



# A Foreign Investor's Guide to Kosovo



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2020

A Foreign  
Investor's Guide  
to Kosovo

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## Introduction

### a message from the Authors

Kosovo is the youngest European country, in every meaning of the phrase: With over 70% of its population under the age of 35, it has the demographic make-up that every country dreams of. It is a vibrant place, full of young people who have been educated in a Western spirit and who speak foreign languages and can adapt quickly. As a state that declared independence rather recently, in 2008, there are still many untapped opportunities to

do business. With the fastest economic growth rate in the Western Balkans, Kosovo is becoming increasingly attractive to foreign investors.

Many companies looking for potential suppliers or to move manufacturing closer to EU member states have turned to the Western Balkans. This is Kosovo's golden opportunity – because we are competitive! Through the Stabilization and Association Agreement,

Kosovo offers free access to the EU market, and low labor costs in comparison to Central and Eastern Europe, but also compared with neighboring countries, owing to a young population. 28.2% of the population speaks one foreign language and 15.9% more than one foreign language. Kosovo offers German quality at Chinese prices!

In addition to the potential to become a supplier for small and

medium enterprises, Kosovo has an advantage which is needed now more than ever: a strong ICT and start-up community. As a "Start-Up Nation" Kosovo has much to offer in innovative solutions, products and services, including 3D printing. Digitalization is the future and everyone is pursuing it: companies and corporations, but also public institutions – Kosovo is in lockstep with these developments and offers many opportunities for nearshoring and outsourcing.

To attract foreign investment, Kosovo has established a legal framework that guarantees foreign investors the right of incorporation and national treatment in almost any sector of the economy, providing attractive incentives for foreign companies in the country. Kosovo has a great geostrategic position, an economy with competitive costs and low tax rates, a young workforce boasting constantly growing new skills, and a commitment

to global trade integration. Kosovo offers tax-free access to the EU market, the CEFTA region and the Turkish market, as provided by the trade agreements it has concluded.

We have put together this guide to help you find out more about why you should choose to invest in Kosovo. The guide covers the legal and regulatory environment that investors will face when investing in Kosovo. Of course, every investment decision is different, and the applicable national laws and regulations are constantly evolving with the aim of improving the overall environment of doing business, in conformity with EU legislation. This guide is therefore intended to provide a comprehensive summary of the issues, and is not necessarily a legal opinion, applicable to all investments. Kosovo has established an institutional framework that will guide investors at every stage of their investment process by facilitating access to all required information and

helping overcome any administrative barriers that may be encountered.





01

**BACKGROUND  
INFORMATION  
ON KOSOVO**

## BACKGROUND INFORMATION ON KOSOVO

The Republic of Kosovo is situated in the heart of the Balkan Peninsula and extends over a surface area of 10,887 km<sup>2</sup>. It borders Serbia to the north and to the east, North Macedonia to the south, Albania to the southwest, and Montenegro to the northwest.

The Republic of Kosovo is the most recent successor state to the former Yugoslavia, having

declared its independence on 17 February, 2008. Today it is recognized as an independent state by more than 100 United Nations Member States and by 23 of the 28 Member States of the European Union (EU). Kosovo is a potential candidate for EU membership and signed the Stabilization and Association Agreement (SAA) with the EU in October 2015, effective April 2016.

# 01





The country's capital is Pristina/ Prishtina, one of the liveliest capitals in the Balkan Peninsula. Kosovo has a population of about 1.8 million, with Kosovo Albanians forming the majority at over 93% of the total population, while minorities include Kosovo Bosniaks (1.6%) and Kosovo Serbs (1.5%). Approximately 44% of Kosovo's land area is comprised of forests. Kosovo has a broad and unique biodiversity, in part because of its mountainous terrain

structure (6% of the total surface area). Kosovo is a secular state and its people are pro-Western and very hospitable. The country offers quality living at low cost. It is a country with many rural and mountain tourism opportunities and with its geographic position and access to highways, from Kosovo you can quickly reach Albania, Croatia, Greece and Montenegro, to name just a few of the nearby destinations.



## PËRSHKRIM I EKONOMISË

Kosovo is a country rich in natural resources and with ample potential for economic development. It has a liberal trade regime based on the principles of a market economy, with free competition that favors the opening of markets as the only option for the sustainable development of competitiveness.

In 2018, economic growth was 4% according to the International Monetary Fund. The main engine driving the economy is the money from

diaspora transfers (remittances) which are mainly invested in private consumption and real estate purchases. As of 2019, the employment rate is 30.1%, the unemployment rate is 25.7%, while the inactivity rate (workforce not actively seeking work) is 59.5%. However, current unemployment may be lower due to insufficient statistics covering the informal sector.

Official Name:	Republic of Kosovo
Form of State:	Unitary Parliamentary Constitutional Republic
Area:	10,887 square kilometers
Population (2011):	1,739,825
Density:	159 people per km <sup>2</sup>
Religion:	Muslim, Roman Catholic, Serbian Orthodox
Municipalities	38
Currency:	Euro
Timezone:	CET
GDP per capital, current US\$:	4,458
GDP, current US\$ billion:	8.0
GDP growth:	4% average
Total imports volume (2018):	\$4.4 billion
Total exports volume (2018):	\$2.1 billion
Foreign direct investment (2018):	\$240.1 million or 4.01% of GDP

OFFICIAL NAME:  
REPUBLIKA OF  
**KOSOVO**

FORM **UNITARY PARLIAMENTARY**  
OF STATE: **CONSTITUTIONAL REPUBLIC**

AREA:  
SQUARE KILOMETERS: **10,887** 

POPULATION (2011):  
 **1,739,825**

DENSITY: **159** PEOPLE  
PER KM2 

RELIGION: **MUSLIM,  
ROMAN CATHOLIC,  
SERBIAN ORTHODOX**

MUNICIPALITIES: **38** CURRENCY:  
 **EURO**

**2.1** TOTAL EXPORTS  
VOLUME (2018):  
BILLION DOLLARS

TIMEZONE:  
 **CET**

GDP PER  
CAPITAL, **4,458**  
CURRENT US\$:

TOTAL IMPORTS  
VOLUME (2018): **4.4** BILLION  
DOLLARS

GDP, CURRENT  
US\$ BILLION **8.0**

**240.1** FOREIGN DIRECT  
INVESTMENT  
MILLION DOLLARS (2018):  
OR **4.01%**  
OF GDP

GDP GROWTH:  
AVERAGE **4%**



02

**INVESTMENT  
CLIMATE**



# INVESTMENT CLIMATE

## Why Invest in Kosovo?

# 02

The business environment in the Republic of Kosovo is becoming one of the most competitive in the region. An excellent tax system, an abundance of natural resources, quick and easy business registration methods, and transparent laws on foreign investment are just a few of the advantages making Kosovo an attractive and friendly environment for foreign investors.

In the World Bank's Doing Business Report for 2020 Kosovo ranked 57th, with

an improvement of 2.2% in relation to international best practices. The report recognized Kosovo for significant reforms in five specific areas: protection of minority investors, building permits, reliability of electricity, enforcement of contracts, and trading across borders. The Republic of Kosovo is the country with the greatest investment opportunities in the Balkans and attracts international investors to consider Kosovo as a top location for their investments.

- ✓ **70%** of the population is under the age of 35
- ✓ Kosovo has the highest concentration of German speakers in the world, after the **DACH countries (Germany, Austria and Switzerland)**
- ✓ Of the population **aged 15** and older,
  - ▶ **55.7%** speak only their mother tongue
  - ▶ **28.2%** speak one foreign language
  - ▶ **11.4%** speak two foreign languages
  - ▶ **4.5%** speak three foreign languages
- ✓ Low wages
  - ▶ the average monthly wage in the private sector is **€384 gross**
- ✓ Low cost of living
- ✓ Low tax rates
  - ▶ Profit Tax is 10%
  - ▶ Personal Income Tax (sliding scale): 0-10%
  - ▶ Dividends: 0%

- ✓ The euro is the official currency
- ✓ Stable banking system

---

- ✓ Good export opportunities
  - ▶ Free access to EU markets (SAA)
  - ▶ Free access to the Turkish market (Free Trade Agreement with Turkey)
  - ▶ Free access to the UK market (agreement takes effect on 01.01.2021)
  - ▶ Access to the markets of CEFTA countries
- ✓ Geographic position, access to highways and the ports of Durrës and Thessaloniki

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- ✓ Internet penetration is 88.8%





## INVESTMENT INCENTIVES

The existing legal framework in Kosovo allows incentives for foreign and local investors. Their purpose is to promote the growth of the Small and Medium Enterprise sector. According to the Law on Foreign Investment, foreign investors must be accorded rights and obligations equal to those for nationals of Kosovo and must be treated equally. Current incentives cover the following issues:

### 1 LOSS CARRY-FORWARD

The Law on Corporate Income Tax provides for loss carry-forward for a period of up to six years.

### 2 SPECIAL ALLOWANCE FOR NEW ASSETS

If a taxpayer purchases any production lines for plants or machinery, locomotives or rolling stock used for rail transport, airplanes, ships, heavy machinery for transportation, equipment for soil transportation, bulldozers, excavating machines, or any other heavy machinery for the purposes of taxpayers' economic activities, a special deduction of 10% of the asset acquisition price is allowed in the





year in which the asset is first put into service. This is provided in addition to the normal allowable depreciation deduction but only if the asset is new or for the first time placed into service in Kosovo. The deduction is not allowed if the asset is transferred from an existing business or a previous business in Kosovo.

