

Reviewing Kosovo's ICT, BPO and creative industries

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Structure

1. Introduction
2. ICT sector
3. BPO sector
4. Creative industry

1. Introduction

Question: why do we focus on ICT, BPO and creative industries?

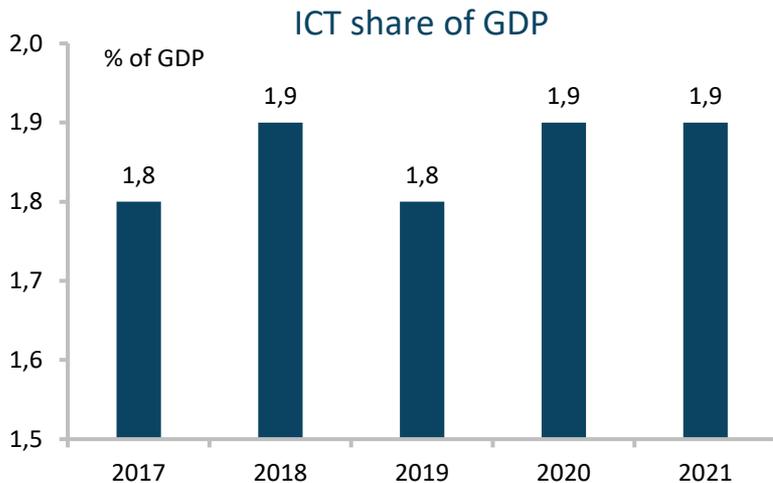
Reason 1: “Smart Specialisation Strategy” by KOS government registered in Sep 2018

- Government of KOS has identified ICT/BPO and creatives industries as preliminary priority sectors
- How? Quantitative analysis, but also exchange with business

Reason 2: study by German Economic Team (GET), Feb-22

- Method: data analysis and extensive interviews with business representatives
 - Criteria for identification of target groups:
 - investment potential
 - development impact
 - competitive position
 - Result: ICT and BPO identified as top target groups (among others)
- **Much evidence that there are realistic opportunities in these sectors in KOS; it makes sense for investors to take a deeper look at the situation in the country**

2. Role of the ICT sector in the economy



Source: Kosovo Agency of Statistics



Source: National Statistic Offices

Economic importance

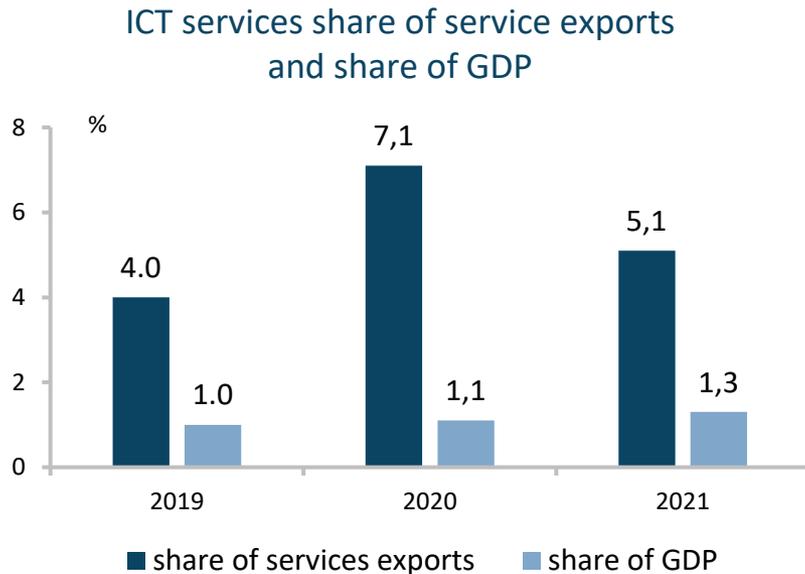
- ICT = information and communications technology
- The ICT sector accounted for 1.9% of GDP in 2021
- Stable share in the last 5 years

