

Defining target groups for investment attraction measures of the Republic of Kosovo

Bjoern Vogler

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Executive summary

Considering the three dimensions (1) investment potential, (2) development impact and (3) competitive position, the initial focus of investment attraction measures should be on the IT / BPO, plastics and furniture industry (Priority 1)

- The table below summarises the findings from the analysis of the three dimensions
- Defining target groups is a dynamic process. The prioritisation should be regularly reviewed taking into account results achieved, changes in the investment environment and an upgrading of the target group mix

Target group	Investment potential	Competitive position	Development impact	Recommendations
IT / BPO	++	+	++	Priority 1: Systematic pro-active investment attraction measures recommended
Furniture	+	+	++	Priority 1: Systematic pro-active investment attraction measures recommended
Plastics	+	+	+	Priority 1: Systematic pro-active investment attraction measures recommended
Metal	+	0	+	Priority 2: Potential should be validated first by integrating segments (e.g. fittings, hinges) into campaigns targeting the furniture industry before rolling out larger-scale measures
Wood (except furniture)	0	0	+	Priority 3: Currently no promising potential for investment attraction measures – focus on market intelligence
Agro-processing	0	0	+	Priority 3: Currently no promising potential for investment attraction measures – focus on market intelligence

Executive summary

Building on the results from the comparative assessment, the prioritised target groups were further specified for the design of promotional measures

- The table below shows the proposed segmentation and geographic focus for the prioritised target groups (Priority 1 and 2)
- Across the target groups, an emphasis should be placed on medium-sized enterprises, which tend to be less sensitive to geopolitical and investment climate risks

Target group	Target segments	Target countries / region
IT / BPO	<ul style="list-style-type: none"> • Software, mobile app and web development • Artificial Intelligence (AI) applications • Cyber and cloud security • BPO (e.g. customer service, technical support) 	<ul style="list-style-type: none"> • Germany • UK, US • Poland, Romania (incl. int. investors with operations in those countries)
Furniture	<ul style="list-style-type: none"> • Metall, plastic and wood-based furniture parts and components • Wood furniture (small series production) • Upholstery furniture • Automotive seating components 	<ul style="list-style-type: none"> • Germany, Austria, Switzerland • Italy • Int. investors with operations in CEE
Plastics	<ul style="list-style-type: none"> • Injection molded plastic components (e.g. for the furniture industry) • Toolmaking for plastics industry • Plastic recycling • Laboratory and metrological services for plastics industry 	<ul style="list-style-type: none"> • Germany, Austria • Int. investors with operations in CEE
Metal	<ul style="list-style-type: none"> • Metal components (e.g. for the furniture industry) • Metal products for the construction industry • Aluminium die casting • Metrological and laboratory services for the metal industry 	<ul style="list-style-type: none"> • Germany, Austria • Italy • Turkey • Int. investors with operations in CEE

Executive summary

The main focus of promotional efforts should be on measures that allow a direct communication with potential investors in the prioritised target groups to convince them of the business opportunities offered

- Lead generation campaigns, which could be carried out in the context of trade fairs and events, should form a core element of investment promotion measures
- Furthermore, KIESA's website and social media engagement should be upgraded reflecting the target-group-oriented approach
- Virtual events are another important opportunity to directly engage with potential investors and reach out to a target audience across several countries
- Furthermore, developing partnerships with intermediaries should constitute a strategic priority
- In the case of Kosovo, collaborating with industry associations, int. organisations (e.g. GIZ / ITP Prizren) and existing investors (e.g. Ventius) could be a viable option

Common target-group-oriented investment promotion measures

- (1) Lead generation campaigns
- (2) Online marketing / social media activities
- (3) Events and trade fairs
- (4) Intermediaries networking

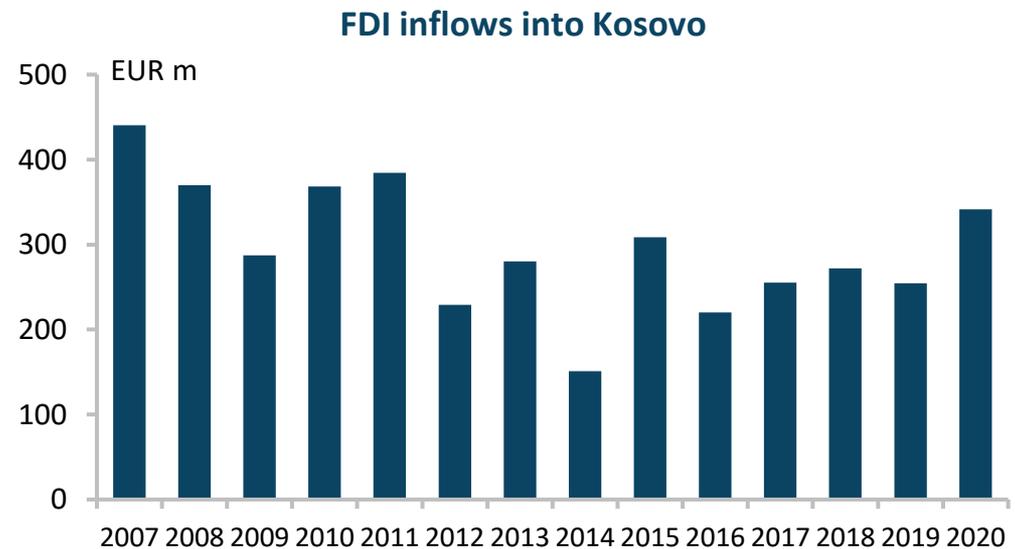
Outline

1. Introduction
2. Target group analysis
 - Investment potential
 - Development impact of investment projects
 - Competitive position of Kosovo
3. Priorisation of target groups and segmentation
4. Recommendations on promotional measures

1. Introduction

In the recent past, Kosovo could only partly tap its potential in terms of both quantity and quality of FDI projects. Against this background, the Government of the Republic of Kosovo is planning to intensify investment attraction efforts

- During the last decade, FDI inflows remained at a rather low level without fully recovering after the global financial crisis
- Inflows had peaked in 2007 with the announcement of the privatisation of several state-owned enterprises and the upcoming independence
- Between 2007 and 2020, FDI largely went into the real estate sector – accounting for more than 40% of total inflows
- Knowledge- and export-oriented industries only played a minor role in the FDI pattern
- Inflows into manufacturing were considerably lower than in neighbouring countries



