

# Republic of Kosovo: A Realm of Golden Investment Opportunities



As Europe's newest country welcomes a wave of foreign investment, the central Balkan nation is making the most of its young population as its pro-business government establishes strong bonds in Europe, the United States, and beyond.



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# Ambitious Kosovo Set For Economic Lift-Off

Fresh from celebrating its first year as an independent country, the Republic of Kosovo is attracting both admiration and investment as it implements a host of business-friendly policies.



Hashim Thaçi  
Prime Minister



Ahmet Shala  
Minister  
of Economy  
and Finance

**S**teeped in history and blessed with natural resources, Kosovo is Europe's youngest and most determined country, whose forward-thinking government invites investors to explore a wealth of investment opportunities.

Since declaring independence in February 2008, Kosovo has embarked on a major social and economic development program that will act as the foundation for a successful future—a future that is focused on business, commerce, and industry.

Led by energetic Prime Minister Hashim Thaçi, the country of 2.2 million people has created an investor-friendly climate by modernizing its legal and regulatory frameworks in a move that has brought greater transparency and attracted foreign investors. Now recognized by almost 60 countries, Kosovo's key sectors of energy, agriculture, industry, health, and education are the pillars of the government's vision for a prosperous and sustainable economy. Corporate tax and personal income tax levels are among the lowest in Europe, while the country enjoys free trade benefits through the Central European Free Trade Agreement (CEFTA) and the United States' Generalized System of Preferences. The U.S. and the European Union are key players in its development as an emerging trade partner.

**"There is significant potential in the energy, mining, and ICT sectors."**

Hashim Thaçi, Prime Minister

Kosovo's wealth of natural resources includes substantial deposits of coal, lead, zinc, and nickel, while its fertile soil provides excellent conditions for agriculture-based industries. New legislation and regulations have produced a favorable business environment for foreign investments to flourish. With enterprises able to complete the registration process in just one day and take advantage of having the Euro as its official currency, Kosovo looks to establish itself as more than just a peripheral figure in the European economy. "In the first year of



The Newborn symbol of independence in Pristina center.

independence, we have seen an increase in economic growth and our gross domestic product has grown by more than 5%," says Thaçi from his office in the bustling capital of Pristina. "In terms of business, we have worked hard to build strong partnerships with our neighbors and have created a strong pro-business environment with various tax reforms. We are awaiting membership in the International Monetary Fund and the World Bank, and as soon as these take place, we will benefit from significant progress in many sectors of the economy."

Thaçi highlights large rises in government spending, low inflation, rising exports, and an open-door policy to foreign investments as evidence of Kosovo's economic development and integration in global markets.

The government embraces privatization and welcomes public-private partnerships (PPPs) in key public sector assets, which include two thermal power plants, an international airport, and the country's mail and telecommunications networks. "Sectors with significant potential are energy, mining, and telecommunications. We are investing heavily in infrastructure to improve our roads in order to accelerate economic development," Thaçi continues. "Kosovo is attractive,



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lawful, and waging an uncompromising war against corruption. The government is competent and committed to economic development as we move towards E.U. integration.”



## Strong Leadership, Clear Vision

In his position as Minister of Economy and Finance, Ahmet Shala is at the heart of plans to open up domestic markets to foreign companies and investors. Kosovo recently approved plans for more PPPs to speed up the development of its road network, transport activities, and health and education facilities.

“We have adopted very modern laws and have an open vision regarding private sector involvement, so the challenges we face in terms of infrastructure can be considered business opportunities,” he states. “Everything we do is aimed at increasing employment, reducing poverty, and developing sectors for growth. There are many opportunities for foreign investors. In the energy sector, for example, we are privatizing the construction of a new thermal power plant that will give us reliable and affordable energy for many years to come.”

Shala believes one of his country's greatest strengths is its people, and, with 70% of its population under 35, the workforce is highly-motivated and adaptable. “Our population is young, ambitious, realistic, and friendly,” he says. “We also have a very stable political situation and stable institutions,

with strong leadership and clear vision. We can't rewrite the problems of past decades but we are very determined and take a strong stance towards our vision. There are good opportunities here for investors and they are available in a straightforward, transparent, and modern manner.”

Spearheading efforts to attract a wave of foreign direct investment to the heart of the Balkans is the Investment Promotion Agency of Kosovo (IPAK). Led by the Ministry of Trade and Industry, the organization adopts an aggressive and proactive approach, providing advice and assistance on laws

**“The infrastructure challenges we face are business opportunities.”**

Ahmet Shala, Minister of Economy and Finance

and regulations such as licensing and work permits, along with information on the general business environment and specific industries and sectors.

IPAK will shortly open a large industrial park with space for 74 firms. “Our policy priorities are to provide measures to increase capacities in the domestic markets, facilitate foreign trade, and promote exports,” explains Lutfi Zharku, Trade and Industry Minister.

## Kosovo's Energy Sector Powers Up For Privatization As Electricity Supplies Flow

Energy forms the core component of the government's strategic blueprint, with a reliable supply and financial integrity among the key ingredients of its energy policy.