Regional comparison

- Share of ICT in KOS somewhat lower than in the region

➤ **ICT industry in KOS has much potential for further development**

Contribution of ICT to exports



Source: Central Bank of Kosovo

Role in exports of services

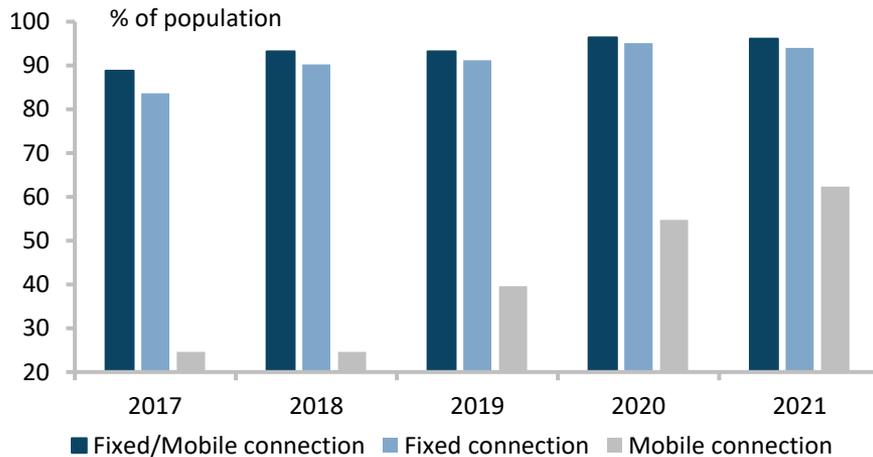
- Exports of services in the field of telecommunications, computer and information amounted to EUR 99 m in 2021 or 5.1% of services exports of KOS
- Sector is export-oriented; exports higher than imports; 78% of existing companies export their services

➤ Export-oriented industry

- Only moderate contribution to exports, due to limited size of ICT industry in KOS

ICT infrastructure

Type of the internet access by households



Source: Kosovo Agency of Statistics

Internet access

- Number of users with access to internet services has increased significantly over the past years
 - 96.1% of households had a fixed and/or mobile connection in 2021
- **ICT infrastructure is well developed**

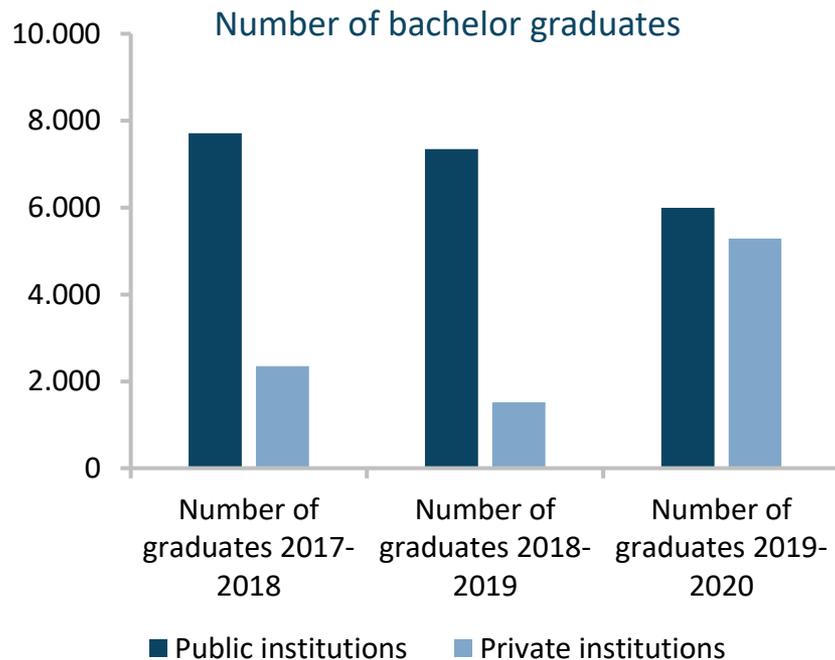
Innovation & Training Park Prizren

- ITP Prizren is a new focal point in the Balkan region for innovation, business and skills development
 - The park offers an environment that fosters synergies between the private and public sector, civil society organizations and academia
- **Facilitation of investment in the sector**