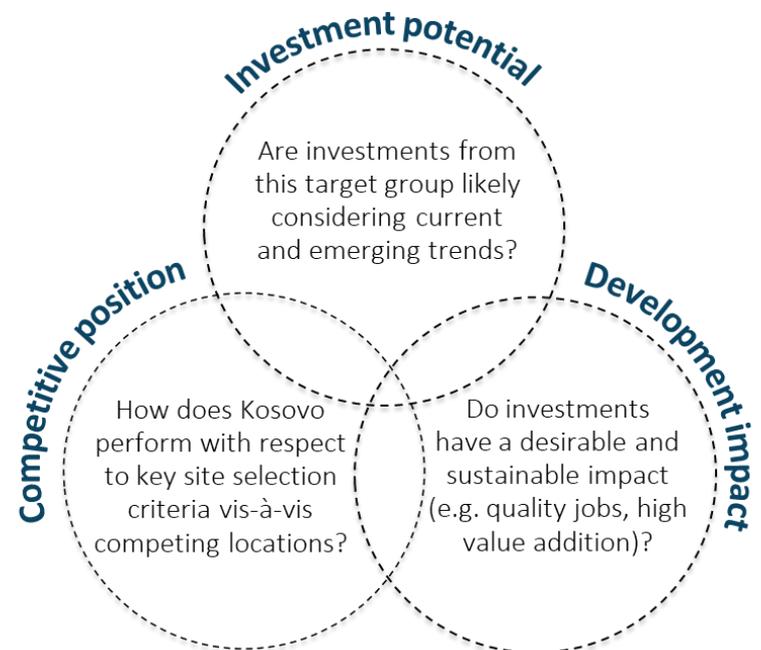
Source: Central Bank of Kosovo

1. Introduction

Considering recent and emerging changes in investment patterns, this policy study analyses and prioritises potential target groups for future investment attraction measures of the Republic of Kosovo

- Empirical research and practical experience confirm that a target-group-oriented approach increases the effectiveness and impact of investment attraction efforts
- Against this background, an assessment of potential target groups was carried out by the German Economic Team focusing on the three dimensions:
 - Investment potential
 - Development impact
 - Competitive position
- On that basis, recommendations on how to design target-group-oriented investment attraction measures were derived

Key dimensions for selecting target groups for investment attraction measures



2. Target group assessment

The target group assessment was carried out in several stages. As a starting point, potential target groups were shortlisted

- Drawing on available reports and strategies as well as interviews with investors and industry experts in Kosovo, the short-list on the right was derived
- In particular, the following aspects were considered:
 - Emerging changes in value chains (e.g. nearshoring)
 - Potential to reach out to potential investors effectively with measures such as lead generation campaigns
 - Alignment with the existing strategic / policy framework
- It should be noted that in most countries the target group focus of investment attraction measures does not fully correspond with strategic priorities in the overarching policy framework. This is often due to the fact that:
 - Certain industries that are prioritised in the policy framework might not offer a promising FDI potential
 - Investment attraction measures can be used to develop new value chains that do not yet play an important role in the economic structure and policy framework

Shortlisted target groups

IT / BPO

Metal

Plastics

Furniture

Wood (except furniture)

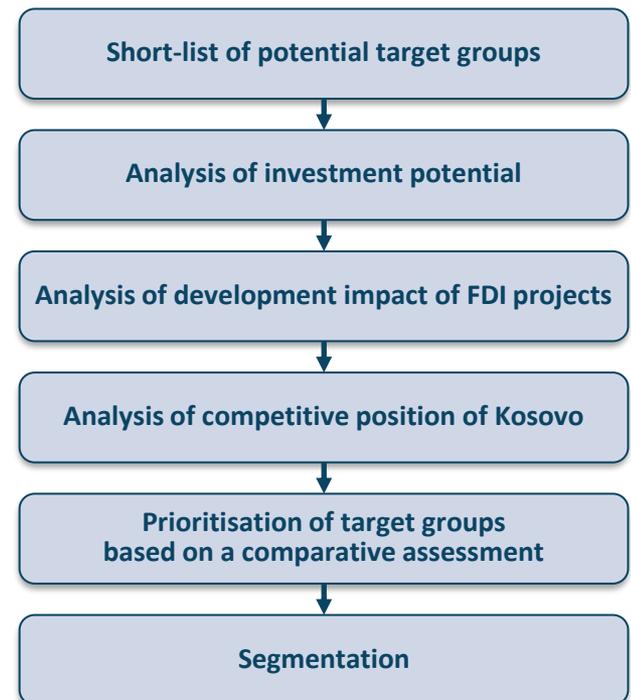
Agro-processing

2. Target group assessment

Next, an in-depth analysis of the shortlisted target groups was conducted focusing on the mentioned dimensions (1) investment potential, (2) development impact, (3) competitive position integrating the international perspective

- The analysis of the dimensions was based on:
 - Interviews with industry experts at the international level (e.g. Association of the German Furniture Industry, Outsourcing Association)
 - Complementary research (e.g. review of industry and investment trend studies)
 - Practical experience
- Building on the results of a comparative assessment, which are summarised on the next pages, the most promising target groups were prioritised and further specified, e.g. in terms of:
 - Sub-sectors, activities, production processes
 - Size of companies
 - Target regions / countries

Stages of the target group assessment



2. Target group assessment – investment potential

Considering the number of FDI projects at the global level, the IT / BPO industry is offering the largest investment potential among the shortlisted target groups

- Information and communication is the leading industry in terms of FDI greenfield projects – accounting for more than 20% of all projects at the global level in 2020
- Food & beverages as well as plastics and metal belong to the Top 10 manufacturing FDI industries both in 2020 and in the previous five years
- The furniture industry also displayed considerable investment dynamics, albeit at a comparatively lower level
- The recent performance of the wood industry (except furniture) indicates a rather limited investment potential

Announced FDI greenfield projects at global level

Industry	Number 2020	Share 2020	Share 2015-2019
Information & communication	2,903	22.4%	17.7%
Food & beverages	423	3.3%	3.4%
Rubber & plastics	216	1.7%	1.9%
Metal & metal products	210	1.6%	2.0%
Furniture	172	1.3%	1.2%
Wood & wood products*	20	0.2%	0.2%

Source: UNCTAD 2021

* except furniture

2. Target group assessment – investment potential

All shortlisted target groups were affected by the pandemic. However, the impact varied across the industries. In comparison, the IT / BPO industry has proven to be more resilient building on a strong performance in previous years

- Among the shortlisted target groups, the ICT industry was least affected by the pandemic with a 12.9% decline in FDI projects in 2020
- In comparison to the manufacturing sector as a whole, the respective target groups – in particular food and furniture – recently displayed rather robust investment dynamics
- ICT and furniture stand out with respect to their investment track record in the second half of the last decade
- On the other end of the spectrum, investment activity in the metal and wood industry was already declining prior to the pandemic crisis