### 3 AVOIDANCE OF DOUBLE TAXATION

A resident taxpayer in Kosovo who earns income from business activities outside of Kosovo, and who pays tax on that income to other states shall, according to this Law, be allowed tax credit for the income tax paid to another state that is attributed to the income earned in that other state. The allowed tax credits shall be limited to the external tax amount paid on income earned outside of Kosovo, and shall not

exceed the amount of compulsory taxation in Kosovo on that income. If the Kosovo taxation on that income exceeds the amount of taxation paid outside of Kosovo, the surplus amount must be included in the calculation of compulsory taxation in Kosovo.

## 4 LAND

Municipalities in Kosovo are allowed to lease their movable and immovable property to foreign investors. The lease may be granted for a term of ten years, with an extension option of up to 99 years.

## 5 LOW OPERATING COSTS

The key advantage of the Kosovo workforce is low operating costs. Net monthly wages range between €300 and €400.





## INVESTOR PROTECTION

The purpose of the Law on Foreign Investment is to protect, promote and encourage foreign investment in the Republic of Kosovo, providing foreign investors with a set of fundamental rights and

guarantees that will ensure foreign investors that their investments will be protected and treated with fairness in strict accordance with the accepted international standards and practices.

Notably, the rights accorded to a foreign investor are as follows:

- ▶ Non-discriminatory treatment
- ▶ Constant protection and security
- ▶ Compensation in case of nationalization or expropriation, including payment of interest
- ▶ Compensation in case of violation of applicable law and international law attributable to Kosovo
- ▶ Freely transferable and otherwise unrestricted use of income
- ▶ Protection against retroactive application of laws.

It should be noted that the SAA provides for the protection of investors, with Article 98 of the SAA establishing cooperation between the parties in the field of foreign direct

investment (FDI) aiming to bring about a favorable climate for private investment, both domestic and foreign, which is essential to the economic and industrial revitalization of Kosovo.

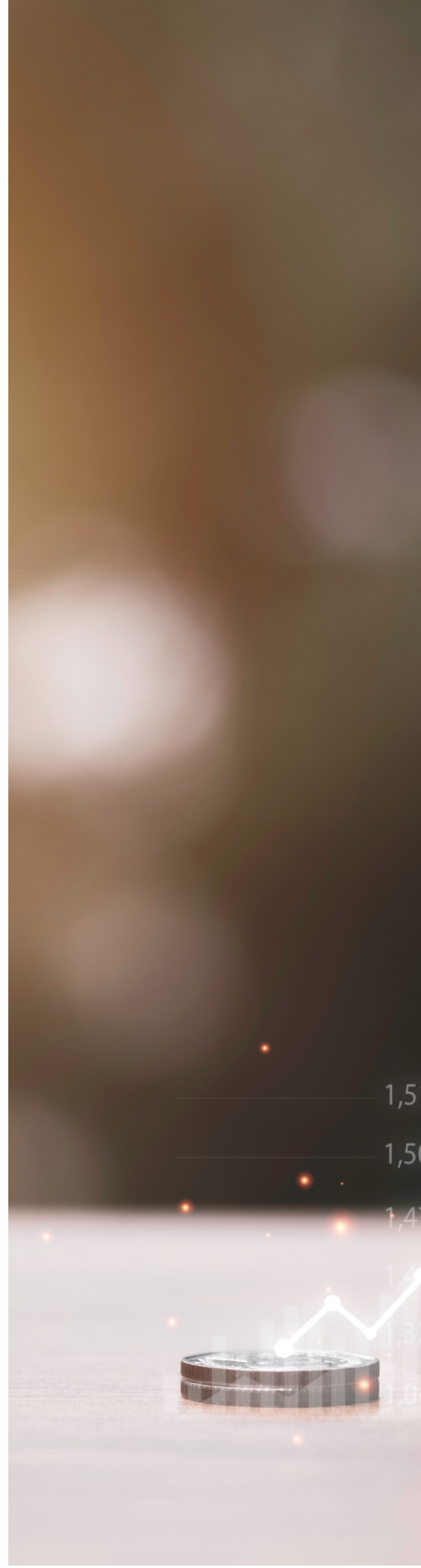
## **BILATERAL AGREEMENTS ON INVESTMENT PROMOTION AND PROTECTION**

The Government of Kosovo has concluded several bilateral agreements in relation to the promotion and protection of investments, namely with: Albania, Austria, Belgium, Canada, Croatia, Germany, Kuwait, Luxembourg, Montenegro, North Macedonia, Qatar, Switzerland, Turkey, and the USA (OPIC).

## **LAW ON STRATEGIC INVESTMENTS**

The main purpose of this law is to eliminate the barriers of lengthy bureaucratic procedures which had previously been noted as deterrents, and to provide for enhanced transparency in the implementation of foreign investment projects in Kosovo. It enables the government to negotiate directly with both foreign and domestic investors. The conditions for attracting foreign investors which it provides are equal to those of other countries of the region.

The first strategic investor in Kosovo, and also the largest German investor in Kosovo, is SOWI Kosovo. Their project is for the construction of a 105 MW capacity wind farm with 30 wind turbines, at a cost of €150 million. SOWI's is the largest foreign investment in Kosovo since the state was founded in 2008.







16.05

08.80

78.68

8.92

77.04

2.09

80.5 \$

70.2 \$

63.6 \$

55.8 \$

43.9 \$

03

**SECTORS WITH  
INVESTMENT  
POTENTIAL**

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## SECTORS WITH INVESTMENT POTENTIAL

There are a number of sectors in Kosovo that provide good business opportunities, such as:

# 03

### Information and Communications Technology

(ICT) – The ICT sector in Kosovo is relatively new, but it is developing rapidly, as evidenced by the data of the IT Barometer, published by the Kosovo Association of Information and Communications Technology. 61% of IT companies work for the international market and the IT sector is the only sector with a positive trade balance. The largest markets for Kosovo are Western Europe and North America. The ICT sector in Kosovo has two main advantages: availability of affordable workspace and access to incubators and accelerators.

### Mines and Energy

Kosovo has a considerable endowment of natural resources. At 14.7 million tons, Kosovo possesses the world's fifth-largest proven reserves of lignite. In addition to coal-fired power generation capacities, Kosovo can offer huge opportunities in the renewable energy sector. Currently, about 98% of the electricity output is produced by thermal power plants.

### Tourism

Kosovo's natural riches represent high-quality tourism resources. The country's potential for tourism largely relates to its geographic position. The mountainous south of Kosovo has great potential for winter tourism and some of the most interesting opportunities for foreign investors in this region are in the Brezovica Ski Resort and the Sharr Mountains.

### Food Processing

Kosovo's climate is influenced by its proximity to the Adriatic and Aegean Seas, as well as the continental European landmass to the north. The overall climate is of a modified continental type. With some 60% of the population living in rural areas and mostly working in agriculture, Kosovo has a long standing agricultural tradition. Agriculture is the main source of income for the

majority of the population. The agribusiness and food processing sector is traditionally one of the strongest sectors in Kosovo's economy.

### Wood Processing

Over 40% of Kosovo's land mass is covered by forests – an area of approximately 465,000 hectares. Kosovo has a long tradition of wood processing and its soil is generally nutrient-rich, providing a very good growth medium for plants and trees. In 2015 Kosovo's exports from this sector were at about €2.5 million; in 2016 about €6 million; in 2017 about €7 million, and in 2018 about €10.5 million (source: Kosovo Agency of Statistics, KAS).

### Metal Processing Industry

Kosovo has a long history of metalworking and this sector has undergone major changes over the last twenty years. Many Kosovo metal processing companies have already established themselves as suppliers to international companies. This sector exports a wide range of metal products, largely hammered steel sheets and forged metal to 15 European countries.





## PLASTICS AND RUBBER INDUSTRY

Products from the plastics and rubber sector hold a significant share of Kosovo's exports stock, reflecting a steady year-on-year increase. In 2015 Kosovo's exports from this sector were at about €23.5 million; in 2016 at about €30 million; in 2017 at about €37 million, and in 2018 at about €46.5 million (source: Kosovo Agency of Statistics).

## PLANT-BASED PRODUCTS

Kosovo's geographic position, terrain, geological composition, and climate provide for rich and interesting flora; a large number of endemic and steno-endemic plants represent significant natural resources. Plant-based medicinal and aromatic products are in demand for exports. Plant-based products accounted for 4.8% of Kosovo's total exports in 2015, 5.4% in 2016, 6.3% in 2017, and 6.5% in 2018 (source: Kosovo Agency of Statistics).

### **Construction Industry**

In recent years, the construction industry has become one of the most important sectors contributing to Kosovo's economic growth. The construction industry remains a sector with highly promising economic potential for Kosovo.

### **Textile and Garment Industry**

The textile and garment industry used to be one of the largest industrial sectors in Kosovo, second only to mining. In the past, Kosovan manufacturers targeted the local market as well as other markets throughout the former Yugoslavia, Western and Eastern Europe, and the United States.

### **Decorative Stone Industry**

The availability of some of the world's most beautiful decorative stones is one of Kosovo's best kept secrets. Kosovo's geology is rich and varied.





