



POLICY BRIEFS

KOSOVO



Konrad
Adenauer
Stiftung

September 2014

www.kas.de/kosovo

GERMANY AS A STRATEGIC PARTNER OF KOSOVO IN ENERGY AND ENERGY EFFICIENCY SECTOR

Lulzim Sylja

Kosovo Renewable Energy Association (SHERK)

Foreword

This policy brief is particularly dedicated to building of relations at strategic level between our country, the Republic of Kosovo, and the Republic of Germany in energy and energy efficiency sector.

Today, more than ever, our country needs strategic analyses frameworks that provide alternative perspectives to the future. Despite its small geographic area and small number of population, our country has gone through various intensive transformations in recent decades, which allows for clarifying strategic positions, analyses and practices that assist in long-term sustainable social and economic development. High pace of political, economic and social events makes our determination even more committed towards a descriptive framework, which will be as a guide on the path we need to follow for development of our children, young generations, thus equilibrating other social, economic and political aspects within country and abroad.

To decide for a strategic partnership with a country such as Germany, we need to consider many factors and make deep geo-strategic analyses in advance. To build such a partnership it takes comprehensive knowledge of culture, tradition, religion, economy and politics as well as numerous other dimensions of the country. Through this policy brief, I aim to urge discussion in the field, especially from the perspective of building strategic relations in the field of economy, focusing in particular on the field of energy and energy efficiency.

Reasons for such a partnership are numerous, including political, geo-strategic, economic, trade, cultural, and social aspects amongst else. Due to my background in the field of economy and business, this time the focus of the policy brief will be on the field of economic cooperation, with special emphasis on energy, renewable sources, energy efficiency, industry, trade and other segments that pertain to the field of energy.

Kosovo and Germany

Germany is considered as the largest market in Europe. It contributes with 20 per cent to the total GDP in Europe (EU-28) and it is home to 16 per cent of the total population of the European Union¹. From the economic perspective, based on data from trade, business, customs, tax administration and research organizations we find that Kosovo has good cooperation Germany. The cooperation has potential to be multiple times stronger in all economic and social dimensions. Kosovo was lucky to have before, during and after the war the continued support from various political circles, organizations, and financial German institutions that implemented various project to assist development of our country, particularly in the field of infrastructure and energy.

Energy strategy and Kosovo action Plan on Energy Efficiency

Since the end of the war in 1999, until nowadays, Kosovo has been constantly faced with unstable electrical energy supply. Energy demand is always growing, while on the other hand, we don't see construction of new energy generating capacities that would address the ever growing demand. About 35% of electrical energy in Kosovo is used for heating needs of apartments and premises that are owned by service-oriented organizations (both public and private)². On the other hand, households consume about 63% of energy. But, in addition to energy consumption for heating needs, biomass (wood) and fuel products are also used to a large extent in Kosovo for the same purposes. To reduce to some extent this dependency on insufficient supply, constructions of new capacities of energy co-generation are foreseen, to assist largely the overall energy efficiency. At the same time, Kosovo will create new opportunities

¹ Eurostat 2013.

² Kosovo Action plan on Energy efficiency. The plan can be found at: http://mzhe.rks-gov.net/repository/docs/PLANI_I_VEPRIMIT_I_KOSOVE_S_PER_EFICIENCE_TE_ENERGJISE_alb.pdf, lately checked on 06.09.2014.

so that it is possible for these projects to be implemented by German companies since average capacity is expected to be around 200 MW to meet the heating needs in the long-term perspective by 2023. Kosovo has adopted target indicators of 9% or 1021,18 ktoe, which must be met at the end of 2010-2018 period, to reach the amount of 91,89 ktoe or 1,068.68 GW of saved energy³.

The new Energy Strategy envisions as priorities the increase of provision level of regular electrical energy supply, by creating a balance between market supply and demand. In 2017, decommissioning of Kosova a unit is envisioned, as well as opening of the new mine at Sibovc that will provide raw material for the New Kosovo energy project. Development of renewable sources of energy and participation in development of regional energy market projects is envisioned as a special part of the strategy⁴.

The measures for improving energy efficiency, starting from household and industry sector have also been foreseen.