Announced FDI greenfield projects at global level

Industry	Change 2019-2020	Change 2015-2019
Information & communication	-12.9%	26.4%
Food & beverages	-23.8%	16.6%
Furniture	-24.6%	45.2%
Wood & wood products*	-28.6%	-39.1%
Rubber & plastics	-33.1%	12.2%
Metal & metal products	-33.5%	-3.4%
Manufacturing sector	-37.2%	4.1%
Total	-29.0%	17.6%

Source: UNCTAD 2021

* except furniture

2. Target group assessment – investment potential

Recent FDI projects in Kosovo indicate a relevant investment potential in particular in the IT / BPO, plastics and metal industry

- In particular, the IT industry has shown a strong investment track record, including projects by Celonis (process mining), Open Research (software development), Imbus (software testing), SCOOP & SPOON (digital marketing platforms), MIK Group (web design)
- In addition, a number of call center projects could be attracted (e.g. Baruti)
- Furthermore, recent investment decisions and enquiries in the plastics and metal industry indicate a promising potential at the international level, including:
 - Plastics: KIVO (packaging), REKS (recycling), Heinze (injection molding components)
 - Metal: Multi-Tec Group (metal components for the machinery industry), Hazrolli Group (doors, windows), M Technologie (doors, windows, ventilation systems)
- In the other shortlisted target groups, investment activities have been mainly driven by domestic companies
- The furniture industry stands out in this respect – with the large-scale investment project by Ventius (production of mattresses)

2. Target group assessment – investment potential

The interviews with international experts have confirmed the growing interest by IT / BPO investors in Southeast Europe (SEE) and Kosovo. At the same time, there is currently only a limited international investment potential in the wood and agro-processing industry of relevance for Kosovo

- It has been pointed out in the interviews with international experts, that in the context of a diversification of international value chains in the IT / BPO industry, the interest by investors in SEE including Kosovo has significantly increased in the recent past
- At the same time, the international experts were rather cautious with respect to the relevant investment potential in the wood and agro-processing industry
- According to the interviews carried out, SEE is currently not high on the agenda of investors in those industries
- In particular, in the wood industry, within Europe, the focus for larger-scale projects is still on Central and Eastern European (CEE) countries such as Poland and Romania with substantial forest resources

2. Target group assessment – investment potential

Within the other target groups, investment patterns and potentials vary significantly depending on segments and source countries / regions

- The furniture industry exhibits the following investment pattern:
 - Large-scale FDI projects with a high level of automation, e.g. by German producers of kitchen and bedroom furniture, concentrate on CEE locations with large forest resources (e.g. Poland, Romania). For SEE including Kosovo, there is only a limited potential
 - For smaller-scale FDI projects with semi-automated processes (e.g. production of parts and components such as chair backs), a relevant investment potential for Kosovo was confirmed. These types of processes are more commonly used in the Italian furniture industry, in which smaller specialised producers play an important role
 - Regardless of the size of the projects and the source country, the more labour-intensive upholstery segment offers a promising investment potential for Kosovo
- In the plastics industry, mainly potentials in the less capital-intensive injection molding segment are of relevance. The potential of the extrusion segment, in which larger and more energy-intensive projects prevail, was rated as rather limited
- Investment patterns in the metal industry are strongly driven by the configuration of production networks of their main customers (e.g. automotive, machinery)

2. Target group assessment – investment potential

The outlook for the IT / BPO, plastics, metal and furniture industry is positive, while the relevant international investment potential in the wood and agro-processing industry will most likely remain limited in the medium term

- Considering the ongoing transformation of investment patterns and a likely recovery of FDI dynamics, relevant investment activity is expected to increase in the IT / BPO, plastics, metal and furniture industry
 - In light of the digital transition, which has been accelerated by the pandemic, ICT will remain the leading FDI industry
 - A number of segments – such as EdTech (educational technologies), cybersecurity, e-commerce and retail tech – have seen growing demand as a result of the pandemic, which is likely to lead to an increase in investment activity
 - According to the interviews and trend studies, value chains in the metal and plastics industry exhibit a high nearshoring propensity. This also applies to suppliers of components for the furniture industry
 - The green transition will open up additional investment potentials (e.g. production of metal components for electric cars, hydrogen and renewable energy technology)
- Geographic shifts are also expected in the wood and agro-processing value chains. However, those shifts will most likely affect Kosovo to a lesser extent

2. Target group assessment – investment potential

The table below summarises the findings from the analysis of the dimension investment potential

IT / BPO	<ul style="list-style-type: none">• Leading industry in terms of FDI greenfield projects at the global level (22% of all FDI projects)• Strong investment track record confirming growing interest in SEE and Kosovo (e.g. Celonis, Open Research, Imbus, SCOOP & SPOON, MIK Group)• Increasing investment dynamics expected in light of digital transition accelerated by pandemic
Metal	<ul style="list-style-type: none">• Among the Top 10 manufacturing FDI industries at the global level• Recent enquiries and projects (e.g. Multi-Tec Group, Hazrolli Group, M Technologie) indicating international investment potentials of relevance for Kosovo• Positive outlook considering changes in value chains (nearshoring and green transition)
Plastics	<ul style="list-style-type: none">• Among the Top 10 manufacturing FDI industries at the global level• Recent enquiries and projects (e.g. KIVO, REKS, Heinze Group) indicating international investment potentials of relevance for Kosovo• Positive outlook considering changes in value chains (nearshoring and green transition)
Furniture	<ul style="list-style-type: none">• Considerable investment dynamics at the global level – strong increase prior to the pandemic• Large-scale investment by domestic company Ventius could trigger projects by foreign investors• Positive outlook for projects by suppliers of parts and components (nearshoring and relocations)
Wood (except furniture)	<ul style="list-style-type: none">• Limited investment potential at the global level – low number of FDI greenfield projects• Investment activities in Kosovo mainly driven by local SMEs• Limited relevant investment potential also in medium-term
Agro-processing	<ul style="list-style-type: none">• Among the Top 10 manufacturing FDI industries at the global level• Investment activities in Kosovo mainly driven by local SMEs• Limited relevant investment potential also in medium-term

2. Target group assessment – development impact

Experience in Kosovo and at the international level shows that in all shortlisted target groups, investment projects can be an important driver for job creation. However, employment effects vary in quantitative and qualitative terms

- IT projects can create highly skilled jobs, mainly in urban locations, mitigating the brain drain
- Metal and plastics offer the potential to create jobs with an above average value added, which spread more evenly throughout the country
- The other shortlisted target groups play an important role for the labour market especially in rural areas and for female employees (in case of the agro-processing and upholstery industry)
- Considering the recent investment activity, in particular FDI projects in the IT / BPO, furniture and plastics industry can generate substantial employment effects