04

**SUCCESS  
STORIES**



## SUCCESS STORIES

# 04

Despite being one of the smallest countries in south east Europe, because of its young population with an affinity for rapid learning of foreign languages and close ties with the diaspora, especially in the German-speaking region, Kosovo has managed to attract the interest of foreign companies. Particular interest has been shown by those looking to outsource services or relocate manufacturing to the Western Balkans. Accordingly, in recent years we have seen a

greater presence of inbound call centers which provide customer care and administrative services for internationally-renowned clients. IQ to Link, a web helpdesk, conducts its business in Kosovo and employs over 1,000 people. Other notable companies in this sector are SPEEX, Sutherland and Teleperformance. Because of the SAA and simple procedures for doing business, some companies have opened branches or relocated their manufacturing operations to Kosovo and are export-oriented only. Successful foreign investments in Kosovo include:

### **KIVO Plastic Packaging from the Netherlands,**

which has more than 320 employees, operating in 3 locations in 2 countries, one of them being Kosovo. Production in Kosovo started in February 2015, with 30 employees in a new plant of 3,500 square meters. The plant currently has 90 employees and has been expanded to 7,000 square meters.

**Heinze Group from Germany,** with branches in the Czech Republic, Germany, and Switzerland, is a leader in plastic technology and engineering in the construction sector. Heinze Group started with the production in Kosovo of a patented product, COBIAX.

With the dynamic development of the IT sector in Kosovo, there are successful investments here as well. One of the foreign companies in the IT sector is a unicorn (in financial terms, a start-up company valued at over €1 billion) from Munich, Germany – Celonis. Celonis is based in Munich and New York and is a global leader in process mining, which is a technology that enables the transformation of businesses by improving their processes and making them more transparent and efficient. Celonis established its office in Pristina/ Prishtina two years ago and operates with a team of more than 50 people who are primarily focused on the development of Intelligent Business Cloud

products, representing the most powerful tool in the world for business process analysis, processing and transformation. Kosovo has also managed to attract well-known international brands. Some of the best-known franchises are:

**BURGER KING**  
**CINEPLEX**  
**DOMINO'S**  
**FAMIGLIA**  
**KFC**  
**ROSSMANN**  
**SHELL**





SACMI

EURO-C-L

05

**FOREIGN  
DIRECT INVESTMENT  
IN KOSOVO**

# FOREIGN DIRECT INVESTMENT IN KOSOVO

# 05

In south east Europe, rising foreign direct investment flows have been driven by mainly European investors. Eurozone countries (Austria, Germany, Greece, Italy and the Netherlands) remain major investors in the region, while investors from the United Arab Emirates and China are picking up pace quickly.<sup>1</sup>

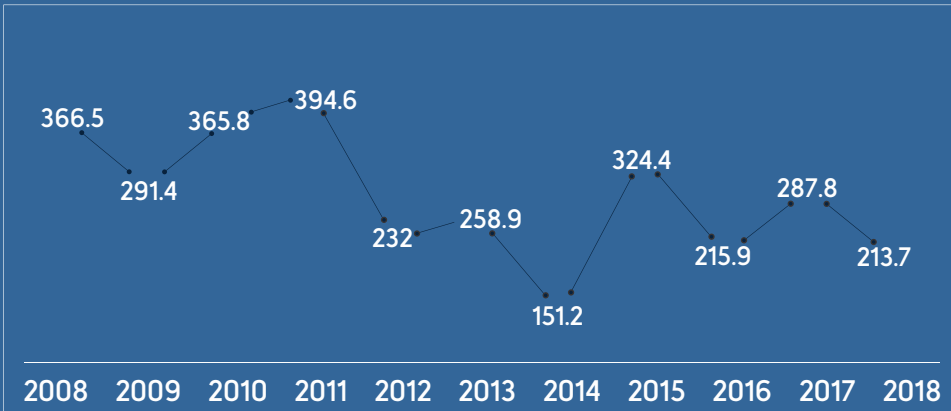
Foreign Direct Investment in the Western Balkans 2016–2018

Country	2016	2017	2018
Albania	1 100	1 146	1 294
Bosnia and Herzegovina	319	448	468
Macedonia	374	205	737
Montenegro	226	557	490
Serbia	2 350	2 871	4 126

Source: UNCTAD World Investment Report 2019 – <https://unctad.org/en/Pages/DIAE/World%20Investment%20Report/Country-Fact-Sheets.aspx>

<sup>1</sup>UNCTAD World Investment Report 2019

## Foreign Direct Investment in Kosovo 2008–2018



Source: Central Bank of Kosovo/Annual Report

The rise in FDI was recorded mainly in real estate, mining, energy and trade, while financial services and the construction sector have seen a decline. By origin, FDI from Albania, Bulgaria, France, Germany, Great Britain, Norway, Switzerland, Turkey, the United Arab Emirates, and the USA make up the largest share of FDI in Kosovo.<sup>2</sup>

### CHALLENGES TO INVESTING IN KOSOVO, AND THE IMPORTANCE OF REGIONAL COOPERATION

Kosovo is constantly working to develop comprehensive policies to attract foreign direct investment by extending relevant support mechanisms.

While foreign investment is crucial for economic development, Kosovo is not always perceived as an ideal investment

destination. The barriers to investment have been identified as follows: a small market; bureaucratic procedures in obtaining licenses; corruption and nepotism; an unstable political environment; poor physical infrastructure; a poor education system; inefficient public administration; an extensive informal

economy; non-enforcement of contracts owing to an inefficient judicial system; and an interrupted supply of electricity.<sup>3</sup>

The Government of Kosovo is committed to tightening up the informal economy and fighting corruption, both issues being challenges prevalent

<sup>2</sup>Central Bank of Kosovo / Annual Report

<sup>3</sup>Sytrime Dervisholli "Opportunities for Foreign Investment in Kosovo", September 2011, pp.35–36

in all Western Balkan countries. However, the key to success in unlocking investment potential is regional cooperation. Every country in the Western Balkans is small on its own but together, as implementing parties of the CEFTA agreement, they bring greater value, including in attracting FDI, with a market of around 25 million consumers.

As of 2017, Western Balkan countries have agreed through the Berlin Process to a common agenda in 4 areas: trade, investment, mobility, and digitalization. Through this common agenda they aim to boost trade exchanges, foreign direct investment, and the free movement of professionals. On the digitalization agenda, it should be noted that a Regional Roaming Agreement on price reduction for roaming services in public mobile communication networks in the Western Balkans region was signed in April 2019.



## LEGISLATION

All laws in Kosovo are published in the Official Gazette – <https://gzk.rks-govnet/> – in the official languages of Kosovo: Albanian and Serbian. Laws are also published in English.

To facilitate the operation of its economy in accordance with Western free market principles, the Assembly of Kosovo has passed the following laws:

- Law on Accreditation
- Law on Amending and Supplementing the Law on Copyright and Related Rights
- Law on Amending and Supplementing the Law on Enforcement Procedure<sup>4</sup>
- Law on Arbitration<sup>5</sup>
- Law on Bankruptcy
- Law on the Bar<sup>6</sup>
- Law on Business Organizations
- Law on Competition Protection
- Law on Construction Products
- Law on Consumer Protection
- Law on the Establishment of the Kosovo Credit Guarantee Fund
- Law on Foreign Investments
- Law on Geographical Indications and Designations of Origin
- Law on Industrial Design
- Law on Late Payments in Commercial Transactions
- Law on Mediation<sup>7</sup>
- Law on Patents
- Law on Regulated Professions
- Law on Services
- Law on State Aid
- Law on Strategic Investments
- Law on Trademarks
- Law on Trepça

Furthermore, the Law on Internal Trade and the Law on Foreign Trade, currently undergoing amendment, have been applicable for quite some time.

<sup>4</sup> <https://mdrks-govnet/page.aspx?id=145>

<sup>5</sup> <https://mdrks-govnet/desk/inc/media/0284D2EC-42BD-43DC-AE73-76C1DC8E74DC.pdf>

<sup>6</sup> <https://gzk.rks-govnet/ActDetail.aspx?ActID=2579>

<sup>7</sup> <http://www.oak-ks.org/sq/lista-e-avokateve>



## THE ECONOMY

### Macroeconomic State of Play

On 29 June 2009, Kosovo formally joined the World Bank and the International Monetary Fund (IMF). Kosovo implements a stable fiscal policy. The tax revenue base has been expanded, enabling government expenditures to increase and in turn support economic growth. Alongside its favorable economic performance, Kosovo implements a stable monetary policy. Kosovo is one of the few countries outside the EU that has introduced the euro as its official

currency. The use of the euro has ensured low inflation and a stable macroeconomic environment. Economic growth during 2019 is estimated to have been weaker than in 2018. These estimates are based on assessments of unfavorable developments such as a decline in exports of goods and services, a decline in FDI, and an acceleration in import growth, as well as declining new consumer and investment loans.