Household sector –Several qualitative and quantitative measures have been foreseen for the following years, including:

- Complex thermo-renovation, including automated heating systems, and thermic insulation in buildings.
- Introduction of LDG (Liquidised Diesel Gas) should contribute to decrease of energy demand for heating needs and cooking, by also decreasing the consumption of wood for heating purposes.

- Use of co-generation systems wherever there are technical capacities such as the case of provision of steam for heating needs from Kosova B Thermo-power-plant.
- Promotion of central heating schemes so that they contribute to provision of heating from multi-floor buildings.
- Promotion of new and efficient boilers.
- Installation of solar panels for heating sanitary water and use of efficient domestic appliances that reduce consumption of electrical energy.⁵

Services Sector

For this sector, the envisioned measures include the following:

- Preparation of awareness-raising campaigns.
- Introduction of strong crude oil and LDG for heating purposes to meet the heating demand to use it instead of electrical energy.
- Use of thermic insulation in existing public and private buildings of the services sector and application of the new Energy Code during construction.
- Introduction of CHP scheme (Combination of heating and power).
- Implementing Energy Audits in public and private buildings of services sector and commercial centres.
- Increase of efficiency in public and private buildings of services sector through other measures such as increase of use of fluorescent lighting, introduction of smart

³ Ministry of Economic Development. Kosovo's Energy Strategy 2013-2022, page 24. The strategy can be found at: <http://mzhe.rks-gov.net/repository/docs/SE - Shqip 26.12.pdf>, lately checked on 06.09.2014.

⁴http://www.worldbank.org/content/dam/Worldbank/Future%20Story/ECA/kosovo/Kosovo%20Eptisa%20Final%20Report_2013.04.13.pdf, lately checked on 06.09.2014.

⁵ Kosovo Action plan on Energy efficiency, page 2014. The plan can be found at: http://mzhe.rks-gov.net/repository/docs/PLANI_I_VEPRIMIT_I_KOSOVES_PER_EFICIENCE_TE_ENERGJISE_alb.pdf, lately checked on 06.09.2014.

electronic appliances, use of modern electrical equipment, etc.⁶

Industry Sector –in this sector there will mainly be goals to reduce energy consumption in transport and agriculture, including crediting certain products for small and medium enterprises that affect the reduction of electrical and thermic energy consumption through the application of advanced technologies.

New thermo-power-plant New Kosova - Irrespective of efforts and willingness so far of some German companies to be part of the new thermo-power-plant and their withdrawal for more appropriate times, our government must be attentive in handling the project, considering advanced expertise of German companies in the field, insisting that they too are part of the competition where the Kosovo Government would have to guarantee full transparency during the evaluation and announcing the winner for constructing the new thermo-power-plant.

The new thermo-power-plant will be divided into two units of 300 MGW each and will largely meet the demand for regular energy supply, while the energy production is expected to start in 2018⁷.

World Bank –\$31 million project on energy efficiency

The cooperation established between the Ministry of Economic Development with the World Bank has recently resulted with a project of high interest for our country in the field of energy efficiency. The project followed a prior analysis of the current situation in the field of energy and its efficiency by auditing a large number of institutions such as schools, ambulance centres, hospital centres, kindergartens, government and municipal buildings, etc., and they arrived at the conclusion to assist Kosovo with a project in the

amount of \$31 millions⁸, which will be specifically used to increase energy efficiency through application of adequate products, such as: thermic insulation, thermic panels for heating of sanitary water, etc.

Cooperation at local/municipal level in the field of energy

This segment is considered as one of the key pillars for implementation of energy efficiency measures since more than 45% of citizens live in villages and this creates the situation where energy supply is managed at the municipal level. One of the forms of cooperation at the local level would be twinning with German cities that are experienced in the field, especially with regard to energy efficiency, by exchanging experiences and learning from experiences of German institutions. "Covenant of Mayors"⁹ organization, which includes hundreds of cities of Europe as members, aims to include local and regional authorities in projects of energy efficiency and use of renewable energy sources in their territories on voluntary basis. Also, it is of special importance to work towards independence and elimination of direct influence of electrical energy supply from the national level. In this segment, it is foreseen to invest heavily at the municipal level, especially in public premises of special importance such as: schools, hospital and ambulance centres, social centres, municipality premises, kindergartens, etc.