Employment by industry in Kosovo in 2020



Sources: Ministry of Industry, Entrepreneurship and Trade 2021; Agency of Statistics Kosovo 2021

2. Target group assessment – development impact

Attracted investment projects can also be an important driver for exports and integration into international value chains. Considering recent projects and export performance, the IT / BPO, metal, plastics and furniture industry offer the most promising potential in this respect

- FDI projects contributed to the export-led growth of Kosovo's IT / BPO industry. In the latest IT Barometer, more than 90% of the IT companies reported exports
- Within manufacturing, the metal and plastics industry stand out in terms of export-intensity
- Recently, exports of Kosovo's furniture industry sharply increased driven by the large-scale investment project by Ventius
- In comparison, the export-intensity of the wood and agro-processing industry is significantly lower

Exports by industry in Kosovo in 2020

Industry	Exports (EUR m)	Change from 2019	Exports / turnover
Metal & metal products	144.2	+45.1%	68.7%
Food & beverages	63.1	+10.5%	14.8%
Rubber & plastics	58.3	+13.2%	41.5%
Furniture	33.6	+119.1%	35.3%
Wood & wood products*	10.4	+35.6%	22.5%
Total manufacturing	398.5	+36.6%	28.7%

Sources: Ministry of Industry, Entrepreneurship and Trade 2021
* except furniture

2. Target group assessment – development impact

FDI projects in all shortlisted target groups can support an upgrading process also improving the resource and energy efficiency. In terms of spill-over and linkage effects, in particular the IT and furniture industry offer a promising potential

- Due to significant linkage and spill-over effects, further industries are likely to benefit especially from investment projects in the IT and furniture industry
 - The IT industry can make an important contribution towards raising the productivity and efficiency in various application areas including agriculture (e.g. smart farming)
 - Furthermore, IT investments can improve Kosovo's overall value proposition as an investment location generating positive image effects
 - The furniture industry offers a promising potential for a cluster-based investment attraction and development approach, which also integrates the interfaces to further target groups (e.g. metal, plastics and wood-based components)
- In all shortlisted manufacturing target groups, FDI projects can support an upgrading process and contribute to more sustainable value chains, e.g.:
 - Extending and improving the resource and energy efficiency of the plastics, wood and agro-processing value chains
 - Promoting wood as a construction material with a lower carbon footprint

2. Target group assessment – development impact

The table below summarises the findings from the analysis of the dimension development impact

IT / BPO	<ul style="list-style-type: none"> • Substantial employment effects considering recent performance – in particular highly skilled jobs in urban locations mitigating the brain drain • Important contribution to export-led growth and integration into international value chains • Further industries benefiting from linkage and spill-over effects (e.g. smart farming)
Metal	<ul style="list-style-type: none"> • Creation of jobs with an above average value added throughout the country • Important contribution to export-led growth and integration into international value chains • Supporting an upgrading process and improving the resource and energy efficiency
Plastics	<ul style="list-style-type: none"> • Creation of jobs with an above average value added throughout the country • Important contribution to export-led growth and integration into international value chains • Supporting an upgrading process and improving the resource and energy efficiency
Furniture	<ul style="list-style-type: none"> • Substantial employment effects considering recent performance – in case of upholstery industry also for female employees • Important contribution to export-led growth and integration into international value chains • Potential for cluster-based approach integrating further value chains (e.g. metal components) • Supporting an upgrading process and improving the resource and energy efficiency
Wood (except furniture)	<ul style="list-style-type: none"> • Creation of jobs especially in rural areas • Moderate contribution to exports • Fostering the development of more sustainable value chains
Agro-processing	<ul style="list-style-type: none"> • Creation of jobs especially in rural areas and for female employees • Moderate contribution to exports • Fostering the development of more sustainable value chains

2. Target group assessment – competitive position

Kosovo's value proposition comprises a number of advantages that are, in principle, beneficial to all shortlisted target groups, including:

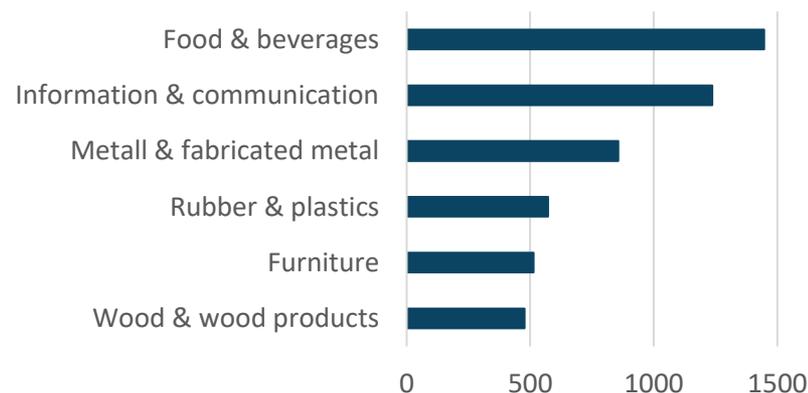
- Attractive cost structures (in particular labour costs)
- Flat corporate tax rate at 10%
- Preferential access to important markets
- Geographic location in proximity to the EU
- Integration process with the EU (e.g. SAA) and at the regional level (e.g. Multi-annual Action Plan for a Regional Economic Area)
- Labour force potential of young population
- Cooperation opportunities in industries that play a strong role in the economic structure and policy framework
- Dynamic company landscape, growing number and turnover of SMEs

Turnover by industry in Kosovo (2020)

Industry	Turnover (EUR m)	Change from 2019
Food & beverages	426.3	+9.0%
Metal & fabricated metal	209.7	+6.9%
Rubber & plastics	140.4	+7.1%
Furniture	95.0	+34.4%
Wood and wood products*	46.2	+3.8%
Total manufacturing	1,389.1	+8.4%

* except furniture

Number of enterprises by industry in Kosovo (2020)



Sources: Ministry of Industry, Entrepreneurship and Trade 2021;
Agency of Statistics Kosovo 2021

2. Target group assessment – competitive position

However, there are also several cross-cutting structural weaknesses and limiting factors, including:

- No distinct profile as investment location, low level of awareness in international investor community
- Distance to main manufacturing hubs / markets, deficits in the transport network (e.g. international flight connections)
- Lack of needs-oriented investment sites, deficits in utility infrastructure
- No differentiation with respect to cluster-related criteria, which play an increasing role in site selection decisions
- Nascent industrial and innovation ecosystem
- Small size of the local market
- Low level of specialisation and high share of small enterprises
- Skills mismatch, difficulties of firms in recruiting adequately qualified new staff
- Continued migration, brain drain
- Geopolitical and investment climate risks

