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Reforming the institutional framework for investment attraction and industrial development in the Republic of Kosovo

Specifying mandates and tasks of different agencies

by Björn Vogler

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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

Implemented by



Our publications are available under <https://www.german-economic-team.com/>.

1 Introduction

Various countries have recently restructured their institutional framework for investment attraction and industrial development reflecting changes in policies and the investment environment. The Government of the Republic of Kosovo is also planning an institutional reform to increase the effectiveness of investment attraction measures and ensure coherence and consistency in the implementation of related policy packages. The scope of mandates of the Kosovo Investment and Enterprise Support Agency (KIESA) currently comprises investment, export and tourism promotion as well as SME and zone development.

To support the design of the planned reform, the German Economic Team has previously reviewed commonly used organisational models at the international level in the policy briefing “Institutional reform paths for the Kosovo Investment and Enterprise Support Agency (KIESA) across related mandates” (PB 2021/02). Based on a comparative assessment of the reform options, which also took into consideration interdependencies between the institutional and policy framework, and drawing on consultations with ministries, agencies and further experts in Kosovo, it was recommended to set up a separate specialised investment agency, while transforming KIESA into a dedicated innovation and entrepreneurship agency.

The proposed institutional set-up offers the opportunity to reap benefits of specialisation based on a clear division of roles:

- Investment Agency concentrating on attracting investors and integrating them in the local economy
- Innovation and Entrepreneurship Agency concentrating on supporting the development of local SMEs and entrepreneurs

Furthermore, the proposed model reflects the economic policy priorities and focus of relevant strategies. As confirmed by the interviews and consultations carried out, FDI attraction forms a key priority of the Government – with particular emphasis on:

- Pro-active and target-group-oriented measures reaching out to potential investors in industries and segments offering the most promising potential
- Comprehensive investment attraction approach including investment facilitation, aftercare and the promotion of linkages between investors and local suppliers

In light of (emerging) challenges and opportunities in the investment environment, it is of critical importance to increase the effectiveness of investment attraction measures as soon as possible. At the same time, the interviews indicated a limited task- and target-group-related synergy potential between investment attraction and KIESA’s further mandates considering different needs of international investors and local SMEs.

As a basis for the next stages of the reform process, the German Economic Team has been asked to refine the proposed institutional reform path. In this technical note, we collect our comments and

recommendations, which also take into account the results from the recent fact-finding mission in February 2022. Main focus is on specifying the mandates and tasks of the two agencies.

2 Comments and recommendations on the division of roles and the focus of the two agencies

The figure below provides an overview of the refined proposal for the division of mandates between the two agencies, which will be specified in closer detail in the subsequent sections. The refined proposal is still based on the organisational principle of a clear target-group-oriented focus and specialisation of the agencies – with the Investment Agency focusing on the needs of new and existing investors and the Innovation and Entrepreneurship Agency focusing on the needs of local SMEs and entrepreneurs.

Proposed mandates of the two agencies

1. Investment Agency	2. Innovation and Entrepreneurship Agency
1.1 Investment promotion	2.1 Innovation and SME development
1.2 Investment facilitation	2.2 Internationalisation support
1.3 Aftercare and linkage promotion	2.3 Development and promotion of tourism products and services
1.4 Economic zones / business parks	2.4 <i>Economic zones / technology parks</i>

Considering the results from the latest fact-finding mission, it is recommended to pool the expertise and capacities related to the management and coordination of zones / parks in one of the two agencies. The original proposal had envisaged that the corresponding tasks could be divided up according to the focus of the zones / parks. This way, the Investment Agency would be responsible for the management of zones / parks geared towards attracting larger-scale investment projects, while the Innovation and Entrepreneurship Agency would be in charge of zones / parks with specialised soft and hard infrastructure for SMEs and start-ups (e.g. technology parks).

However, according to the interviews and consultations carried out, multi-activity zones / parks without a clear focus prevail in the existing portfolio of sites. Therefore, it would be challenging to clearly delineate responsibilities and to mitigate the risk of duplication and competition between the two agencies. It is considered more efficient to pool the necessary resources and competencies in one of the two agencies.

The responsibilities should be allocated considering the (planned) focus of relevant policies / strategies and the corresponding role and value proposition of zones / parks. According to the interviews,

combining investment attraction with the management of zones / parks offers a more promising synergy potential in this respect. This constellation would also allow to create a single point of contact for investors throughout the entire site selection and investment process. Furthermore, a duplication of promotional measures and facilitation services could be avoided.