Development of energy sector –Investments of German government in Kosovo

German Government is considered so far as the largest contributor and donor since the end of war in 1999, and the amount reached by now is at 420 million Euros¹⁰. From this amount, the German Government has invested in the field of energy and efficiency in

⁶ Ibid.

⁷ Ministry of Economic Development. *Kosovo's Energy Strategy 2013-2022*, page 20. The strategy can be found at: <http://mzhe.rks-gov.net/repository/docs/SE - Shqip 26.12.pdf>, lately checked on 06.09.2014.

⁸ World Bank. *Kosovo Energy Efficiency and Renewable Energy Project*. The Documents can be found at:

<http://www.worldbank.org/projects/P143055/kosovo-energy-efficiency-renewable-energy-project?lang=en> lately checked on 06.09.2014.

⁹ http://www.covenantofmayors.eu/index_en.html

¹⁰ http://www.auswaertiges-amt.de/EN/Aussenpolitik/Laender/Laenderinfos/01-Nodes/Kosovo_node.html, lately checked on 06.09.2014.

Kosovo about 142.1 million Euros, implemented through KfW bank.¹¹

Another project supported by the German Government is the one of Termokos, which will make possible increase of capacity for the supply of thermic energy in the city of Prishtina from Kosova B thermo-power-plant, thus reducing the operation costs of production by 50% and at the same time largely reducing emission of CO₂ gases. The project is also supported by other donors such as European Union, Swedish and Luxembourg Governments as well as from the Municipality of Prishtina.

Besides rehabilitation and provision of various equipment in coal-mines in Bardh, Mirash and Thermo-power-plants since 1999, another vital project for the energy network in Kosovo is construction of long-distance conductor 400/100. Its length is 240 km and it will be the main connection for mutual energy supply with Albania, where German government in cooperation with KfW are assisting with 33.5 million Euros, and the project is on-going¹². Besides major projects in energy infrastructure such as long-distance energy conductor or renovations in thermo-power-plants, German government has also supported many other projects in coordination with government projects for meeting EU targets 20-20-20, which are also priorities of National Energy Strategy. Other projects were mainly focused on construction of some schools, by installing central heating systems, thermic systems, efficient windows, etc. There were also projects at the municipalities, where efficient systems of public lighting were installed, which amount to 5 million Euros in total so far.¹³

¹¹ *Rehabilitation and modernisation in the Energy Sector – KfW Development Research.*

¹² *Transmission, system and market operation (KOSTT). Ongoing Projects, can be found at http://www.kostt.com/website/index.php?option=com_content&view=article&id=214&lang=sq lately checked on 06.09.2014.*

¹³ <https://www.kfw-entwicklungsbank.de/International-financing/KfW-Entwicklungsbank/About-us/Unsere-weltweite-Pr%C3%A4senz/Europa/Office-Kosovo/>, lately checked on 06.09.2014.

Education and training in the field of Energy & Energy Efficiency

Kosovo has huge potential in the field of human resources with a young population of over 65% under age of 35. If we refer to data of 2013/2014 from the pre-university education sector, there is a total of 408.146 pupils, from whom 102.213 are part of middle and high schools. From this number, 46% are enrolled in gymnasiums and 54% in vocational schools¹⁴. Kosovo pupils lack adequate conditions for quality and contemporary education. Even though the number of vocational schools is 54, they unfortunately don't generate trained students for the labour market, and in particular, there is a lack of trained workforce in the field of energy and other related domains.

Vocational education and training – Association for Encouraging Vocational Education and Training

With support from German GIZ, and based on the request of local Kosovo businesses, the Association for encouraging vocational education and training was established in Kosovo. The Association will aim to lobby, empower and build new capacities of youth and professionals so that they develop their skills in various fields, including: energy, renewable energy, electronic and machinery electrical installations, etc. The Association may play a significant role in preparation of the ground for German investors that might wish to invest in the field of energy in Kosovo.