Source: KosovaPress

Education



Source: Kosovo Agency of Statistics

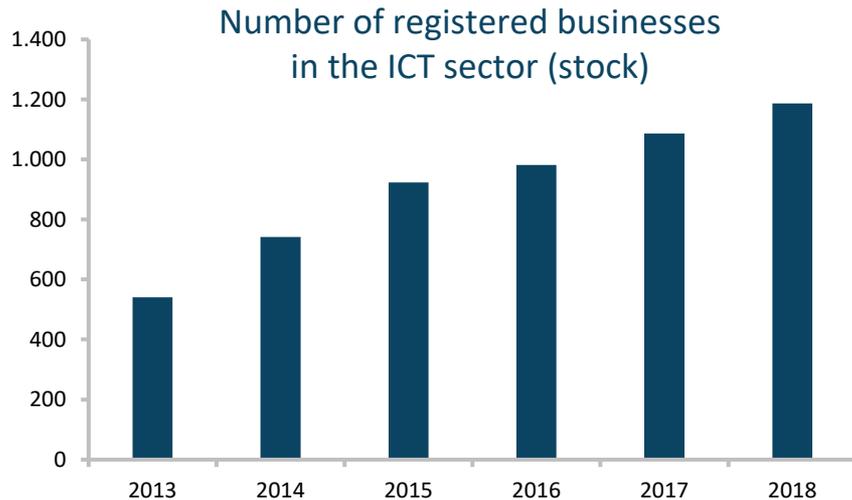
Current situation

- Several universities provide bachelor studies in the field of ICT and math, e.g.
 - Public universities: Pristina, Mitrovica and Prizren
 - Private universities/colleges: UBT, AAB, RIINVEST University, RIT, CACTUS EDUCATION
- Business perspective: skills mismatch is an issue; the curriculum of the education system does not fully meet the needs and requirements of IT companies
- **Implication:** training programs necessary to increase the skills of local IT graduates; additional cost for companies

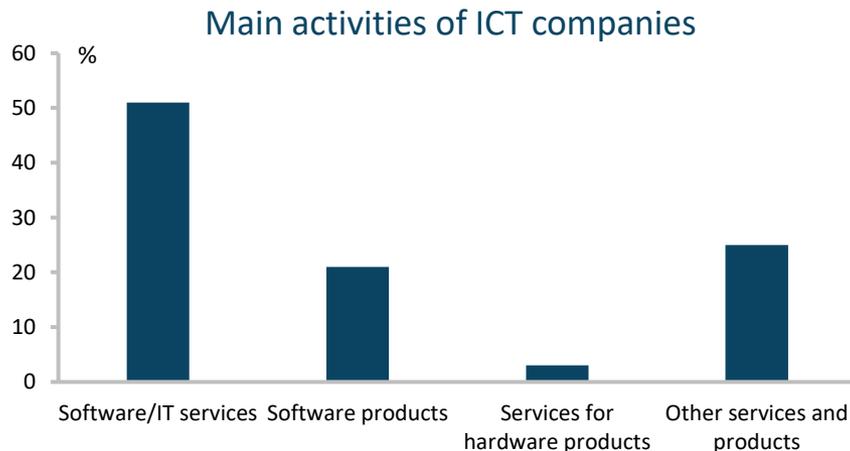
Recommendation for government

- Enhance cooperation between businesses and academia
- Update regularly training curricula to match business requirements

Structure of business



Source: Open Data Kosovo



Source: STIKK Barometer 2020

Number of ICT companies

- Steady increase in the number of registered ICT businesses in Kosovo
- No fresh data available, but current number of businesses estimated at 2,800

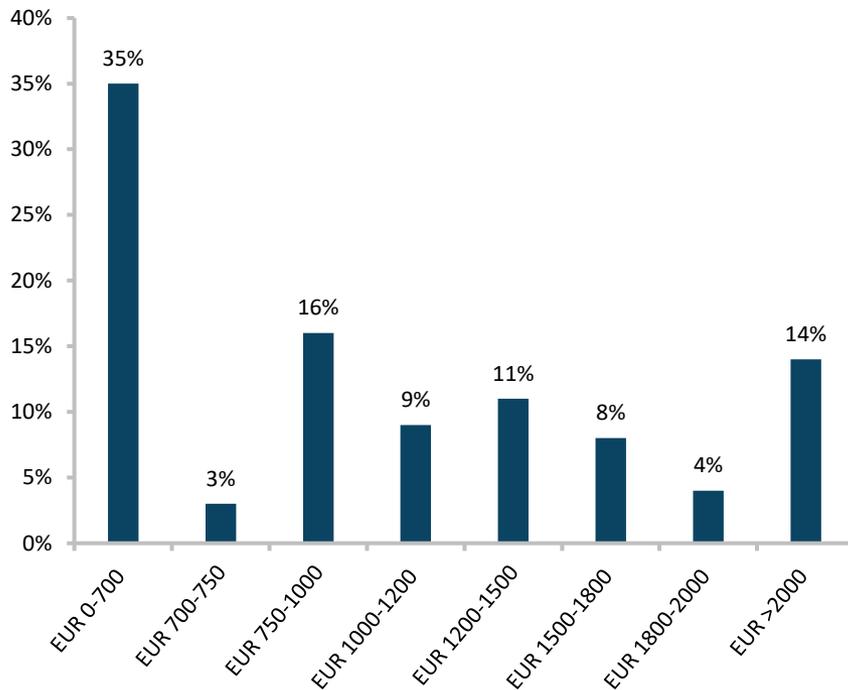
Main activities of ICT companies

- According to STIKK's Barometer 2020, most companies (51%) in KOS provide software/IT services
- Other services and products account to 25% and include professional services, software/business consulting services, networking and telecommunication HW and SW provider, ICT services and auditing, system integration, cloud services, and cybersecurity