2. Target group assessment – competitive position

The relevance of those strengths and weaknesses and their impact on the industry-specific investment environment varies from the perspective of investors across – and in some cases within – the shortlisted target groups

- For instance, the low labour costs have a higher relevance for the IT / BPO and agro-processing industry as well as for labour-intensive segments in the plastics and furniture industry such as injection molding and upholstery furniture / mattresses
- The latter segment already plays a strong role in Kosovo's furniture industry accounting for 55% of total turnover
- On the other hand, the labour cost advantage is less relevant for more capital-intensive projects in the metal and wood industry
- Deficits in the utility infrastructure are a limiting factor in particular for energy-intensive projects in the metal industry
- The IT / BPO industry is least affected by deficits in the transport infrastructure



Source: Ministry of Industry, Entrepreneurship and Trade 2021

2. Target group assessment – competitive position

In addition, a number of industry-specific strengths and weaknesses can be identified, which are of relevance for the prioritisation of the target groups

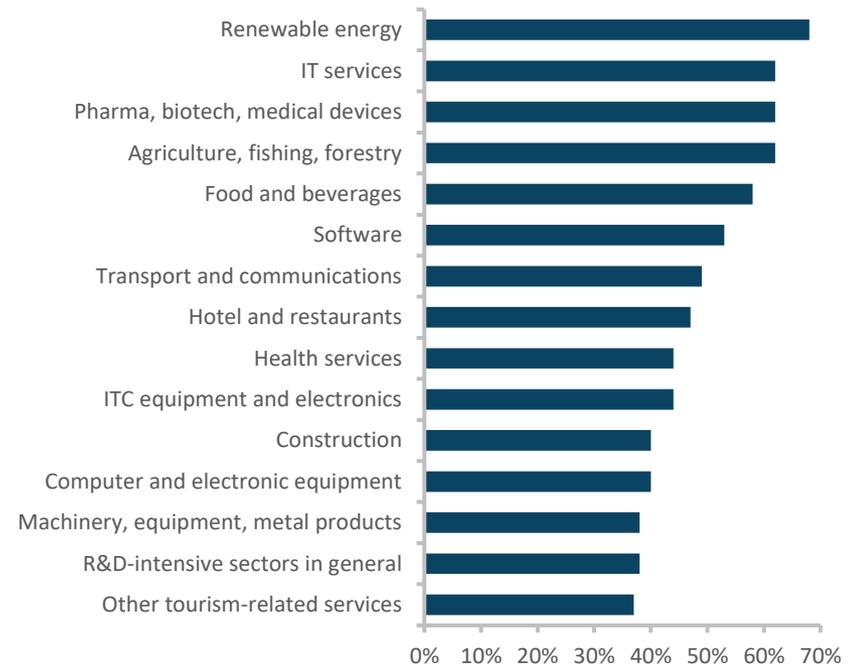
Target group	Strengths	Weaknesses
IT / BPO	<ul style="list-style-type: none"> • Growing pool of highly-skilled and multilingual (in particular English and German) IT professionals • Range of study / training programmes and support services (incl. incubators and accelerators) • Specialised innovation park (ITP Prizren) 	<ul style="list-style-type: none"> • Limited recruitment potential for more advanced skills (e.g. software engineers for larger projects) • Low level of collaboration between businesses and academia and within the industry
Metal	<ul style="list-style-type: none"> • Existing base of metal companies with experience in international markets • Rich resources of metal ores 	<ul style="list-style-type: none"> • Labour force potential, company and educational landscape less attractive than in competing locations in SEE / CEE
Plastics	<ul style="list-style-type: none"> • Track record of attracted FDI projects raising awareness of investment opportunities 	<ul style="list-style-type: none"> • Small size of industry compared with competitors • Lack of specialised toolmaking companies and service providers
Furniture	<ul style="list-style-type: none"> • Ventius as domestic anchor investor offering a potential for follow sourcing • Industrial tradition at the interface between furniture and textile industry 	<ul style="list-style-type: none"> • Skills shortages and weak backward and forward linkages according to recent value chain analysis
Wood (except furniture)	<ul style="list-style-type: none"> • Diversified company landscape • University and VET programmes for wood processing, carpentry, forestry and design (e.g. at University of Applied Sciences in Feriza) 	<ul style="list-style-type: none"> • Forest resources not sufficient from the perspective of investors searching for sites for larger-scale projects
Agro-processing	<ul style="list-style-type: none"> • Strong presence of industry in country • Wide spectrum of relevant study and VET programmes in the area of agriculture, agri-business, agro-ecology and food technology, e.g. at the University of Prishtina and University of Mitrovica 	<ul style="list-style-type: none"> • Small size of agricultural holdings and volume of output limiting the potential to attract investors planning processing operations • Deficits in the quality infrastructure

2. Target group assessment – competitive position

At the international level, competition is intensifying in particular between locations targeting the IT / BPO, agro-processing and metal industry

- As confirmed by recent surveys, those industries belong to the TOP 15 target groups of investment promotion agencies (IPAs) around the globe
- EU member states in CEE such as Poland, Hungary and Romania can build their investment attraction measures on an established competitive position
- In addition, SEE economies and EU Eastern Partnership countries such as Ukraine, Georgia, Armenia and Moldova increasingly target those industries
- In comparison, competition for FDI projects in the plastic, furniture and wood industry is less intense

Top 15 target groups as designated by IPAs around the globe



Sources: World Association of Investment Promotion Agencies (WAIPA), World Bank Group, 2020

2. Target group assessment – competitive position

The table below summarises the findings from the analysis of the dimension competitive position

IT / BPO	<ul style="list-style-type: none"> • Favourable conditions for IT / BPO projects – in particular with respect to the availability of multilingual IT professionals and an attractive soft and hard infrastructure, e.g. specialised incubators, accelerators, support services and sites (e.g. Innovation Centre Kosovo, ITP Prizren) • Limited recruitment potential for larger projects in need of more advanced skills
Metal	<ul style="list-style-type: none"> • Cross-cutting advantages (e.g. cost structures, access to key markets) of relevance for investment projects in metal industry; however, labour costs less important • No distinct profile compared with competing locations • Infrastructure deficits limiting potential to attract larger and energy-intensive projects
Plastics	<ul style="list-style-type: none"> • As confirmed by investment track record, cross-cutting advantages of high relevance, especially for labour-intensive segments (e.g. injection molding) • Small size of industry compared with competing locations in CEE and SEE
Furniture	<ul style="list-style-type: none"> • Attractive value proposition for labour-intensive segments (e.g. upholstery furniture) building on cross-cutting advantages as well as industrial traditions and Ventius as domestic anchor investor • Skills shortages and weak backward and forward linkages as constraints
Wood (except furniture)	<ul style="list-style-type: none"> • Weak competitive position compared with established CEE locations • Forest resources not sufficient from perspective of investors with larger-scale projects • Labour cost advantage less relevant for capital-intensive projects
Agro-processing	<ul style="list-style-type: none"> • In principle, cross-cutting advantages (e.g. cost structures, access to key markets) of relevance for the leading manufacturing industry in the country • Very intense competition at the international level and small size of agricultural holdings and volume of output limiting the potential to attract investors planning processing operations