BAU Academy in Prishtina

Upon initiative of privately-owned businesses in Kosovo and with support of German Embassy and GIZ, construction of a centre of competence is planned, which will provide quality education of equal quality of

¹⁴ *Ministry of Education and Science. Undergraduate education, statistical notes. The report can be found at: http://www.masht.gov.net/advCms/documents/Shenime_Statistikore_2013_14_Arsimi_Parauniversitarr.pdf lately checked on 06.09.2014.*

that in Germany and the issued certificates for metal-welders, wood industry, construction, electrical installation, machinery, etc., will be recognize in entire European Union market. These projects enable attraction of foreign investors and enable us to prepare for easier integration into EU. This academy or training centre would play a very important role in preparation of young human resources that would work in producing products or services in the field of electrical engineering, energy, energy efficiency, renewable sources, etc.

Cooperation practices between German and Kosovo institutions in the field of energy – study visits

Besides financial support for implementation of strategic projects in the field of energy from German institutions and banks, a special feature during recent years has been good cooperation in the sector among government institutions, civil society and their German counterparts, including projects such as GIZ (German Agency for International Cooperation), where in 2012, a selected group of representatives of Kosovo institutions and businesses attended a study visit to Germany, in the Republic of Bayern, which aimed at introduction to most recent trends in production of renewable energy, municipal projects in the field of energy efficiency and joint development projects among government-academy-businesses. This was an extremely good experience to closely see novelties, potential and opportunities that German state offers for its citizens and at the same time to share these experiences with other countries as a good opportunity for cooperation in the field of energy. Another next good practice is cooperation with the Dortmund Chamber of Commerce. This institution has offered its cooperation through the Ministry of Economic Development, where the focus, amongst else, is education of youth in fields such as: mechatronics, electronics, energy, etc., as well as the opportunity to transfer their academic and professional experiences in Kosovo.

Cooperation with German academic institutions in the field of energy

Germany features the largest number of institutes, research centres, and universities in Europe that deal with the field of energy and energy efficiency.

Institution models such as Fraunhofer Institute¹⁵, Karlsruhe Institute of Technology¹⁶, Institute for Energy and Environment IUTA¹⁷, or Helmholtz Research Centre, etc., are institutions that we may cooperate with in the field of energy, efficiency and renewable sources of energy. Regarding universities and training centres, Germany is the leading country in Europe in addressing issues of energy and its efficiency.

Application of the dual system in theory and practice as in Germany would be a perfect model for an education system that would generate employment in these sectors.

To further advance the level of cooperation in the field of education and training with Germany, continuing to directly benefit in economic development, I recommend our respective institutions to integrate German language as a school subject starting from elementary schools up to university levels. This would create a pre-condition another precondition for larger generation of employment opportunities and economic growth, thus offering German market one more opportunity. For this, Germany every year awards scholarships through German Service for Academic Exchange (DAAD) for study opportunities, and also enables journalists, engineers and Kosovo physicians to participate in study tours in Germany and stimulates economic and cultural cooperation or expansion of cooperation in exchange of youth in technical vocational fields to send them to internships at German companies for several months. Responsible institutions for education in our country must develop development policies that determine fields of interest such as development of human resources in the field of energy and other accompanying components.

¹⁵ <http://www.fraunhofer.de/>

¹⁶ <http://www.kit.edu/research/6717.php>

¹⁷ <http://www.iuta.de/>

Visit of German-Kosovo Economic Association in Berlin

Another very useful experience was the visit of a group of businesses at the end of 2013, where the goal was to have meetings with businesses at the Potsdam Economic Chamber in Berlin. Among various visits, businesses had a chance to see recent projects in the field of energy and efficiency, where they visited businesses in the field of wind-based energy production through aero-power-plants, solar panels, and biogas and biomass systems.

Annual Energy Conference from Evroenergie

Another form of developing strategic and long-term relations in the field of energy is annual organization since 2012 of Annual Energy Conference organized by Evroenergie company from Kosovo with German partners. The conference every year brings high profile experts from fields of energy, renewable energy sources, efficiency, etc., mainly from Germany, including institutions from the German government that work in the field of energy and efficiency. The conference is being better positioned every year by providing good opportunities for presentations and cooperation opportunities for German businesses interested to invest the field of energy in Kosovo. The conference should be considered by the government as a very good opportunity to present major projects in front of potential German investors.