Description	2016	2017	2018
GDP (€ million)	6,043.1	6,326.2	6,659.0
Employment	28.0%	29.8%	28.8%
Unemployment	27.5%	30.5%	29.6%
Remittances (€ million)	691.0	759.2	800.5

Source: Central Bank of Kosovo – Monthly Statistics Bulletin, January 2020/ No.221 – [https://bqk-kos.org/repository/docs/2018/CBK\\_MSB\\_221\\_en.pdf](https://bqk-kos.org/repository/docs/2018/CBK_MSB_221_en.pdf)

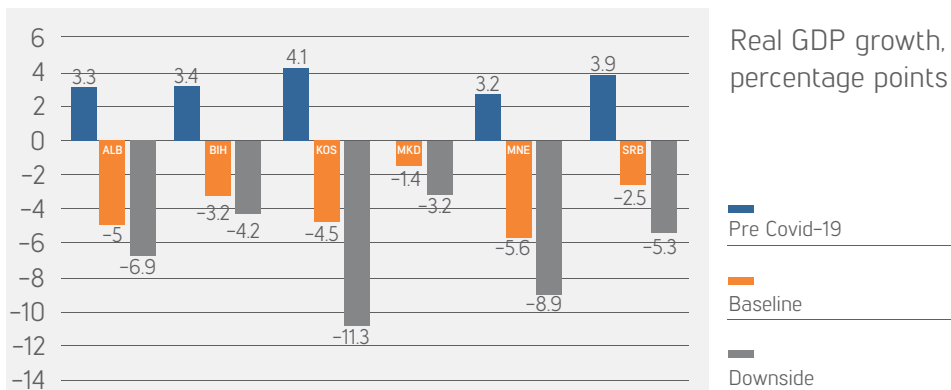
The table below shows the projections for economic growth for 2019, 2020 and 2024 according to real GDP growth in contrast to the countries of the region, according to the International Monetary Fund.

Country	2019	2020	2024
Albania	3.0	4.0	4.0
Bosnia and Herzegovina	2.8	2.6	3.0
<b>Kosovo</b>	<b>4.2</b>	<b>4.0</b>	<b>4.0</b>
North Macedonia	3.2	3.4	3.5
Montenegro	3.0	2.5	2.9
Serbia	3.5	4.0	4.0

Source: IMF World Economic Outlook, October 2019;  
[file:///C:/Users/sytrime.dervisholli/Downloads/text%20\(2\).pdf](file:///C:/Users/sytrime.dervisholli/Downloads/text%20(2).pdf)

It should be noted that the COVID-19 pandemic has significantly affected the economies of almost all countries of the world, including Kosovo along with other countries of the Western Balkans. Economic projections will have to be adjusted accordingly. According to the World Bank (chart below), the Western Balkans region is expected to enter a

recession in 2020, with all six countries forecast to experience negative growth as they continue to grapple with the economic impacts of the COVID-19 pandemic. Regional growth in the Western Balkans is forecast to be between -3 and -5.6%, according to the World Bank's Regular Economic Report.



Source: <https://www.worldbank.org/en/news/press-release/2020/04/29/kosovo-economy-projected-to-contract-by-45-percent-in-2020-due-to-covid-19>

In addition, the European Bank for Reconstruction and Development (EBRD) published the following data in its “Regional Economic Prospects, COVID-19: From Shock to Recovery” report comparing forecasts from the IMF, the World Bank and the European Commission:

### GDP forecasts for the Western Balkans (%)

	EBRD		IMF		WB		EC	
	2020	2021	2020	2021	2020	2021	2020	2021
Western Balkans	-4.8	7.1	-4.2	6.8	-3.1	4.7	-3.0	4.0
Albania	-9.0	12.0	-5.0	8.0	-5.0	8.8	-4.8	4.2
Bosnia and Herzegovina	-4.5	6.0	-5.0	3.5	-3.2	3.4		
Kosovo	-5.0	7.5	-5.0	7.5	-4.5	5.2		
Montenegro	-8.0	10.5	-9.0	6.5	-5.6	4.8	-5.9	4.4
North Macedonia	-3.5	5.5	-4.0	7.0	-1.4	3.7	-3.9	4.0
Serbia	-3.5	6.0	-3.0	7.5	-2.5	4.0	-4.1	6.1

Source: IMF World Economic Outlook, October 2019;  
[file:///C:/Users/sytrime.dervisholli/Downloads/text%20\(2\).pdf](file:///C:/Users/sytrime.dervisholli/Downloads/text%20(2).pdf)



06

**FOREIGN  
TRADE**

## FOREIGN TRADE

# 06

Kosovo implements a liberal trade regime and there are three major benefits from trade liberalization: better export opportunities, improved investment climate and sustained neighborly relations.

Kosovo's trade balance features a significant trade deficit. In the total composition of trade exchanges, imports account for 90% of foreign trade and exports account for only 10%. Kosovo exports consist

primarily of plastics, rubber and articles thereof, base metals and articles thereof, machinery, mechanical and electrical equipment, textiles and textile products, footwear, edible fats, and other food and beverage industry products. Its imports consist primarily of means of transport, prepared foods, beverages and tobacco, products of animal origin, chemical industry products and textiles.

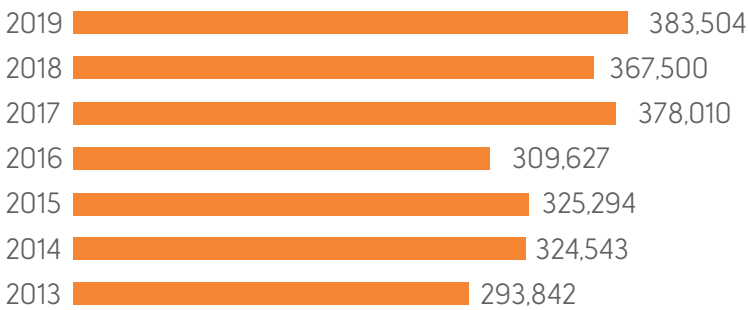


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## Imports and Exports in Goods 2013–2019

Trade with EU countries and countries in the region participating in CEFTA constitutes the most important share of Kosovo's trade exchanges, accounting for about 73% of all foreign trade.

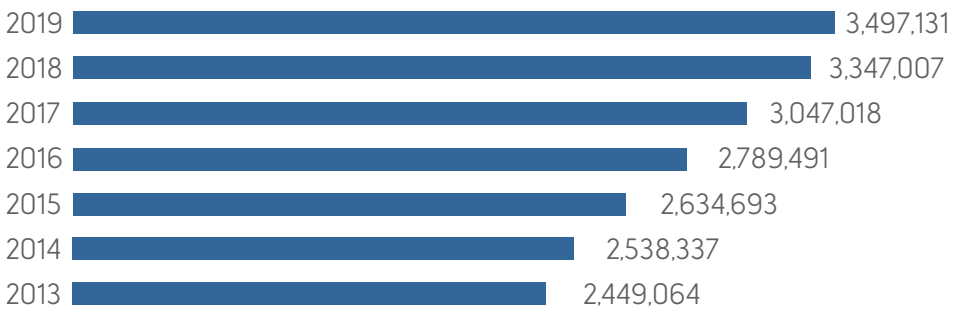
### Kosovo Exports 2013–2019 (€ '000)



Source: Kosovo Agency of Statistics

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### Kosovo Imports 2013–2019 (€ '000)



Source: Kosovo Agency of Statistics



07

**TRADE  
IN SERVICES**



# TRADE IN SERVICES

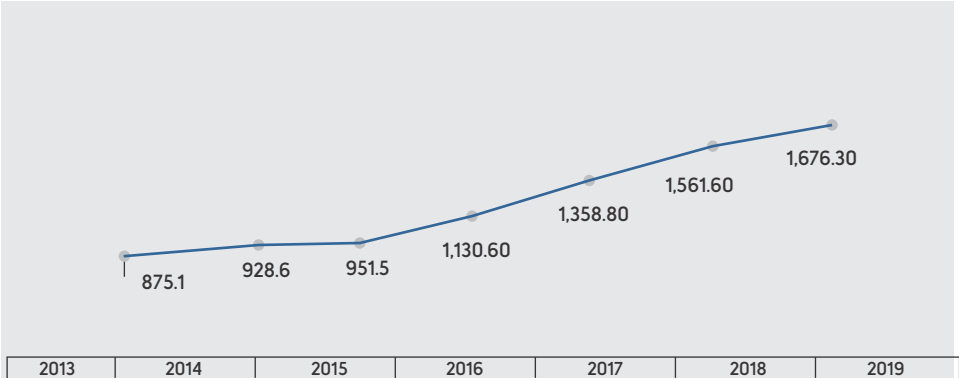
# 07

According to the World Trade Organization, services represent the fastest growing sector of the global economy and constitute 2/3 of global output, 1/3 of global employment and nearly 20% of global trade.

Kosovo's economy is mostly a "service economy". The services sector has emerged as the largest segment of the economy, contributing with an increased percentage of domestic value added, employment and trade. In 2017, service-related activities accounted for 71.9% of GDP at base prices and

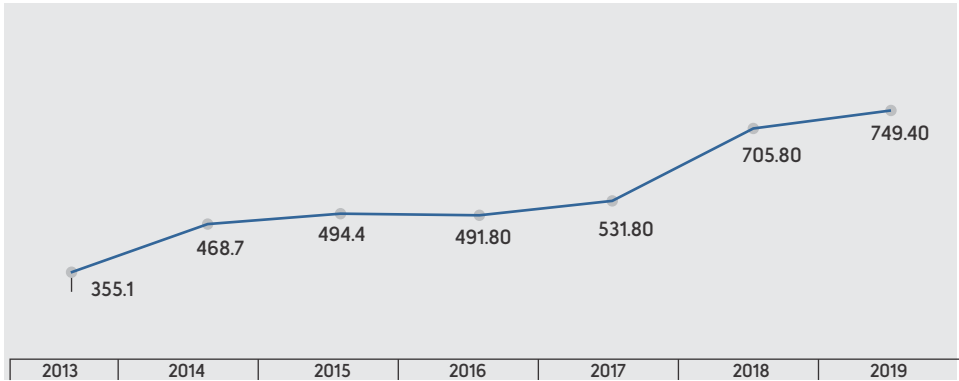
generated 81.2% of total formal employment in the country. Service-related activities make up 86% of the total firms registered in the country, and account for 82.6% of total employment in the private sector. Service activities generate 87.3% of the total turnover of firms in the economy and make up 88.8% of total expenditure. The most developed sectors over the years are travel services, construction services, computer, information and telecommunications services, and other business-related services.