➤ **Main activity: software/IT services**

Employment and salaries

Distribution of net salaries in the ICT sector (2021)



Source: *Instituti Gap 2021*

Employment

- No official data on employment in the sector
- But: STIKK estimates that the sector employs around 3,000 persons

Monthly salaries

- Almost half of salaries in the ICT sector lie between EUR 750 and 2,000
- The highest salaries are received by developers, business development managers and project managers
- Wages are competitive, but still higher than national average of EUR 416
- There are no preferential treatments for ICT/BPO services taxation

➤ **Competitive salaries in the sector**

Main companies in the ICT sector

Main companies and fields of activity

- Celonis: process mining, execution management software
- Open Research: software development; employees: 10-50
- Cactus: business development services, IT consulting services, software development; Employees: 100-150
- 3CIS: connectivity & network services, software development, system infrastructure, telecommunication services; employees > 150
- Gjirafa: search engine, GjirafaAdNetwork, Gjirafa Lab; employees: 50-100
- Asseco: Financial Information System (FIS), IT consulting services, system infrastructure; employees; employees: > 150

Increasing investment dynamics expected in light of digital transition accelerated by pandemic

- A number of segments such as EdTech (educational tech), 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

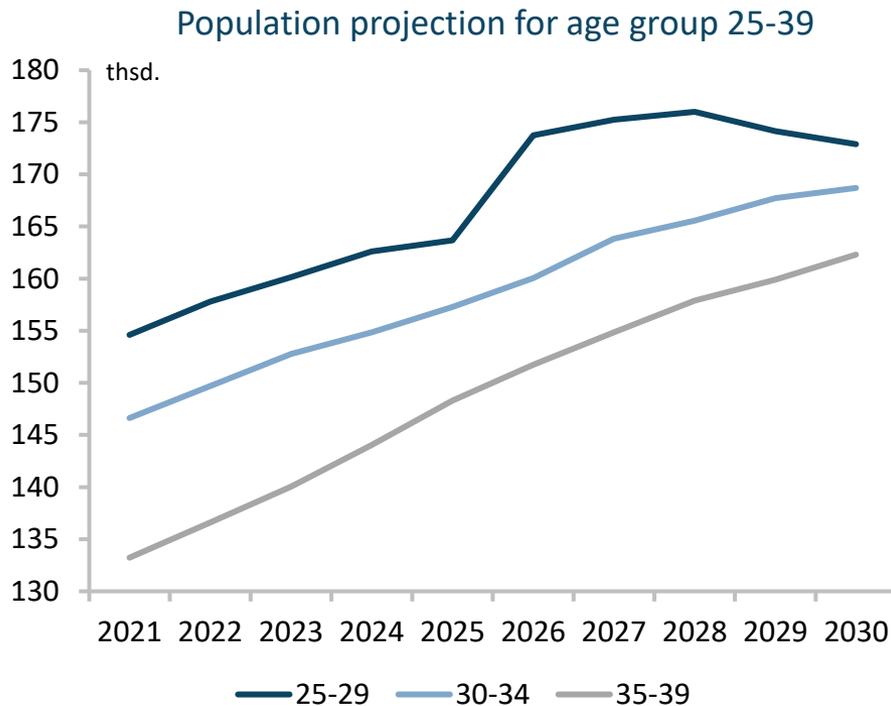
3. The BPO sector in KOS

- The most common examples of BPO internationally are **functions and departments like payroll, human resources, accounting, and call centers**
- Business processes currently in Kosovo include mainly call centers and customer support, design, engineering and software development
- Based on the sector assessment report issued by USAID Kosovo Compete Activity in 2021, the sector has a significant contribution to employment, as estimates from STIKK suggest that around 70% of employees hired in the ‘information and communication, and professional activities’ belong to the BPO sector