Kosovo Diaspora in Germany – Potential for co-investments in the field of energy

According to data unverified institutionally by our respective authorities, there are more than 320,000 Albanians from Kosovo living in Germany¹⁸. There are more than 6500 Kosovo students studying at bachelor, master and doctoral level in Germany¹⁹. Another special

and even stronger economic element is a number of 18-25 thousand businesses that are managed by Kosovo citizens living in Germany. This group of businesses is an extremely large but very little utilized potential by Kosovo, especially during the recent post-war years. Fortunately, recently, about a year ago, in October 2013 in Köln, Germany, I had the pleasure to attend establishment of the first union of Kosovo Albanian businesses in Germany²⁰. The union will gather businesses under one umbrella, thus creating a strong financial and intellectual power, which will be able to better articulate their demands from Kosovo and will increase cooperation with Kosovo businesses. Their investing potential has not been utilized even though their financial might is in billions of Euros. Our diaspora is also an important reserve of trained and highly qualified human resources for the European integration process. According to Kosovo Central Bank, the amount of remittances during 2012 in Kosovo was at 605 million Euros in cash²¹. Within this segment, establishing partnerships between Albanian businesses in Germany and German businesses there makes it easier for them to enter Kosovo market so that those companies introduce products or services in the field of energy and energy efficiency.

Energy & Energy Efficiency – Production & Services –Areas and opportunities of cooperation

Kosovo has huge potential of human resources that are not activated into the labour force and most of them are youth and they represent huge potential for activating them in the labour force, production and various services. According to European Union reports, even though Kosovo is known as an agrarian country, where besides large potential in the field of agriculture, cattle, and mountainous tourism, our country has large potential in the field of production of machinery, metal

¹⁸ Ministry of Diaspora. Strategy for Diaspora 2013-2018. Strategy can be found at: <http://medrks.gov.net/wp-content/uploads/2013/09/Shqip-Strategjia-per-Diasporen-dhe-plani-i-veprimit-versioni-i-aprovuar-ne-Qeveri.pdf> lately checked on 06.09.2014.

¹⁹ Kosovo's Embassy in Germany.

²⁰ <http://union-business.de/>

²¹ Central Bank of Republic of Kosovo. Balance Report of Payments. Strategy can be found at: http://www.bqk-kos.org/repository/docs/2013/BQK_BOP_Nr12_2012.pdf, lately checked on 06.09.2014.

processing, wood processing, automobile industry, construction, electro-industry, textile production, chemical industry, outsourcing of services such as information technology with a huge potential in the field of energy and energy efficiency to offer services in German market too. But, to manage to attract German investors to Kosovo, we need to be well-prepared and be pragmatic. The first thing we need to do is to substantially improve the quality of education, especially in vocational schools and technical departments at university. This requires a fundamental change in design of curricula so that they are in line with market demands and demands of German and European economy. We need to equip schools with respective laboratories and school diplomas need to be valid in entire European market. A powerful and transparent judicial system creates preconditions for growing credibility of investors to see Kosovo as a destination for business and investments.

Investment/development potential

According to reports prepared by Evroenergie company in Prishtina, and especially the latest one on "New processes for creating added value in the metal sector for improvement of energy technologies (BRE & EE)²²" presented interesting findings for the potential of our market by focusing especially in cooperation with German businesses due to their highly experienced and powerful companies, developed and sophisticated markets, qualified human resources and proximity for communication and transport between Kosovo and Germany. Since 1999 until now, German Government has supported energy sector in Kosovo with 127 million Euros, managed by KfW Bank²³. Even though we were not careful with privatisation process of publicly-owned companies that were main pillars of economy and export, still there are possibilities to revitalize some of them, especially in the field of metal processing, machinery and energy. Countries of Balkan region possess large production potential in the field of metal processing that is closely

related to production of products in the field of energy, renewable energies, efficiency, etc. There are about 100 privately-owned companies in Kosovo in the field of machinery and metal processing which are in position to produce for foreign markets as well ²⁴.

To have a real overview on opportunities and potential in Kosovo, it takes deep research initially on the willingness of people to work, second, the willingness to work in production, third, willingness to learn new practical things, to get certification, licences, etc. After that, we would have a more detailed report on what number and capacity we can incite German investors to invest in Kosovo.