3. Priorisation of target groups and segmentation

Based on the results of the target group assessment, the initial focus of investment attraction measures should be on the IT / BPO, plastics and furniture industry (Priority 1)

- The table below summarises the findings from the analysis of the three dimensions
- Defining target groups is a dynamic process. The prioritisation should be regularly reviewed taking into account results achieved, changes in the investment environment and an upgrading of the target group mix

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3. Priorisation of target groups and segmentation

Across the prioritised target groups, particular emphasis should be placed on medium-sized enterprises, companies that have already invested in Central European locations and the potential of the diaspora

- In light of skills shortages and raising costs at several Central European locations (e.g. Poland, Hungary, Czech Republic), international investors with operations in this region offer a promising investment potential
- Their headquarters should be directly approached across the prioritised target groups to discuss potential investment / relocation projects
- Furthermore, investment attraction efforts should not focus exclusively on large companies, but equally target medium-sized enterprises
 - In many important source countries for FDI, among others in Germany, privately owned medium-sized enterprises offer a substantial investment potential
 - At the same time, they tend to be less sensitive to geopolitical and investment climate risks than publicly listed large companies
- Mobilising the potential of the diaspora is also considered a promising approach in this context

3. Priorisation of target groups and segmentation

Building on the results from the comparative assessment, the prioritised target groups were further specified in terms of activities / processes and target countries / regions. The table below shows the proposed segmentation and geographic focus for the prioritised target groups (Priority 1 and 2)

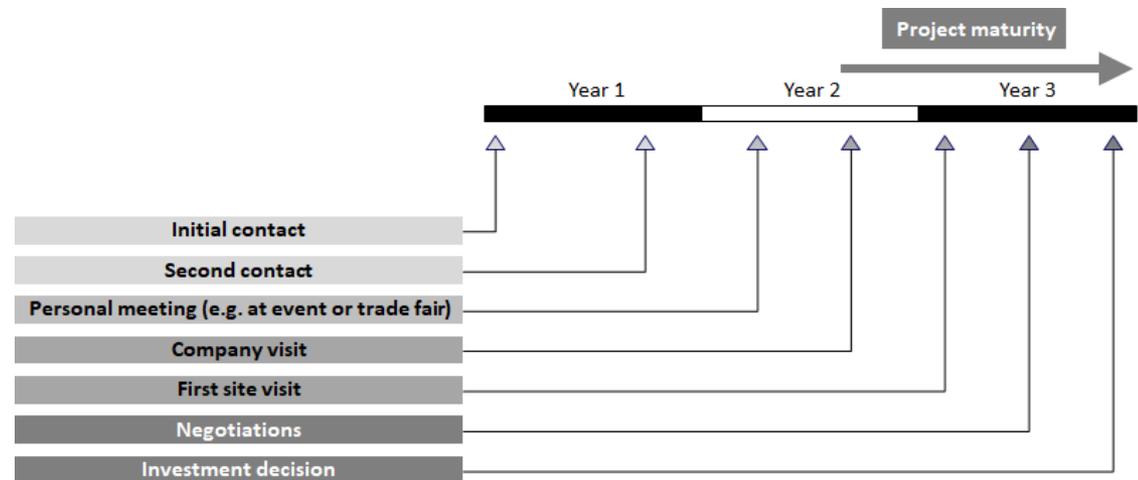
Target group	Target segments	Target countries / region
IT / BPO	<ul style="list-style-type: none"> • Software, mobile app and web development • Artificial Intelligence (AI) applications • Cyber and cloud security • Software testing and quality assurance • BPO (e.g. customer service, technical support, HR / accounting services) 	<ul style="list-style-type: none"> • Germany • UK, US • Poland, Romania (including int. investors with operations in the countries)
Furniture	<ul style="list-style-type: none"> • Metall, plastic and wood-based furniture parts and components (e.g. chair backs, fittings and hinges) • Wood furniture (small series production) • Upholstery furniture • Automotive seating components 	<ul style="list-style-type: none"> • Germany, Austria, Switzerland • Italy • Int. investors with operations in Poland, Czech Republic, Slovakia, Hungary
Plastics	<ul style="list-style-type: none"> • Injection molded plastic components (e.g. for the furniture, construction materials, electronics and automotive industry) • Toolmaking for plastics industry • Plastic recycling • Laboratory and metrological services for plastics industry 	<ul style="list-style-type: none"> • Germany, Austria • Int. investors with operations in Poland, Czech Republic, Slovakia, Hungary
Metal	<ul style="list-style-type: none"> • Metal components for the application areas furniture, construction materials, machinery, renewable energies and hydrogen technology • Metal products for the construction industry (e.g. doors, windows, gutters) • Aluminium die casting • Metrological and laboratory services for the metal industry 	<ul style="list-style-type: none"> • Germany, Austria • Italy • Turkey • Int. investors with operations in Poland, Czech Republic, Slovakia, Hungary

4. Recommendations on promotional measures

In light of high expectations, it is important to note that investment attraction takes time and relies upon trust and customer relationships which require continuity and a systematic approach

- On average, it takes 2-3 years between the first contact with an interested investor and the actual investment decision
- Investors expect a customer-oriented and systematic support throughout all stages of an investment project – including the post-establishment phase
- This requires adequate resources and capacities in the responsible institutions
- Staff fluctuation represents a major impediment for building up the necessary contact networks and customer relations