Main companies and fields of activity

- Baruti: German-speaking call center
- Speex: customer service/ data processing/ sales
- Webhelp: German-speaking customer support services
- Beep Solutions: customer services/ telesales

Availability of skills in the BPO sector

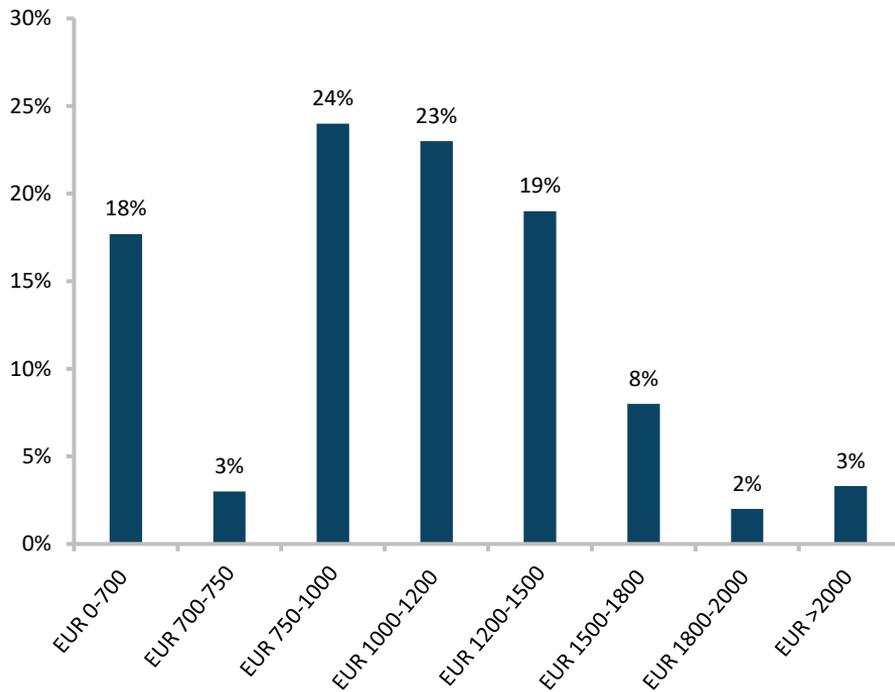


Source: Kosovo Agency of Statistics

- Over the recent years, Kosovo has become an attractive location for the BPO sector, due to cheaper on-demand skills, travel time, and lower costs
- Current population projections indicate an increase of young age groups that will enter the labor market in the next years
- This is fostered by a high rate of internet penetration and information technology acceptability
- Along with English, German is the most widely spoken foreign language
- These languages are also taught in high school in Kosovo
- In addition, there is a Kosovar diaspora in Germany (over 350,000) who make up the world's largest Kosovar diaspora
- **Necessary workforce skills for BPO sector available in KOS**

Employment and salaries

Distribution of net salaries in call centers (2021)



Source: *Instituti Gap 2021*

Employment

- No official data
- But: based on *Instituti Gap*, call centers employ around 1,900 workers

Salaries

- Majority of the employees (2/3) in call centers receive a salary between EUR 750 and 1,500

➤ **Competitive salaries in the BPO sector in KOS**

4. Creative industries in KOS

Definition of creative industries in KOS

- Advertising / marketing
- Motion picture, video and television programme activities
- Sound recording and music publishing activities
- Artistic creation
- Fashion
- Architecture

Competitive advantage

- The advertising and marketing segment is considered as having competitive advantage in the external market due to lower labour costs

Export-orientation

- The companies operating in this sector are export-oriented and a large share of their services is destined to the European market

Main companies in the creative sector

Main companies and fields of activity

- **Growzillas** is a digital marketing agency focused on data driven and growth-related topics (2020)
- **Publico** is an agency of production activities of films, videos and television programs (2017)
- **Hallakate** is one of the first pure-play agency in Kosovo that offers services for the creation, development and management of social media presence (2017)
- **Zero Positive** is a full-service, advertising and marketing firm (2005)
- **PR Solutions** is a comprehensive one-stop-shop for all media and communications needs (2008)
- **Manaferra** is a search marketing agency that helps higher education institutions, publishers and SaaS companies drive traffic & leads via SEO, content & paid search (2015)

About the German Economic Team



Financed by the Federal Ministry for Economic Affairs and Climate Action, 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.

**Advisory activities in Belarus are currently suspended.*

COOPERATING PARTNER IN KOSOVO



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