If we refer to the Germany's data on the number of companies in the field of energy and energy efficiency, we find a number with huge potential, where Berlin alone with Brandenburg as a region has about 5000 companies in the energy sector with more than 50,000 employees and revenues at about 15 billion Euros per year ²⁵. Meanwhile, the overall number of all businesses in entire Germany is in tens of thousands.

According to a report from 2012 "World Energy Outlook 2012"²⁶ published by the International Energy Agency - IEA, since 2013 to 2035, about \$11.8 trillions are envisioned to be invested worldwide only in the energy efficiency sector, which is expected to result with: \$17.5 trillions in reduction of fuel bills, 50% reduction of worldwide energy demand and about \$1.3 trillions reduction in construction of new energy infrastructure. While according to a recent publication from EREC - "Re- thinking 2050", the European Union vision for 2050 is to provide energy supply that is 100% based on renewable energy sources²⁷. At the European level, Germany is a leader in the field of energy efficiency technology with a turnover of about 67 billion Euros per

²² Resarch – Energital Energy- Evroenergie &GIZ (German Cooperation),

²³ KfW – Development Research – Rehabilitation and modernization in the Energy Sector in Kosovo.

²⁴ *New processes for creating added values in the metal sector to improve energy technologies (RES & EE) A study by Evroenergie company, Prishtine.*

²⁵ <http://www.energietechnik-bb.de/en/home>

²⁶ <http://www.worldenergyoutlook.org/publications/weo-2012/>

²⁷ Lulzim Sylja. *Energy – A Practical Approach for the Benefit of Sustainable Economic Development in Kosovo*, June 2013. Policy brief can be found at: <http://www.kas.de/kosovo/sg/publications/34821/>, lately checked on 06.09.2014.

year, with trends to double the turnover in few coming years²⁸. In next 20 years in Germany, based on trends to reach the quota of 25% in energy savings, it is envisioned to invest about 540 billion Euros as necessary investments, while up to now, about 13 billion Euros have been invested in research and development in the field. These data mean much – they indicate the huge potential of Germany, which is estimated to be one of the largest producers in the world of products in energy, renewable energy and energy efficiency. The data must be considered seriously by entrepreneurs and producers in Kosovo because the opportunities for production in Kosovo for export to Germany and from Germany to third countries are large, possible and reachable. Locally, Kosovo has, in the field of Energy Efficiency, its action plan on efficiency for the period 2010-2018, which has set its own target at 9 per cent²⁹. Kosovo businesses are courageous, are good entrepreneurs, but what is needed is development of technical, operational and selling skills for foreign trade.

The number of products that may be produced in our country and exported either in German-speaking markets or in other markets in the field of energy efficiency is very large. I will specify some of the segments that also include thousands of other sub-products, such as: smart energy metres, insulation systems, heating and cooling technologies, efficient home appliances, efficient bulbs, co-generation energy systems, solar panel systems, glass insulation, components of heating systems with biogas, biomass, etc.

The above preferential agreements with certain countries, CEFTA and list of products exempt from customs are great opportunities, especially in energy sector, to produce tens and hundreds of products for export from Kosovo to Germany or third countries. There is a need for trained personnel that are familiar with production

²⁸

<http://www.gtai.de/GTAI/Navigation/EN/Invest/Industries/Energy-environmental-technologies/energy-efficiency.html>

²⁹Ministry of Economic Development. Energy Efficiency. Document can be found at: <http://mzhe.rks.gov.net/?page=1,250>, lately checked on 06.09.2014.

processes, exports, calculations, international agreements, quality of products, etc., since foreign markets have their own specifications that need to be respected and handled carefully.

Investments of private German companies in Kosovo in the field of Energy

According to statistical data from Kosovo Central Bank and MTI, the amount of German investments for the period 2007-2012 is 374,95 million Euros, which is far ahead compared to other countries such as Great Britain with 292 million Euros, followed by Slovenia with 210 million Euros, etc³⁰. During 2012 alone, Kosovo imported from Germany products worth 292 million Euros, about 10 per cent of the total imports, being the second country for exports to Kosovo after Macedonia. The number of German businesses in Kosovo is ever growing.

