies allow an unrestricted flow of goods and services. Kosovo’s liberal trade regime enables duty-free exports for the majority of Kosovo goods to the EU market. [16] The Stabilization and Association Agreement (SAA) with the EU has further reinforced trade liberalization and removed many of the remaining trade and tariff barriers. [17] Kosovo has free trade agreements with CEFTA, which allows Kosovo the unrestricted flow of goods and services to and from the other members of CEFTA. In addition, Kosovo is also part of the US Generalized System of Preferences, which allows Kosovo to export around 3000 products to the US without having to pay any duties.

X. Modern Legal Structure and in Accordance with the EU

Kosovo is an independent country that functions based on the law and its laws are part of a modern legal structure and in accordance with the EU. It is known that the rule of law in Kosovo has room for improvement. However, in recent years, there has been an effort to empower the rule of law, especially in doing business. The accomplishment of this mission will be further pushed with the establishment of the Commercial Court of Kosovo. The Commercial Court will work to improve and offer better and faster legal services to businesses in Kosovo.
CONCLUSION

Kosovo is a country with a lot of potential. There are many promising aspects for investment in Kosovo. The advantageous geographical position of Kosovo allows companies to be closer to their partners and clients in Europe as well as in Asia. The young population together with the low labor costs offer investors opportunities to expand their activities knowing that they will be contributing to the future of many bright professionals, all the while their own company grows and earns profits. The low income tax rates, ease of registering a business and a safe and secure banking system are all important factors that contribute to doing business in Kosovo easier, more profitable and overall more attractive.
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