Export of services 2013–2019 (in € '000)



Source: Central Bank of Kosovo

## Import of services 2013–2019 (in € million)



Source: Central Bank of Kosovo

## Services Sectors with Development Potential

- ✓ Computer, information and telecommunications services
- ✓ Other business services
- ✓ Construction services





08

**MARKET ACCESS  
AND FREE  
TRADE AGREEMENTS**

## MARKET ACCESS AND FREE TRADE AGREEMENTS

# 08

### Import Liberalization

- ✓ Production lines and production equipment
- ✓ Raw materials for manufacturing (not produced in Kosovo)
- ✓ Information Technology (IT) Equipment

#### Other advantages

- ✓ Electronic procurement systems
  - ✓ Corporate Income Tax 10%
  - ✓ Personal Income Tax 0 - 10 % (progressive)
  - ✓ Mandatory Pension Contribution: 5%
- ✓ Special Depreciation Allowance
  - ✓ Pursuant to Article 15 of the Law on Corporate Income Tax (No. 03/L-162), the special depreciation allowance shall be determined by applying the below percentages to capital accounts according to the straight-line depreciation method:



- ✓ Category 1: Buildings – 5%
- ✓ Category 2: Vehicles and office equipment – 20%
- ✓ Category 3: Heavy-duty machinery and vehicles – 15%

### Stabilization and Association Agreement (SAA)

As of 1 April 2016, the SAA provides for the incremental reduction of customs duties from 10% in 2016 to 0% in 2026. This is applicable only to agricultural products, while for industrial products the customs duty is zero;

<https://dogana.rks-gov.net/en/per-biznese/marrevshja-stabilizim-asociimi/>

### CEFTA

Exports and imports are exempt from customs duties, i.e. the customs duty is zero;

<https://dogana.rks-gov.net/en/per-biznese/cefta/>

### Free Trade Agreement with Turkey

This agreement took effect on 1 September 2019: <https://dogana.rks-gov.net/en/per-biznese/fta-kosovo-turkey/>

### Free Trade Agreement with the United Kingdom

This agreement will enter into force on 1 January 2021. Kosovo is the first country in the Western Balkans region to sign a free trade agreement with the United Kingdom.

### Generalized System of Preferences (GSP)

Kosovo also benefits from a GSP<sup>8</sup> with four countries: Japan, Norway, Switzerland, and the USA<sup>9</sup>. This means that Kosovan exporters are exempt from customs duties on certain products when exporting goods to the markets of these four countries.

<sup>8</sup>[https://unctad.org/en/PublicationsLibrary/itcdtsbmisc62rev6\\_en.pdf](https://unctad.org/en/PublicationsLibrary/itcdtsbmisc62rev6_en.pdf)

<sup>9</sup>[https://www.customs.go.jp/english/c-answer\\_e/imtsukan/1504\\_e.htm](https://www.customs.go.jp/english/c-answer_e/imtsukan/1504_e.htm)

# INTERNATIONAL TRADE GUIDE (ITG)

The ITG is intended to assist exporters and importers of goods and services in Kosovo in conducting international trade transactions. It is also intended to extend guidance to foreign companies considering trade with Kosovo and provides valuable information. The guide is an interactive web-based tool, designed to give users an overview of the procedures involved in trade transactions, and insights about specific procedures or processes: <https://itg-rks.com/?lang=en>



09

**LABOR  
LAW**



## LABOR LAW

The relations between employers and employees in Kosovo are governed by the Labor Law. This Law aims to regulate the rights and obligations deriving from employment relationships and to ensure protection at work.

The Labor Law is based on four key principles:

- Freedom of association and recognition of the right to collective bargaining,
- Elimination of all forms of forced or compulsory labor,
- Elimination of child labor,
- Elimination of discrimination at work.

# 09

The Labor Inspectorate is responsible for overseeing the implementation of this Law. Any natural or legal person who does not comply with the provisions of this law is subject to punitive sanctions.



## Employment Contracts

An employment contract of one of the following kinds must be concluded in written form and signed by the employer and employee.

- Employment contract for an indefinite period
- Employment contract for a fixed period
- Employment contract for specific tasks and duties.



Employment contracts which contain no indication of duration are deemed to be for an unspecified period of time.

A fixed-term contract may not be concluded for a cumulative period of more than ten years. A contract for a fixed period of time that is expressly or tacitly renewed for a continued period of employment of more than ten years is deemed to be a contract for an indefinite period of time.

A contract for a specified task may not be longer than one hundred and twenty (120) days within a year.

Element of Employment Relationship	Dispozita përkatëse në Ligjin e Republikës së Kosovës
Contract	Written
Working hours per week	40 hours
Reduced working hours	Applicable to jobs and duties where, despite the application of protective measures, the employee is exposed to harmful impacts on their health
Overtime	At the request of the employer, in extraordinary cases; for a maximum of eight hours per week
Break during working hours	30 minutes (included in normal business hours)
Weekly rest	At least 24 hours
Annual leave	<ul style="list-style-type: none"> <li>• At least four weeks during a calendar year (regardless of whether the job is full-time or part-time); with one day added for every five years of service</li> <li>• Teachers are an exception</li> </ul> Official holidays that coincide with working days are not counted as annual leave days
Other leave requirements	<ul style="list-style-type: none"> <li>• In the event of sickness: 20 working days in one year with full salary compensation</li> <li>• Absence due to lack of security and health protection: up to 45 days within a calendar year with full salary compensation</li> <li>• Sick leave required due to documented occupational injury or related illness because of performing work or services for the employer: 10 – 90 days in one year with compensation of up to 70% of salary</li> <li>• 5 days in case of the employee getting married</li> <li>• 5 days in case of the death of a close family member</li> <li>• 1 day in every case of voluntary blood donation</li> </ul>

Maternity leave	<ul style="list-style-type: none"> <li>• 12 months for women, starting from 45 to 28 days before the expected date of birth – with basic salary compensation at 70% for the first 6 months, 50% for the next 3 months and 0% in the last 3 months.</li> <li>• The father of the child may assume these rights if the mother falls ill, abandons the child, or dies.</li> <li>• In other cases, the father is entitled to 2 days paid leave at the birth of the child and 2 weeks unpaid leave at any time before the child reaches the age of 3.</li> </ul> <p>Other conditions apply in the event of a stillbirth or birth of a child with special needs.</p>
Overtime	<ul style="list-style-type: none"> <li>• 20% per hour for on-call duty</li> <li>• 30% per hour during night shifts</li> <li>• 30% per hour for extended working hours</li> <li>• 50% per hour for work on national holidays</li> <li>• 50% per hour for work on weekends</li> </ul> <p>If overtime is worked on weekends which are also public holidays the employee can only claim one kind of overtime. An employee may ask to be compensated in days off instead of overtime pay.</p>
Part-time working hours (min. 20 hours per week)	<p>An employee in this category is entitled to all the rights deriving from employment on the same basis as a full-time employee, but in proportion to the number of hours worked. They may not work longer than full-time work.</p>
Probation period	<p>Allowed for a maximum duration of 6 months.</p>

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**Other relevant information:**

Notification period for termination of employment contract: In the event of termination of an employment contract for an indefinite period, one party should inform the other in writing by providing notice as follows:

- during the six month probation period:  
seven calendar days

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- from six months to two years of employment:  
thirty calendar days

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- from two to ten years of employment:  
45 calendar days

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- above ten years of employment:  
sixty calendar days.

However, for all types of contracts, termination with immediate effect may be exercised at any time for reasonable cause. It is also possible that both parties may agree to terminate the employment contract by mutual consent.

In 2011, the government set the monthly minimum wage at €130 for employees under 35 and €170 for those over 35 years of age.

#### Employment of Foreigners

Foreign and stateless persons within the Republic of Kosovo can be employed on the basis of this law under the terms defined by a special law on the employment of foreigners and on the basis of international conventions.

10

**THE WORKFORCE AND  
THE LABOR MARKET  
IN KOSOVO**

## THE WORKFORCE AND THE LABOR MARKET IN KOSOVO

# 10

Kosovo is blessed with a young, skilled, multilingual and motivated labor force with a strong entrepreneurial spirit. Considering the availability of the workforce and the liberal labor law that governs the local labor market, hiring employees in Kosovo is both efficient and simple.

Almost 2/3 of Kosovo's population is of working age (15-64 years old). The working age population is expected to grow rapidly over the next decade as Kosovo is one of the countries with the youngest population in Europe.



In 2019 the employment rate was highest among people aged between 35 and 44 (39.3%) and lowest (13.1%) among youth (15–24 years old).