Xella Kosova – Success story

A success story of a German investments that slightly pertains to the segment of energy efficiency is that of Xella International company, where about 12 million Euros were invested in production lines of construction bricks that indirectly affects energy efficiency since these are thermo-insulation products and the create positive chain effects.³¹

Evroenergie – Success story

Evroenergie company in Kosovo is another success story of a strategic partnership among businesses in Germany and Kosovo. This company provides outsource services from Kosovo to German market exclusively in the field of energy, energy efficiency, renewable energy, etc., by providing services for various clients and projects in the above fields. This story indicates hope and it is a very good indicator that Kosovo may develop sustainable businesses in this area.

³⁰ Central Bank - Annual report on foreign direct investment in 2012.

³¹ http://www.kosova.xella.com/#_sub1212

According to the latest World Economic Forum report, Germany ranks number one in the work in the field of implementation of energy efficiency measures, where in 2013 alone, the country has implemented incentive programmes and loans in the amount of about 34 billion Euros, by focusing on the private sector, which resulted with about 30% energy efficiency as a result of replacing out-dated technologies with new ones and other measures in the production processes³².

Germany is expected that by 2020 reduces energy consumption by 20%, while by 2050 energy consumption is expected to go down by 50%³³.

Economic cooperation agreements in the field of energy and efficiency

So far, Kosovo has not signed any agreement of a high economic level that would prove any willingness for deepening cooperation in the field. To establish long-term strategic relations, our country needs to propose and sign various agreements of economic, social, cultural, security and political nature amongst else.

Germany has been one of the main Kosovo partners in the field of donations and funding of major projects in Kosovo, especially in energy and infrastructure sectors. During 2013 alone, about 28 million Euros have been envisioned for development policies in Kosovo, construction of infrastructure, institutions and education. The most recent case is funding of Interconnection Energy Line of 400kV between Albania and Kosovo.

Other opportunities that might be utilized in partnership with German businesses include 8,336 industrial products, whose customs fee will be 0 immediately after ratification of agreement with Turkey. Kosovo is currently benefiting from Autonomous Trade Measures established unilaterally by the EU with the Council Resolution (2007/2000), which

enables access into the EU market without customs fees for some Kosovo products. Kosovo also benefits from the Generalized System of Preferences (GSP) with the USA, which enables about 3500 Kosovo products to be exported to the USA market without paying customs fees. Kosovo has such preferential agreements with Norway and Japan too for a limited number of goods³⁴. Within these agreements that Kosovo has signed, German companies may benefit a lot, especially with regard to industrial products, including those of energy and energy efficiency sector.

Cooperation with businesses – Chambers of commerce

One of the recent instances of cooperation with German businesses was that of Nurnberg Chamber of Commerce, Germany, which supported two Kosovo businesses, Elen and Entermedia, to officially open their branches in the German market, which is the first such case since the end of the war in Kosovo, thus marking an important turning point of cooperation between Kosovo and German businesses³⁵. This is only the start of a new opportunity for our businesses. Our country has the capacity to offer many more businesses that can produce in the German market either through provision of services or exporting various products. In 2009, as joint initiative Kosovo-German Chamber was established in Germany (www.dkwg.de), in Berlin, and its chair is a former CDU German parliamentarian, Dr Friedbert Pflüger. In 2012, we established German-Kosovo Economic Association (<http://www.kdvw.org>) in Prishtina, which includes a large number of German and Kosovo businesses that have partnerships with businesses from Germany. Recently, the businesses of our Diaspora in Germany were united through creation of the Union of Kosovo businesses (<http://www.union-business.de>) in Germany.

³² <http://www.thecoreport.com/green-blogs/area/usa/germany-leads-the-world-in-energy-efficiency/>

³³ <http://www.evroenergie.com/>

³⁴ Ministry of Trade and Industry - Department of Commerce, Division of Market Protection.

³⁵ <http://koha.net/?id=27&l=1112>

These organizations are strong pillars for cooperation between our two economies. There are 384 German businesses registered in Kosovo.³⁶

So far, activities that would discuss economic cooperation, economic forums, meetings of businesses of two countries, etc., were lacking. Organization on annual basis of an Economic Forum where cooperation topics such as business, industry, trade, etc., would be discussed, would be valuable for intensification of contacts between the two economies.