In this context, it should also be considered to reform the overarching institutional framework for zones / parks in Kosovo increasing the efficiency of the governance structures and tapping the revenue potential of this policy tool. Most zone programmes in Central and Eastern European (CEE) and Southeast European (SEE) countries use a decentral model resorting to public or private developers / operators for individual zones. Ministries and agencies at the central level mainly concentrate on a regulatory and coordinating function. The extension of the Business Park Drenas and / or the development of the TechPark Prishtina could be used to introduce and test such a model in collaboration with international partners such as EBRD.

3 Specification of mandates and tasks

Taking into account international experience as well as the results from the fact-finding missions carried out in November 2021 and February 2022, the mandates and tasks can be specified as follows:

1.1 Investment promotion

This mandate includes all activities geared towards generating interest from potential investors based on a target-group-oriented approach. Particular emphasis is on measures that allow a direct communication with potential investors in the prioritised target groups to convince them of the business opportunities offered.

Main tasks comprise:

- Gathering up-to-date information on investment trends and identifying promising segments for investment promotion measures
- Managing lead generation campaigns combining different channels to contact potential investors directly and build a personal relationship
- Maintaining a website and a social media presence creating target-group-oriented content
- Developing and updating further marketing materials (e.g. investment guides, fact-sheets)
- Organising (virtual) events in collaboration with strategic partners to reach out to the target audience across several countries
- Participating in trade fairs and B2B events at the national and international level to meet potential investors in the identified target groups
- Establishing and maintaining a network of intermediaries within Kosovo and at the international level (e.g. embassies, industry associations, international organisations, existing investors)
- Implementing national programmes and international projects supporting investment promotion measures

1.2 Investment facilitation

The focus of investment facilitation is on assisting investors in planning and implementing their investment projects in the Republic of Kosovo through customer-oriented information, advisory and matchmaking services based on a one-stop-shop approach. Investment facilitation services offer an important chance for differentiation and play a critical role for securing and fast-tracking investment projects.

Main tasks comprise:

- Providing customer-oriented information on relevant characteristics of the investment environment as well as investment-related administrative processes
- Preselecting investment sites and organising tailored scoping missions
- Connecting investors with, amongst others, central and local public authorities and institutions, potential business and innovation partners
- Helping investors to find the right employees and skill sets facilitating contacts to relevant universities and training providers
- Assisting with business registration procedures and applications for permits, licenses and incentives
- Navigating & fast-tracking administrative processes and undertaking structured troubleshooting with individual investors
- Implementing national programmes and international projects supporting investment facilitation measures

1.3 Aftercare and linkage promotion

Aftercare entails the provision of continuous support after the initial investment project based on proactive customer relationship management. Aftercare has proven a very cost-effective way to retain investment and secure reinvestment projects. It allows to gain insights into investors' perceptions of the investment climate, investment potentials and further policy tools, e.g. incentives or economic zones. Furthermore, by facilitating the integration of investors into the local economy, the impact of investment projects can be maximised. In this context, linkage promotion includes all activities geared towards strengthening the cooperation between investors and domestic firms.

Main tasks comprise:

- Organising regularly individual meetings with existing investors to discuss previous and planned projects, sourcing potentials, challenges and support needed
- Assisting investors with identified challenges related to their investment projects (e.g. administrative procedures)
- Developing and maintaining an online directory of local suppliers
- Personal business partner mediation services assisting investors in finding suitable suppliers and facilitating business meetings

- Organising matchmaking events such as supplier days as a stand-alone format or as side event at a conference or trade fair
- Helping investors expand their activities utilising synergies with investment facilitation services (e.g. finding suitable sites, additional staff)
- Establishing and maintaining a network of service partners (e.g. other agencies, chambers and associations) to offer a comprehensive portfolio of support services for investors
- Gathering information on investors' needs and perceptions and translating them into policy advice for investment climate reforms
- Implementing national programmes and international projects supporting aftercare and linkage promotion measures

1.4 Economic zones / business parks

This mandate comprises activities related to the three principal governance roles within zone programmes (1) regulation & coordination, (2) development and (3) operation of zones / parks. The key to success lies in a consistent and coherent approach that is aligned with the existing scope and focus of the strategic framework and utilises inter- and intra-institutional synergies based on a clearly defined allocation of responsibilities. As mentioned above, the mandate could also be covered by the Innovation and Entrepreneurship Agency.