The country produces 87% of its annual energy requirements through two thermal power plants and several hydro-electric stations. The 13% shortfall in supply is met by energy imports. “We have plans for 16 to 18 new hydro-electric plants and are looking for international investors to be part of the Kosovar economy,” says Justina Shiroka Pula, Minister of Energy and Mining. “Kosovo is also rich in coal and other minerals. Coal is one of the most important resources for electricity generation and we have huge reserves that are estimated as being sufficient for 40 years.”

### New Power Plant Will Boost Network

Kosovo Energy Corporation (KEK) is the sole electricity provider in Kosovo. A vertically integrated company, its operations include coal mining, power generation, and network and supply management. The firm employs 7,500 people and has two open-cast mines, the two thermal power plants, and nearly 52,000 kilometers of distribution capacity that reaches 372,000 mostly private customers. It will also operate a new €3.5 billion state-of-the-art thermal power plant known as “Kosovo C,” that will boast a large capacity and eliminate the need for energy imports.

“We are currently in the process of restructuring KEK because it is very diverse,” says Pula, who sees the sector being developed in the form of Western models. “Renewable energy is very important for us as we work to meet E.U. directives, and we are also developing new laws to provide greater security for investors. It is important all potential investors know that although Kosovo is a small country, there are huge opportunities for investment here and we have very good, contemporary legislation.”

Also heavily involved in the development of, and investment in, the energy sector is government-owned organization KOSTT. The company manages and maintains the electricity transmission system and is responsible for the bulk transmission of electric power on the main high voltage electric networks. KOSTT is a vital cog in the regional power market, which also comprises Serbia, Macedonia, Albania, and Montenegro.

Senior executives and leading politicians are, however, seeking payments of €15 million a year from Serbia for charges related to unpaid transmission fees. The dispute has yet to be resolved, despite continued high-level talks between officials of the two countries. “We are contributing to the stability and security of the region and are following all the activities in the electricity sector in the region and in Europe,” comments KOSTT managing director, Fadil Ismajli.

# Private Entities Reap Rich Rewards

**Greater transparency, modernized regulations, and increasing levels of disposable income—plus strong public-private partnerships—are opening opportunities across the board.**

**W**ith the Kosovan economy taking off, development and modernization of the information communications technology (ICT) sector is a top priority for officials. The lack of a country code and Internet domain are among the major obstacles. However, progress is being made, with Post Telecom of Kosovo (PTK) opening up for privatization in a move that is certain to attract foreign interest.

The company has three business units: Kosovo Post; Kosovo Telecom; and Vala, a mobile network operator. Its investment strategy includes significant spending on fiber optic technology in order to connect schools, banks, and government departments and institutions, plus implement new broadband services.

"Vala public mobile operator will soon complete phase five of its network extension, which will enable a capacity of 1.2 million subscribers," says PTK CEO, Shyqyri Haxha. "It has reached 90% network coverage and currently has 850,000 prepaid subscribers and 36,000 postpaid subscribers."

Transport and Communications

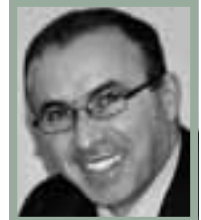
Minister, Fatmir Limaj, is delighted with these impressive figures. "We have created a safe climate for investments in the ICT sector so that the free market and competitiveness can flourish," he says. "A number of international leaders in the ICT sector have shown a great amount of interest in our market."

IPKO is a leading telecommunications provider that acts as a one-stop shop for ICT services such as digital TV and prepaid cell phone services. "Our revenue for 2008 was €41 million," says IPKO CEO, Akan Ismaili. "It is a prepaid market here, and, with more than €200 million of investment, we are the largest foreign direct investment in Kosovo and the largest Slovenian investment outside of Slovenia."

Dukagjini Insurance is a leading insurance services enterprise that provides 320,000 private clients and commercial customers with a range of insurance products and policies in areas such as health, property, and vehicle insurance. "The sector is growing due to an increased awareness," says Dukagjini director general, Fatmir Gashi. "Kosovo



Fadil Ismajli  
Managing Director  
KOSTT



Shyqyri Haxha  
CEO  
PTK



**ProCredit Bank, making a difference through developmental impact.**

serves a potential market of 20 million people by means of a common language and cultural similarities."

ProCredit Bank arrived in Kosovo in 2000 and is now a leading player with a 40% share of the market and more than 300,000 customers. "Kosovo is very business-friendly with modern regulations that are designed to keep bureaucracy to a strict minimum," says Philip Sigwart, CEO, ProCredit Bank.

Meanwhile, Pristina International Airport, which handles more than a million passengers a year, is preparing to invite tenders for the privatization of many of its diverse operations and services. Leading carriers such as British Airways, Air Berlin, and Turkish Airlines are among the companies operating flights to the international gateway. "We have become the most developed airport in the region over the past decade, offering safe, fast, and reliable services," says Agron Mustafa, airport managing director. "We are very attractive to foreign investors and should be considered the first choice for anyone seeking a strong public-private partnership with high returns." ●

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