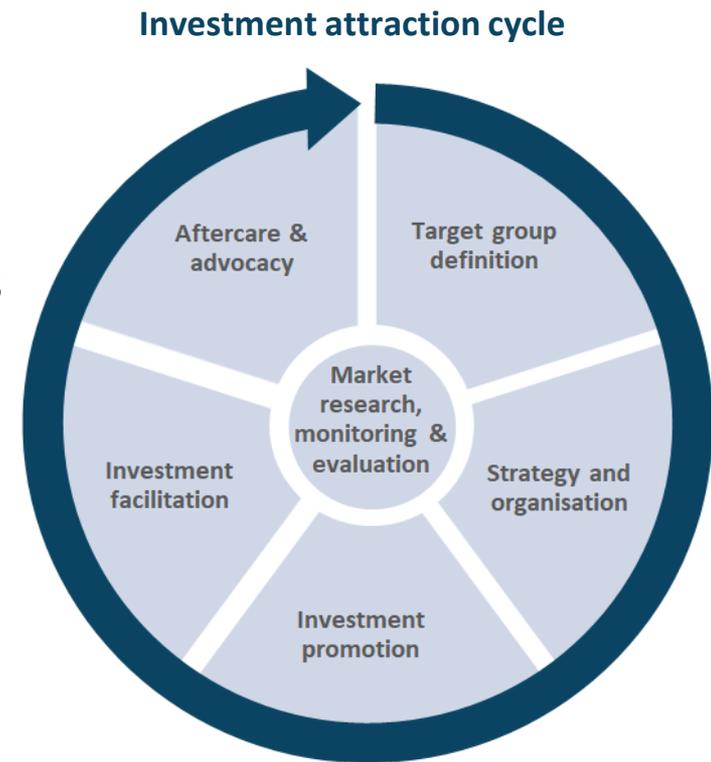
Typical time frame and interactions in the course of site selection processes



4. Recommendations on promotional measures

Furthermore, it should be noted that is critical to apply the target-group-oriented approach throughout all stages of the investment attraction cycle

- The target-group-oriented approach plays a key role for the success of all core tasks in the area of investment attraction:
 - Promotion: generating interest
 - Facilitation: securing and fast-tracking investments
 - Aftercare: scaling up investments
 - Advocacy: improving the investment environment
- Successful investment locations also apply the target-group-oriented approach in the design of:
 - Organisational structures: building up industry-specific expertise and contact networks
 - Monitoring systems: comparing the performance between different target groups to finetune the focus of investment attraction measures



4. Recommendations on promotional measures

With respect to investment promotion, the main focus should be on measures that allow a direct communication with potential investors in the prioritised target groups to convince them of the business opportunities offered

- For the prioritised target groups, systematic pro-active investment promotion efforts are recommended
- As detailed on the subsequent pages, target-group-oriented lead generation campaigns should be combined with social media activities and further tools such as (virtual) events
- In addition, networks with intermediaries in the target groups at the national and international level should be strengthened to reach out to decision-makers in the target groups and markets

Common target-group-oriented investment promotion measures

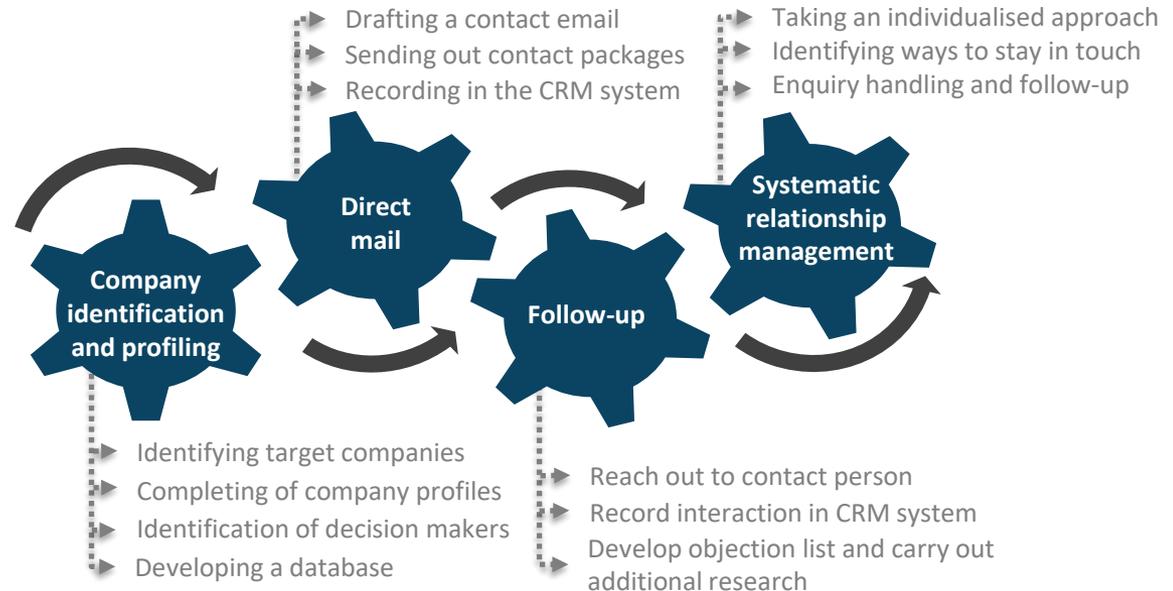
- (1) Lead generation campaigns
- (2) Online marketing / social media activities
- (3) Events and trade fairs
- (4) Intermediaries networking

4. Recommendations on promotional measures

Target-group-oriented lead generation campaigns should form a core element of investment promotion measures

- The focus is on identifying potential investors in defined target segments and contacting them directly in order to create awareness of Kosovo as an attractive investment location, generate interest and build a personal relationship
- Lead generation has proven to be a promising approach to develop relationships to potential investors
- While more cost-effective than other promotional measures, it requires dedicated resources
- It is time-intensive to identify, contact and build relationship with key investors

Process for implementing lead generation campaigns



4. Recommendations on promotional measures

It is recommended to carry out lead generation campaigns in the context of trade fairs and events that are of high relevance for the prioritised target groups

- In this case, the lead generation campaign serves to identify (e.g. from the trade fair directory) and contact potential investors in advance in order to set up meetings at the trade fair to establish a first personal contact
- Meetings at trade fairs are a promising opportunity to quickly assess whether a company has genuine interest in an investment
- Attending trade fairs is also an effective way to gain industry intelligence
- Obtaining a booth is not necessary for this measure
- A list of relevant trade fairs for the prioritised target groups is provided in the table on the right