Main tasks comprise:

- Supporting the regulatory role of the responsible ministry (e.g. assisting in designing the strategic framework, overseeing the implementation of the zone programme, monitoring performance based on KPIs, designating zones)
- Preparing feasibility studies and master plans for the development of zones / parks
- Selecting (private) developers and operators
- Allocating resources to zones / parks
- Participating in zoning and land use planning processes
- Designing and providing off-site infrastructure
- Ensuring close coordination with municipalities for the development and operation of zones / parks
- Promoting the zones / parks and providing investors with information on the site-specific characteristics
- Assisting investors in registration and further administrative processes

2.1 SME and innovation support

This mandate covers all activities and measures geared towards supporting the development of SMEs and start-ups and strengthening the entrepreneurial and innovation ecosystem. In order to fully unlock entrepreneurship and innovation potentials, a comprehensive approach is needed, which combines financial assistance with advisory services, training and mentoring support. International experience

indicates that generic support schemes should be complemented by measures that promote linkages and collaborative projects. Therefore, strengthening linkages between all actors and components of the entrepreneurial and innovation ecosystem is considered a cross-cutting success factor. This includes fostering linkages between the triple helix actors in the country, but also the international integration of the ecosystem to scale up start-up and innovation activity.

Main tasks comprise:

- Gathering information on innovation and start-up dynamics in the country
- Complementing financial assistance with tailored entrepreneurship and innovation training and mentoring support in collaboration with strategic partners (e.g. Innovation Center Kosovo)
- Providing information and advice on financial support programmes and alternative funding sources (e.g. business angels) for start-ups and SMEs
- Matchmaking services to initiate and facilitate collaborative innovation projects involving businesses as well as universities and research institutions
- Assisting SMEs and start-ups in finding and recruiting talent (e.g. internship support programmes)
- Designing and implementing communication measures to promote local entrepreneurs as well as the entrepreneurial and innovation ecosystem domestically and internationally in collaboration with strategic partners (e.g. EBRD, diaspora organisations)
- Organising events and networking formats to strengthen linkages between the different support organisations and actors of the ecosystem
- Developing partnerships with start-up hubs at the regional / international level (e.g. participating in regional start-up initiatives)
- Identifying challenges for the development of the entrepreneurial and innovation ecosystem and providing policy advice
- Implementing national programmes (e.g. grant scheme for purchasing production / processing machinery, Enterprise Innovation Fund, voucher consulting, internship and credit guarantee schemes) and international projects (e.g. ACCESS scheme in collaboration with the Austrian Development Agency) supporting the development of SMEs, start-ups and relevant ecosystems

2.2 Internationalisation support

This mandate comprises activities to assist local SMEs and start-ups in integrating in international markets using different channels and networks. Key success factors relate to a needs-oriented approach, an efficient collaboration with strategic partners – e.g. tapping into the experience and networks of the diaspora – and a focus on practical support covering the entire internationalisation process. There is a promising potential to explore new avenues (e.g. using digital tools and solutions such as virtual market exploration tours) and synergies with other mandates (e.g. SME and innovation support).

Main tasks comprise:

- Maintaining a database of exporting companies
- Keeping up to date with trends and dynamics in key export markets
- Sharing practical export information via the website, social media and further channels
- Providing individual information and advisory services (e.g. market intelligence services, identifying potential partners in different markets, assistance in applying for relevant financial support programmes)
- Organising tailored export training and mentoring programmes in collaboration with strategic partners (e.g. chambers, associations, diaspora organisations)
- Organising and attending (virtual) trade fairs, B2B events, trade missions and market exploration tours to assist exporters in finding buyers and partners
- Handling export enquiries
- Developing marketing and export information tools to address potential buyers / partners in export markets and local companies (e.g. information on market trends, standards, available incentives)
- Establishing and maintaining an effective network of key stakeholders and intermediaries within Kosovo and at the international level (e.g. embassies, associations, diaspora organisations)
- Identifying challenges of exporting companies and bringing them into relevant planning and consultation processes
- Implementing national programmes and international projects (e.g. CERP Competitiveness and Export Readiness Project in collaboration with World Bank) supporting the internationalisation of SMEs and start-ups

2.4 Development and promotion of tourism products and services

This mandate entails the responsibility for marketing and promoting Kosovo domestically and internationally as an attractive tourism destination following a targeted approach. In order to increase tourist arrivals as well as tourism revenues and investment on a sustained basis, promotional efforts need to be complemented by measures fostering the development and competitiveness of tourism products and services.

Main tasks comprise:

- Gathering up-to-date information on key market trends and identifying promising segments for promotional measures
- Designing and implementing advertising and communication campaigns for the promotion of tourism in the Republic of Kosovo using different channels to target the identified segments
- Organising and attending (virtual) trade fairs, events and business missions to promote Kosovo as tourism destination as well as its tourism products and services
- Contributing to product development (e.g. touristic routes)

- Planning and implementing tailored capacity building programmes in collaboration with strategic partners (e.g. chambers and associations)
- Developing and offering paid services (e.g. tourism booking platform)
- Cooperating with embassies and further partners at the international level providing them with the necessary information to promote Kosovo as tourism destination
- Identifying challenges for the development of the tourism destination and industry and providing policy advice
- Implementing national programmes and international projects fostering the competitiveness of tourism products and services and their promotion