Employment Status by Educational Attainment			
Kosovo	Male	Female	Total
Employment; (in thousands)			
No formal education	0,3	0,7	10
Highest level of education: primary	41,9	11,3	53,2
Highest level of education: vocational secondary education	136,9	21,8	158,7
Highest level of education: gymnasium secondary education	36,1	10,5	46,5
Highest level of education: tertiary education	64,7	39,0	103,7
<b>Total</b>	<b>279,9</b>	<b>83,2</b>	<b>363,2</b>
Employment Rate (%)			
No formal education	5,2	3,2	3,7
Highest level of education: primary	27,6	4,1	12,4
Highest level of education: vocational secondary education	50,1	14,8	37,7
Highest level of education: gymnasium secondary education,	42,4	13,6	28,6
Highest level of education: tertiary education	73,1	49,9	62,2
<b>Total</b>	<b>46,2</b>	<b>13,9</b>	<b>30,1</b>

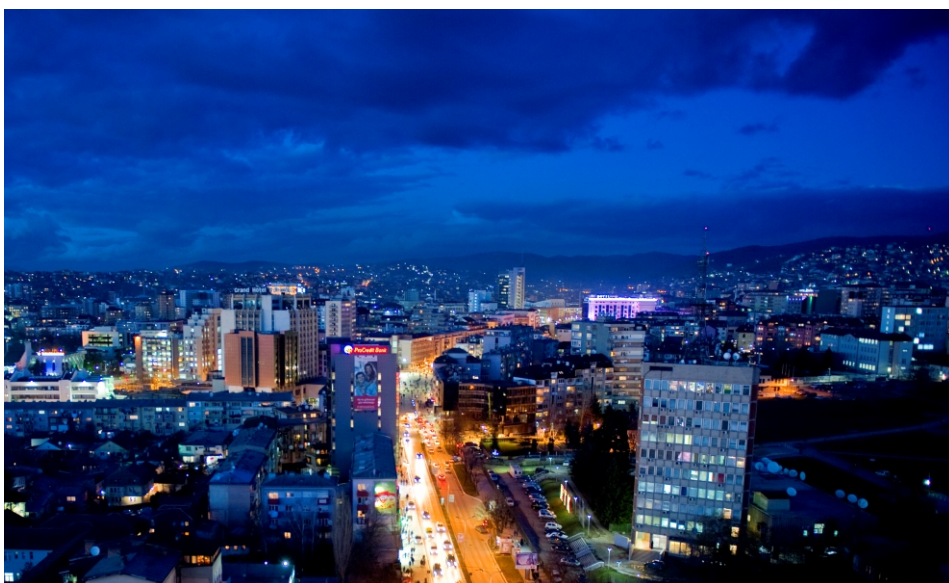


There are eight public higher education institutions in Kosovo, located in Gjakova/ Djakovica, Gjilan/ Gnjilane, Mitrovica, Peja/ Peć, and Pristina/ Prishtina.

Additionally, there are around 30 private higher education institutions. Many of these institutions collaborate with other universities around the world, such as the Rochester Institute of Technology, the University of Sheffield, and Staffordshire University.

In 2018, there were 37,985 students enrolled at the Hasan Prishtina University. During 2018 a total of 7,282 students graduated from the University of Prishtina at all three levels of study.

In 2019, most employed people held jobs in services and sales or as unskilled workers (cleaners and helpers, agricultural, forestry and fishery laborers, laborers in mining, construction, manufacturing and transportation, food preparation assistants, street and related sales and service workers, refuse workers), or worked as professional associates and craft workers. Nearly half (40.3%) of women who were employed worked in professional, technical, and related occupations. 22.6% worked in service and sales jobs, and 11.7% were engaged as unskilled workers. Men were more scattered across sectors, but were most commonly employed as service and sales workers (23.5%), 11.8% as craft and related trades workers, 23.8% in unskilled work, while 11% worked as professionals.



## Employment by Occupation and Gender

Kosovo (age 15 and over)	Male	Female	Total
<b>Employment by Occupation (in thousands)</b>			
Legislators, senior officials and managers	26,9	5,2	32,1
Professionals	31,2	27,2	58,3
Technicians and related occupations	15,5	6,5	22,0
Clerks	12,9	8,5	21,4
Service and retail workers in shops and markets	66,5	18,9	85,4
Skilled agricultural and fishery workers	8,6	1,6	10,2
Craft and related trades workers	33,4	5,3	38,7
Plant and machine operators and assemblers	20,4	0,5	20,9
Unskilled work	67,3	9,8	77,2
<b>Total</b>	<b>282,5</b>	<b>83,6</b>	<b>366,1</b>
<b>Employment by Occupation (in %)</b>			
Legislators, senior officials and managers	9,5	6,2	8,8
Professionals	11,0	32,5	15,9
Technicians and related occupations	5,5	7,8	6,0
Clerks	4,6	10,2	5,8
Service and retail workers in shops and markets	23,5	22,6	23,3
Skilled agricultural and fishery workers	3,0	1,9	2,8
Craft and related trades workers	11,8	6,4	10,6
Plant and machine operators and assemblers	7,2	0,6	5,7
Unskilled work	23,8	11,7	21,1
<b>Total</b>	<b>100,0</b>	<b>100,0</b>	<b>100,0</b>

Source: KAS Publication "Results of the Kosovo 2019 Labor Force Survey"

Unskilled work includes cleaners and helpers, agricultural workers, forestry and fishing, mining workers, construction, industrial production, transport, food preparation assistants, street sales workers, urban waste cleaning workers and other unskilled workers



11

**INFRASTRUCTURE**

## INFRASTRUCTURE

Kosovo's geostrategic position in the Balkans and within Europe provides a unique competitive advantage for the country as a gateway between East and West.

Significant completed infrastructure projects include the Ibrahim Rugova Highway, connecting Kosovo with Albania, and the other highway in the direction of North Macedonia.

# 11

In addition to road infrastructure, Kosovo is also doing well in terms of rail, air, energy, telecommunications, and internet services.



Road Infrastructure – Kosovo has established road infrastructure comprising 630 km of main roads. With the construction of the highway to Albania, Kosovo established itself as an important connection between Western Europe and the Adriatic Sea, while the highway to North Macedonia connects Kosovo with the eastern part of the Balkan Peninsula and the port of Thessaloniki.

Railway Infrastructure – Kosovo has a railway system of 330 km connecting the north, south, east, and west of Kosovo.

Air Infrastructure – Kosovo has one airport, the Adem Jashari Airport, in Pristina/ Prishtina, which is one of the busiest airports in the region. The airport offers flights to the most important European centers, but also to the United States. Prishtina International Airport offers fast, effective, and professional transfer of passengers and freight. The airport's x-ray scanners screen all air cargo. Applicable fees are determined based on weight and volume. Upon arrival of goods, the freight forwarder must collect the goods within 24 hours, otherwise additional fees apply. The airport also manages the transportation of goods that require special handling, including refrigeration for the preservation of goods.

Energy Infrastructure – today, Kosovo's electricity operating capacity is about 900 MW, almost all of which comes from two antiquated coal-fired power plants, Kosovo A and Kosovo B. To meet the growing demand for energy, reduce power outages, and lower CO2 emissions, the government of Kosovo is refurbishing the Kosovo B power plant – which is more than 30 years old – to bring it into compliance with relevant European Union directives. Additionally, there are plans to build a new, more efficient, lignite-fired power plant to replace the 45-year-old highly polluting Kosovo A power plant. Jaha Solar was the first company in Kosovo to introduce the latest technology in the production of photovoltaic modules.

Currently, Kosovo uses only 35 MW of renewable energy

from wind and 6 MW from solar, both in operation only since 2018. With the roll-out of the SOWI Kosovo wind park it is anticipated that another 105 MW will be produced.

Telecommunications – the electronic communications sector is of great economic importance since in the last ten years its share of GDP has been around 10%.

Telecommunications services available to citizens in Kosovo are as follows:

- Fixed telephony for fixed telephone users with local, national and international access
- Mobile telephony for mobile telephone users, namely the Global System for Mobile
- Communications with national and international access, and roaming services
- Internet through internet service providers
- Cable television from cable television network providers.

12

**THE BUSINESS  
ECOSYSTEM**



# THE BUSINESS ECOSYSTEM

# 12

## Starting a Company in Kosovo

To register your company in Kosovo you should contact the Kosovo Business Registration Agency (KBRA), operating under the Ministry of Trade and Industry and located at Rr. Arbënor e Astrit Dehari, Pristina/ Prishtina (working hours: Monday–Friday 08:00–16:00) The registration process will take a maximum of two working days.

Types of Businesses:

1. Individual Business
2. General Partnership
3. Limited Partnership
4. Limited Liability Company
5. Joint Stock Company
6. Foreign Business Organization
7. Representative Office of a Foreign Business Organization
8. Socially-Owned Enterprise
9. Publicly-Owned Enterprise
10. Agricultural Cooperative.

## List of accompanying documents for individual business or General Partnership registration applications

1. Form B – completed: <https://arbk.rks-gov.net/Page.aspx?id=1.33>
2. Identification document (ID card, passport).
3. Consent of authorized representative registered in accordance with Article 24.5 point d) of Law No. 06/L-016.
4. For General Partnership applications, General Partnership Agreement in accordance with Article 31.1.3 of Law No. 06/L-016.

The time required for the registration with the KBRA of an individual business or a general partnership is 1 day.

## II. List of accompanying documents for Limited Partnership registration applications

Form A0 – completed: <https://arbk.rks-gov.net/Page.aspx?id=1.33>

2. Limited Partnership Agreement in accordance with Article 32.1.3 of Law No. 06/L-016.
3. Charter.
4. Identification document (ID card, passport) of owners and authorized representatives involved in the business –copy.
5. Consent of the authorized representative registered in accordance with Article 24.5 of Law No. 06/L-016.