Relevant target-group-specific trade fairs /events

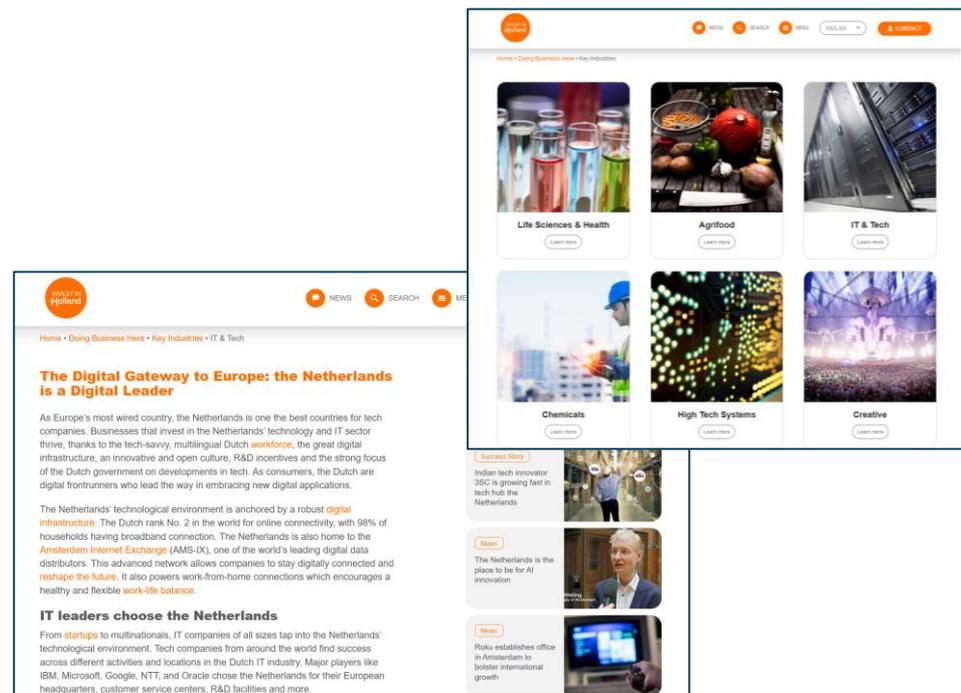
Target group	Trade fairs	Location	Date
Plastics	K 2022	Duesseldorf	2022/10
	Moulding Expo	Stuttgart	2023/06
	Fakuma	Friedrichshafen	2023/10
Furniture	Interzum	Cologne	2022/05
	Salone del Mobile	Milano	2022/06
	IMM Cologne	Cologne	2023/01
IT/BPO	Shared Services and Outsourcing Week	Lisbon	2022/05
Metal	METAV	Duesseldorf	2022/06
	CastForge	Stuttgart	2022/06

4. Recommendations on promotional measures

KIESA's website and social media engagement should be upgraded reflecting the target-group-oriented approach

- Microsites should be developed for the prioritised target groups displaying key information on the industry-specific environment and investment opportunities
- Dedicated contacts provide a natural point of entry for potential investors to engage with the agency directly
- In addition to the website, relevant social media platforms should be used as a means to enhance the online presence
- Besides image building, a focus should also be on:
 - Engaging with existing partners, clients and communities
 - Direct marketing and advertising by using networks – specifically LinkedIn

Target-group-oriented microsites of Invest in Holland

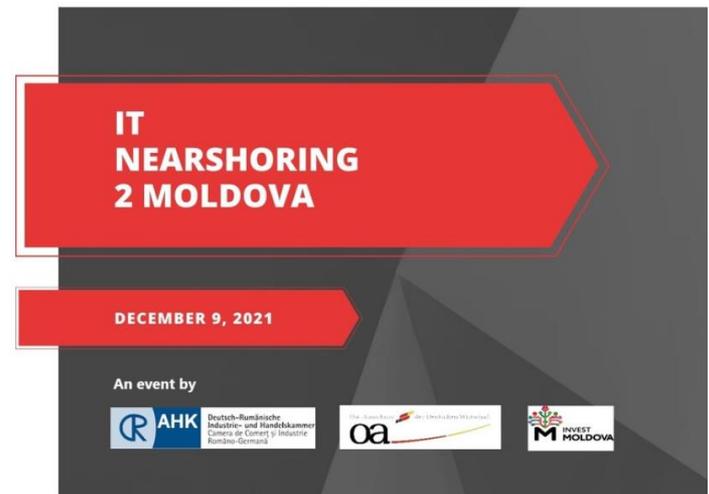


4. Recommendations on promotional measures

Virtual events are another important opportunity to directly engage with potential investors

- In the past, many IPAs relied heavily on physical events and trade fairs
 - Attending relevant events / trade fairs as guests or exhibitors
 - Organising events locally or in target regions
 - Hosting short information sessions or seminars as side events at trade fairs
- In light of the pandemic, this practice is changing
- The focus is shifting towards digital formats
- Virtual events open up new opportunities to reach out to international investors and to address specific target groups across several countries

Virtual event to promote Moldova as an IT nearshoring location



The image shows a promotional banner for a virtual event. It features a dark grey background with a large red arrow pointing right. Inside the arrow, the text reads "IT NEARSHORING 2 MOLDOVA". Below the arrow, the date "DECEMBER 9, 2021" is displayed in a smaller red arrow. At the bottom, it says "An event by" followed by four logos: AHK (German-Romanian Chamber of Commerce and Industry), a logo for "Deutscher-Rumänischer Industrie- und Handelskammer", "oa" (Office of the German-Romanian Business Council), and "INVEST MOLDOVA".

4. Recommendations on promotional measures

Furthermore, developing strategic partnerships with intermediaries that have established contact networks in the prioritised target groups should constitute a strategic priority in the context of a targeted investment promotion approach

- Intermediaries are an often underestimated source of contacts. There is a wide spectrum of intermediaries to partner up with
- Main focus should be on intermediaries with contacts in the prioritised target groups
- In the case of Kosovo, collaborating with industry associations, int. organisations (e.g. GIZ / ITP Prizren) and existing investors (e.g. Ventius) could be a viable option
- Joint activities could include:
 - Identifying and approaching potential investors (e.g. suppliers, members)
 - Investment seminars / webinars and publishing articles in newsletters

Potential intermediaries

Industry / cluster organisations	<ul style="list-style-type: none">• Industry associations• Regional associations• Cluster organisations• Chambers of commerce
Finance / legal service providers	<ul style="list-style-type: none">• Venture capital companies• Auditors / tax advisors• International lawyers
Consultants / specialised service providers	<ul style="list-style-type: none">• Site selection consultants• Real estate agents• Engineering service providers• HR service providers
Other	<ul style="list-style-type: none">• Investment promotion agencies, embassies• International organisations• Free Economic Zones, Industrial Parks• Existing investors

About the German Economic Team



Financed by the Federal Ministry for Economic Affairs and Energy, the German Economic Team (GET) advises the governments of Ukraine, Belarus, Moldova, Kosovo, Armenia, Georgia and Uzbekistan on economic policy matters. Berlin Economics has been commissioned with the implementation of the consultancy.

CONTACT

Julian Milek, Project Manager Kosovo
milek@berlin-economics.com

German Economic Team
c/o BE Berlin Economics GmbH
Schillerstraße 59
10627 Berlin

Tel: +49 30 / 20 61 34 64 0
info@german-economic-team.com
www.german-economic-team.com

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