Other recommendations for strengthening German-Kosovo relations

In order to strengthen current relations and build new ones in other fields of interest, I would recommend a series of projects and activities that would assist the process for the benefit of both parties, including:

- Intensification of economic relations with Germany through establishment of economic attachés at the embassy and consulates of Kosovo in Germany.
- Organization of study visits at embassy and chambers of commerce level at production and service companies, including special fairs on energy, renewable sources and efficiency from both countries.
- Creation of a database (website) that would enable meetings of various companies from both countries in order to exchange certain interests, products or services in the field of energy, energy sources and efficiency by establishing easier modes of communication, including information materials for start-up businesses, investments, human resources, information from the field of special interest, etc. Registration of businesses in a database of projects and companies such as the following: www.ixpos.de, etc.
- Organization of an annual or biannual Economic Forum at both countries, organizing on this occasion the German Business Week in Kosovo and vice versa.

- Organization of monthly joint breakfast meetings would also be useful for business networking.

- Intensive cooperation with Diaspora businesses and their identification as part of coordination of activities among above mentioned chambers of commerce and respective embassies, where through Diaspora network other German businesses that have trust in those businesses may be integrated.

- Preparation of professional human resources either at the level of vocational or academic education settings to be in pace with market demands and foreign investments. Allocation of special funds from the state for deficit areas and training at centres, institutes and academies in Germany.

- Special support to production and service companies in Kosovo that aim to enter German market, either through financial resources or technical assistance for participation in fairs, trainings, etc.

- Analysis on potential of products and services for export and substantive reports on on-going of economic cooperation between the two countries, etc.

- Institutional support from the side of the Government in case of powerful projects by having joint visits among potential investors to show seriousness and commitment to support major projects in the above mentioned fields.

Summary

It is a great coincidence that this policy brief is written at the 15th anniversary of establishing diplomatic relations of our country with the Federal Republic of Germany immediately after the war. German state deserves special attention from our country as well as strengthening mutual relations in every aspect, including culture, arts, economy, politics, etc. I think that the above-mentioned reasons serve as a strong basis to start to think towards defining long-term strategic partners and mutual priorities. Strengthening of economic, trade, educational and cultural relations are of special importance for our country. Destinies and paces of political events have brought the situation

³⁶<http://legalpoliticalstudies.org/download/Policy%20Report%2002%202014.pdf>.

where Kosovo has early relations with Germany, but now, as a result of political-economic developments we are in a situation where Germany is the homeland and workplace of hundred thousands Albanians from Kosovo. This situation inevitable requires as to pay special attention towards that part of our population by opening up new cooperation opportunities through Diaspora and values that they have established for many decades there. This communication and cooperation must be highly appreciated, preserved and conveyed to young generations.

Energy will be one of the fields of strategic interest for all countries in the world, since if you have energy, you have the state, and if you don't have energy you will always have to depend on others. Therefore, this field must be considered carefully since it is expected to be a determining factor for economic development in Europe. Utilization of areas of cooperation either in production or services creates a chain of values for the benefit of sustainable economic development.

About the author

Lulzim Sylja works as a Managing Partner at Elen Company, where he deals with strategic development of the company. Elen specializes in the field of electro-energy. In addition to his engagements at Elen, Mr Sylja is a consultant for several private companies in Kosovo. He completed basic studies at the Faculty of Economics, University of Prishtina, in the department of Management & Informatics, while he is also certified as a trainer in the field of Strategic Management by WiFi Institute in Austria. He has also been a business trainer for various private projects and those of the European Commission. He is a co-founder of the German-Kosovo Economic Association (GKEA) and chair of the committee on energy within GKEA. He is member of the board at the Kosovo Renewable Energy Association (SHERK).

Views presented in this policy brief are personal views of the author and do not necessarily represent views of Konrad-Adenauer-Stiftung.

Translation:

"My translation Centre Prishtina"

Lagj. Bregu i Diellit, Pn, 10000, Prishtina

+377 44 138 568

contact@mytranslationcentre.com

Contact:

Konrad-Adenauer-Stiftung
Office in Kosovo
Boulevard Mother Theresa 30-3/6
KO-10000/Pristina
Telephone +381 (0) 38 229 874
Prishtina@kas.de
www.kas.de/kosovo