### **III. List of accompanying documents for Limited Liability Company registration applications**

1. Form A0 – completed: <https://arbkrks-govnet/Page.aspx?id=133>
2. Limited Partnership Agreement in accordance with Article 82.1 of Law No. 06/L-016.
3. Charter in accordance with Article 33 of Law No. 06/L-016.
4. Identification document (ID card, passport) of owners and authorized representatives involved in the business – copy.
5. Consent of the authorized representative registered in accordance with Article 24.5 of Law No. 06/L-016.

### **IV. List of accompanying documents for Joint Stock Company registration applications**

1. Form A0 – completed: <https://arbkrks-govnet/Page.aspx?id=133>
  2. Charter in accordance with Article 34.1.3 of Law No. 06/L-016.
  3. Joint Stock Company Charter or Memorandum of Incorporation in accordance with Article 34.4 of Law No. 06/L-016.
  4. Consent of the authorized representative registered in accordance with Article 24.5 of Law No. 06/L-016.
  5. Identification document (ID card, passport) of owners and authorized representatives involved in the business – copy.
- The time required for the registration with the KBRA of a Limited Partnership or a Joint Stock Company is 3 days.

### **V. List of accompanying documents for a Kosovo branch of a foreign company –registration applications**

1. Form A0 – completed: <https://arbkrks-govnet/Page.aspx?id=133>
2. Decision to establish a branch of the foreign company.
3. Decision to appoint the Director (passport copy) and authorized representative (ID copy).
4. Certificate of business (original or notarized copy, not older than three months from the date of issue; if it is not in Albanian, Serbian or English it must be translated into one of these three languages and the translation notarized) seeking to establish a representative office in Kosovo.
5. Passport of owner and director of the foreign company – copy.
6. Charter of the foreign company – copy.
7. Consent of the authorized representative registered in accordance with Article 24.5 of Law No. 06/L-016.

Note: If the business owner is not present when the documents are submitted, then the applicant may submit the documents by proxy with a copy of the relevant ID.

## **VI. List of accompanying documents for agricultural cooperative registration applications**

1. Form KO – completed: <https://arbk.rks-gov.net/Page.aspx?id=1.33>
2. Agricultural cooperative agreement,
3. Charter,
4. Decision to appoint the Director,
5. Identification document (ID card, passport) of members and authorized representatives involved in the business – copy,
6. Consent of the authorized representative registered in accordance with Article 24.5 of Law No. 06/L-016.

## **VII. PERMITS AND LICENSES**

The launch of the Central Registry of Permits and Licenses at <https://lejelicenca.rks-gov.net/en/AllLicences> allowed for improved accountability and transparency in relation to businesses, while facilitating private sector operations.



# 13

## **FISCAL POLICY**

## FISCAL POLICY

# 13

Headline fiscal policy has been counter-cyclical and implemented with the intention of supporting economic growth. The budget recorded surpluses prior to the 2008 global financial crisis, which increased cash reserves. These reserves helped to finance low fiscal deficits – averaging 1.8% of GDP – between 2008 and 2013, supporting economic growth during the crisis. Low public debt – less than 20% of GDP at the end of 2019 – also provided room to finance fiscal deficits.

Kosovo developed its fiscal system based on the best practices and policies of the European Union, aiming for fiscal policy and legislation that is approximate to that of the EU. This applies to tax and customs duty policy including direct and indirect taxation (corporate income tax, personal income tax, Value Added Tax, customs duty, excise duty, etc.).

The euro was declared the official currency of Kosovo as of 1 January 2002. This was done to replace the previously widespread use of the Deutsche Mark, which had been the reference currency in the country before 2002. Today, the euro is the most widely used currency in Kosovo.

### Types of Taxes and Tax Rates

- Corporate income tax: 10%
- Personal income tax: 0 – 10 % (sliding scale)
- Mandatory pension contribution: 5%

Corporate Income Tax (CIT) – Taxpayers with a gross annual income of €50,000 or less are taxed at 3% (for trade, transportation, agriculture and similar commercial activities) or 9% (for services, professional, artisanal, entertainment and similar activities). Taxpayers whose gross annual income exceeds €50,000 are taxed at the rate of 10% on taxable income.

Tax Rate: 10%

TATIMI NË TË ARDHURA  
PERSONALE (TAP) – Tatimi në të  
Ardhurat Personale aplikohet në  
të gjitha të ardhurat që pranon  
një individ e që janë të  
tatueshme në bazë të Ligjit për  
Tatimin në të Ardhura Personale.

Personal income tax is applied according to the following rates:

Tax Rate	Monthly Income	Annual Income
0%	0 to 80	0 to 960
4%	80 to 250	960 to 3000
8%	250 to 450	3000 to 5400
10%	450 and over	5400 and over

Value Added Tax – Since September 2015, VAT has been applied at two rates, with a standard rate of 18% and a reduced rate of 8% of the value of imported supplies and taxable domestic supplies, excluding supplies that are exempt and supplies treated as exports.

Country	Value Added Tax	Corporate Income Tax
Albania	20%	15%
Bosnia and Herzegovina	17%	10%
Kosovo	18%	10%
North Macedonia	18%	10%
Montenegro	21%	9%
Serbia	20%	15%

Source: World Bank Doing Business Report 2020

Double Taxation Avoidance – Kosovo currently has agreements on the elimination of double taxation with Albania, Austria, Belgium, Croatia, Finland, Germany, Great Britain, Hungary, Luxembourg, Malta, North Macedonia, Slovenia, Switzerland, Turkey, and the United Arab Emirates. Double taxation elimination agreements with many other states are under negotiation.

Customs duties – Customs duty

is from 0% to 10%. Most raw materials and most manufacturing equipment are exempt, and some agricultural raw materials (such as propagation material, etc.) and other equipment are exempt from customs duties and VAT. Excise – Excise duty is levied on some domestic or imported goods, such as cigarettes, alcoholic beverages, water and other soft drinks, oil, etc.



14

**BANKING AND  
FINANCIAL SERVICES**



## THE KOSOVO BANKING SECTOR

# 14

The banking and financial system in Kosovo consists of commercial banks, branches of foreign banks, micro-finance institutions, foreign exchange offices and money transfer agencies.

There are ten commercial banks operating in Kosovo, accounting for 69% of total assets in the financial sector. Commercial bank products and services include bank accounts, loans, domestic and international payments, bank cards, bank guarantees, letters of credit, and e-banking.

Their activity is dominated by loans lasting up to 15 years, depending on the type of loan. Of all loans made, 65.2% are to enterprises. Most of these loans are absorbed by the trading enterprises sector (51.8% of loans to enterprises), while loans extended to the industrial sector (including mining, manufacturing, energy and construction) compose 23% of total loans to enterprises. The agriculture sector accounts for 4% of



total loans to enterprises. Household loans represent 34.4% of total loans.

Banking sector liabilities are dominated by deposits, which account for 80.2% of total liabilities. Deposits in the banking sectors have recorded an annual growth of 6.5%, amounting to €2.7 billion. Deposits in the banking sector are made up of household deposits (74.4% of total deposits), and private sector enterprise deposits (20.1% of the total).

Eight of the commercial banks in Kosovo are foreign capital banks and two are local capital banks. There are 3,337 commercial bank employees.

## Opening an Account



To open an account, you need to present an identification document (ID card or passport) and proof of residence.

Time:  
Maximum 2 days

## Accounting

The Big Four is the name used to refer collectively to the four largest professional services networks in the world – Deloitte, Ernst & Young, KPMG and PricewaterhouseCoopers – and all are present in Kosovo.

- Deloitte Kosovo  
kosova@deloittece.com;  
+383 38 760 300
- Pricewaterhouse Coopers Kosovo  
<https://www.pwc.com/ks/en.html>  
+383 38 722555
- Ernst and Young Kosovo  
[https://www.ey.com/en\\_al](https://www.ey.com/en_al)
- KPMG Albania Shpk Kosovo Branch  
Kosovo: Tel: +383 38 246 771

## Kosovo Credit Guarantee Fund and Product Certification

The Kosovo Credit Guarantee Fund was established in 2016 and is an independent and sustainable credit guarantee facility extending portfolio loan guarantees to financial institutions to cover the risk of loans to micro, small, and medium enterprise (MSME). Its total active portfolio in 2019 reached the volume of €43.9 million distributed in 3,130 active loans.

A project for the certification of Kosovan products according to internationally recognized quality standards, is being implemented by the EBRD in cooperation with USAID and other donors, and about 60 Kosovo companies have benefited from this project.



15

**INDUSTRIAL ZONES  
AND BUSINESS PARKS**

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## INDUSTRIAL ZONES AND BUSINESS PARKS

# 15

The Kosovo Investment and Enterprise Support Agency (KIESA), operating under the Ministry of Trade and Industry, is responsible for the development of the private sector, including the development of economic zones.

Economic zones in Kosovo are governed by the Law on Economic Zones, and comprise the Drenas Business Park, the Industrial Park in Frashër – Mitrovica, the Lipjan/ Lipjan Industrial Park, the Mitrovica Business Park, the Štimlje/ Shtime Technology Park, and the Suva Reka/ Suhareka Agro-Industrial Zone, and two Economic Zones in Djakovica/ Gjakova and Prizren.

Business Parks in Kosovo offer ready-to-occupy accommodation, easy access and parking space, access to electricity, water, fuel, telephone, internet, and heating. If you are interested in a business park vacant lot, you should contact KIESA.

### Summary of Established Zones:

- ✓ The total surface area of the economic zones is around 170.20 ha.
- ✓ 80 businesses/ investors are accommodated in the economic zones .
- ✓ Economic zone developers (municipalities) are in the process of contracting other businesses to be accommodated in their economic zones which will lead to the zones being filled to capacity.

A wide range of activities are conducted in the economic zones, including metalwork and the processing of fruit and vegetables, plastics, paper, and wood products, pharmaceuticals, as well as manufacturing and assembling elevators. 600-700 employees work in the businesses located in economic zones.

Space for use within the economic zones can be granted to businesses for a period of up to 99 years, with simplified procedures at both municipal and central level.

In addition to the business parks which are managed by KIESA, the largest German-Kosovar project is the Innovation and Training Park (ITP) in Prizren, with 40 hectares of space, and over 60 buildings, including offices, workshops, warehouses and hospital facilities. The ITP is much more than a classic business park: It is under German management and aims to be the primary center of innovation in Kosovo in the field of ICT, agri-food and the creative industries.

Investors also have the opportunity to lease land, or buy private property. The leasing of immovable municipal property is subject to the following:

1. The municipal immovable property to be allocated for use being registered in the cadastral property registers
2. The purpose of use of the municipal immovable property being aligned with spatial planning documents
3. The usage having a public interest justification or economic benefit for the municipality
4. Meeting the relevant environmental conditions and criteria.





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**MEMBERSHIP  
OF INTERNATIONAL  
ORGANIZATIONS**



## MEMBERSHIP OF INTERNATIONAL ORGANIZATIONS

The Republic of Kosovo has joined a number of international inter-governmental and non-governmental bodies.

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International Organization	Status
Adriatic Charter	Applicant
Apostille Convention	Signatory
Bureau of International Expositions (BIE)	Member
Central European Free Trade Agreement (CEFTA)	Member
Council of Bureaux (CoBx)	Applicant
Council of Europe Development Bank (CEB)	Member
Council of Europe Venice Commission	Member
Egmont Group of Financial Intelligence Units	Member
Energy Community	Member
European Bank for Reconstruction and Development (ERBD)	Member
European Common Aviation Area (ECAA)	Member
European Qualifications Framework Advisory Group (EQF)	Member
Fédération Internationale de Football Association (FIFA)	Member

International Criminal Police Organization (INTERPOL)	Applicant
International Federation of Arts Councils and Culture Agencies (IFACCA)	Applicant
International Monetary Fund (IMF)	Member
NATO Partnership for Peace (PfP)	Applicant
Organisation Internationale de la Francophonie (OIF)	Member
Permanent Court of Arbitration (PCA)	Member
Regional Cooperation Council (RCC)	Member
South East Europe Transport Observatory (SEETO)	Member
South-East European Cooperation Process (SEECP)	Member
Southeast European Cooperative Initiative (SECI)	Observer
Stabilization and Association Agreement	Signatory
Union of European Football Associations (UEFA)	Member
World Bank	Member
World Customs Organization	Member



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**IMPORTANT  
CONTACTS**

## NATIONAL INSTITUTIONS

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### Central Bank of Kosovo

Address: Rr. Garibaldi, 33, 10 000 Pristina/ Prishtina  
Tel: +383 (0) 38 222 055 107  
Email: [info@bqk-kos.org](mailto:info@bqk-kos.org)  
Website: <https://www.bqk-kos.org/?m=t&id=1>

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### Department of Taxpayer Registration and Services;

Address: Sheshi "Nëna Terezë", Pristina/ Prishtina  
Tel: +383 (0) 038 2002 5017  
Email: [info@atk-ks.org](mailto:info@atk-ks.org),

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### Department of Trade

Address: Arbënor e Astrit Dehari,  
10 000 Pristina/ Prishtina  
Tel: +383 (0) 38 2003 6623  
Email: [tregtia@rks-gov.net](mailto:tregtia@rks-gov.net)  
Website: <https://mti.rks-gov.net/>

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### Employment Agency

Address: Rr. Tirana, 10 000 Pristina/ Prishtina  
Tel: +383 (0) 38 2002 6262  
Email: [aprk.info@rks-gov.net](mailto:aprk.info@rks-gov.net)  
Website: <https://aprk.rks-gov.net/>

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### Industrial Property Agency

Address: Muharrem Fejza, 10 000 Prishtina/ Prishtina  
Tel: +383 (0) 38 2003 6582  
Website: <https://kipa.rks-gov.net/>

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### **Kosovo Business Registration Agency**

Address: Muharrem Fejza, 10 000 Pristina/ Prishtina  
Tel: +383 (0) 38 512 791  
Email: infoarbk@rks-gov.net  
Website: <https://arbk.rks-gov.net/page.aspx?id=2,1>

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### **Kosovo Customs**

Address: P.O. Box 000, 10 000 Pristina/ Prishtina  
Tel: +383 (0) 38 540 350  
Email: info@dogana-rks.net  
Website: <https://dogana.rks-gov.net/en/>

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### **Kosovo Investment and Enterprise Support Agency (KIESA)**

Address: Muharrem Fejza, 10 000 Pristina/ Prishtina  
Tel: +383 (0) 38 2003 6542, +383 (0) 38 2003 6585  
Email: info.kiesa@rks-gov.net  
Website: <https://kiesa.rks-gov.net>

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### **Tax Administration of Kosovo**

Address: Dëshmorët e Kombit dhe Bill Klinton, 10 000  
Prishtina/ Prishtina  
Tel: +383 (0) 38 2002 5025  
Email: info@atk-ks.org  
Website: <http://www.atk-ks.org/?lang=en>

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### **Business Associations in Kosovo:**

#### **Kosovo Chamber of Commerce**

Address: Nëna Terezë, 20, 10 000 Pristina/ Prishtina,  
Tel: +383 (0) 38 224 299  
Email: info@oek-kcc.org  
Website: <https://www.oek-kcc.org/En/>

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**German –  
Kosovar Business Association**

Address: Lidhja e Pejës, 177, Capital Gate 5th floor, 10 060,  
Pristina/ Prishtina  
Tel: +383 (0) 38 600 880  
Email: [info@oegjk.org](mailto:info@oegjk.org)  
Website: <http://www.oegjk.org/oegjk/>

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**American Chamber  
of Commerce in Kosovo**

Address: Rr. Perandori Justinian, 132, 10 000,  
Pristina/ Prishtina  
Tel: +381 (0) 38 609 012  
Email: [info@amchamksv.org](mailto:info@amchamksv.org)  
Website: <https://www.amchamksv.org/>

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## **INTERNATIONAL INSTITUTIONS IN KOSOVO**

**The Deutsche Gesellschaft  
für Internationale Zusammenarbeit (GIZ)**

Address: Rr. Anton Çetta, 1, 10 000 Pristina/ Prishtina  
Tel: +383 (0) 38 233 002 100  
Email: [giz-kosovo-buero@giz.de](mailto:giz-kosovo-buero@giz.de)  
Website: <https://www.giz.de/en/worldwide/298.html>

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**The European Bank  
for Reconstruction and Development**

Address: Rruga Prishtina – Fushë Kosovë, Lidhja  
e Pejës, 10 060, Pristina/ Prishtina  
Tel: +381 (0) 38 2420 7000

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**KfW Office**

Address: Anton Çetta, 1, 10 000 Pristina/ Prishtina  
Tel: +383 (0) 38 224 141  
Email: [kfw.pristina@kfw.de](mailto:kfw.pristina@kfw.de)

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### **USAID Kosovo**

Address: Rr. 4 Korriku, 25, Arbëria 10 000  
Pristina/ Prishtina  
Tel: +383 (0) 38 5959 2000  
Email: kosovousaidinfo@usaid.gov

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### **World Bank**

Address: Ali Hadri, Capital Gate, 3rd floor, 12 000  
Fushë Kosovë  
Tel: +383 (0) 38 2244541100  
Email: wbg-kosovo@worldbank.org  
Website: <https://www.worldbank.org/en/country/kosovo>

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## **EMBASSIES**

### **EMBASSY OF AUSTRIA**

Address: Rr. Ahmet Krasniqi, 94, Arbëria 10 000  
Pristina/ Prishtina  
Tel: +383 (0) 38 249 284

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### **EMBASSY OF FRANCE**

Address: Rr. Ahmet Krasniqi Objekti C1-1, 145, 10 000  
Pristina/ Prishtina  
Tel: +383 (0) 38 703 311

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### **EMBASSY OF THE FEDERAL REPUBLIC OF GERMANY**

Address: Rr. Azem Jashanica, 17, 10 000  
Pristina/ Prishtina  
Tel: +383 (0) 38 254 500

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### **EMBASSY OF SWITZERLAND**

Address: Adrian Krasniqi, 10 000  
Pristina/ Prishtina  
Tel: +383 (0)38 261261

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### **EMBASSY OF THE UNITED STATES OF AMERICA**

Address: Rr. 4 Korriku, 25, Arbëria 10 000  
Pristina/ Prishtina  
Tel: +383 (0) 38 5959 3000



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The views expressed in this guide are those of the authors and do not necessarily reflect the views of Konrad-Adenauer-Stiftung, the Ministry of Trade and Industry, the Government of the Republic of Kosovo and/ or the German-Kosovar Business Association





Grand Hotel

Raiffeisen Bank





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2020

