



German
Economic
Team

Reviewing administrative instructions for the development and operation of industrial and technological parks in Kosovo

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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*

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1. Introduction

International experience shows that industrial and technological parks can make an important contribution to economic growth and sustainable development. They can help attract investment, create jobs and boost and diversify exports. Additionally, industrial and technological parks may stimulate innovation, support industrial upgrading and integration into global value chains. Successful parks can be found in very different types of economies regardless of the size and development stage, including small transition economies.

However, their benefits are not automatic. To unlock investment and development potential, the parks and the underlying policies and programmes need to be carefully designed. In November 2023, a new law on industrial and technological parks (Law No. 08/L-208) was adopted in Kosovo as a major element of a reform to increase the effectiveness and impact of this policy tool.

The German Economic Team has assisted the Government of the Republic of Kosovo in the reform process. As part of our assistance, we have written the policy paper “Identifying reform options for Economic Zones in Kosovo” (PP 2022/01) and the policy briefing “Importance of industrial and technology parks and success factors for the development and promotion” (PB 2024/03), amongst others.

Building upon the discussion of the results and recommendations presented in the policy paper and briefing, the German Economic Team has been asked by the Ministry of Industry, Entrepreneurship and Trade of the Republic of Kosovo to review five draft administrative instructions for the implementation of the new law on industrial and technological parks:

- » Administrative instruction on setting out the procedure for the establishment of industrial and technological parks
- » Administrative instruction on the content of the feasibility study for industrial and technological parks
- » Administrative instruction on determining the administration and management of industrial and technological parks
- » Administrative instruction on determining the selection of users and the form and content of the contract for the use of industrial and technological parks
- » Administrative instruction for determining the form and content of the register for industrial and technological parks

In this technical note, we collect our comments and recommendations.

2. General comments

The draft administrative instructions address the key dimensions that are of relevance for the successful development and operation of industrial and technological parks and reflect the main reform trends at the international level, amongst others:

- » Strategic focus – shifting the focus from an ad-hoc approach with a strong emphasis on multi-activity zones towards a strategic and more target-group-oriented approach with different types of parks
- » Value proposition – reflecting more strongly the needs of the target groups and creating the conditions for the establishment of an on-site park management providing infrastructure-related, business development and administrative services
- » Selection processes for new parks and the allocation of land plots – strengthening the efficiency of the selection processes and intensifying monitoring efforts
- » Institutional model – placing more emphasis on the integration of key partners and their expertise in the development and operation of industrial and technological parks

Across the different dimensions, the administrative instructions entail a range of strategic and operational adjustments, which can make an important contribution towards unlocking the potential of industrial and technological parks. Overall, the administrative instructions provide a sound basis for the implementation of the new law.

Drawing on the experience gained in Kosovo as well as at the international level, we suggest the refinements and amendments set out in the following sections to further enhance the effectiveness and impact of industrial and technological parks. The main focus is on the following aspects:

- » Anchoring the target-group-oriented approach more strongly in relevant planning and monitoring processes (e.g. in application documents and the register)
- » Widening the scope of feasibility studies to come up with viable and sustainable development models for new industrial and technological parks
- » Clarifying the governance roles and responsibilities of the different entities involved in the development and operation of parks
- » Ensuring efficient processes for the allocation of land plots to companies reflecting changes in investment patterns and placing more emphasis on the quality and impact of investment projects
- » Integrating a dynamic perspective into the monitoring approach and extending the spectrum of indicators (e.g. with respect to the profile of users, employment / training and innovation dynamics) as a basis for informed decisions on strategic and operational adjustments

3. Specific comments on individual administrative instructions

3.1. Administrative instruction on setting out the procedure for the establishment of industrial and technological parks

Comments / recommendations	Articles
<p>In the application documents, the target groups for the proposed new industrial or technological park should be clearly defined</p> <ul style="list-style-type: none"> Currently, in Kosovo, all operational parks have the character of multi-activity industrial zones hosting companies from various industries – including trade and further services – without a clear target-group-specific focus or corresponding infrastructure and service portfolio. Overall, the level of specialisation is low Following a more differentiated approach, target groups should be already clearly defined at the application and planning stage to align the “hard” and “soft” infrastructure as well as the promotion accordingly 	<ul style="list-style-type: none"> Article 3 (Application procedure)
<p>In this context, the application documents should also comprise an organisational concept for the development and operation of the park</p> <ul style="list-style-type: none"> As confirmed by international experience, the organisational model and a target-group-oriented service portfolio play a critical role for the success of industrial and technological parks The policy paper (PP 01/2022) has shown that Kosovo is the only country in the SEE / CEE region with parks that do not have an on-site management entity / unit providing infrastructure-related, business development and administrative services Therefore, the application documents should also describe the proposed organisational set-up, e.g. how the key partners will be involved and what services will be provided to the users 	<ul style="list-style-type: none"> Article 3 (Application procedure)
<p>Furthermore, a development concept should form part of the application documents</p> <ul style="list-style-type: none"> The development concept should outline in what phases the infrastructure and facilities will be developed A phased approach helps to reduce the risks and burden for the public budgets 	<ul style="list-style-type: none"> Article 3 (Application procedure)
<p>The criteria for a rejection of an application for a new industrial or technological park should be specified in more detail</p> <ul style="list-style-type: none"> Typically, expectations and priorities vary between the stakeholders involved in the development and operation of industrial and technological parks Against this background, clear criteria for a rejection of an application are needed to ensure transparent decisions and to avoid disputes 	<ul style="list-style-type: none"> Article 4 (Application review)

3.2. Administrative instruction on the content of the feasibility study for industrial and technological parks

Comments / recommendations	Articles
<p>It should be ensured that the required feasibility studies cover all relevant dimensions</p> <ul style="list-style-type: none"> High-quality feasibility studies provide important groundwork for the selection, planning and development process of new industrial and technological parks In order to come up with a realistic and sustainable development model, the technical, market, financial / economic, social and environmental dimension as well as the interdependencies between the different dimensions need to be thoroughly assessed 	<ul style="list-style-type: none"> Article 3 (Definitions) Article 5 (Rationale for the feasibility study)
<p>The feasibility studies should be based on an unbiased approach – without a predetermined profile or size of the project. The focus should go beyond an analysis of the impact and place particular emphasis on the assessment of the feasibility and viability</p> <ul style="list-style-type: none"> For instance, as part of the assessment of the financial / economic feasibility the expected revenues (incl. corporate income and labour-related taxes as well as social security contributions) should be compared with the expected capital and operational expenditure Furthermore, with respect to the technical dimension, it needs to be critically assessed if the project is feasible and viable considering the characteristics of the site, connection to transport and utility networks etc. In this context, particular emphasis should be placed on the labour potential, as in many cases, this forms a key limiting factor Considering international experience, the investment potential and competitive position should also form a main focus of the feasibility studies assessing if it is realistic to attract a sufficient quantity and quality of investment projects to ensure the viability of the proposed new industrial or technological park 	<ul style="list-style-type: none"> Article 5 (Rationale for the feasibility study) Article 6 (Economic justification for the construction of the industrial and technological park) Article 7 (Fiscal justification for the construction of the industrial and technological park) Article 8 (Environmental justification for the construction of the industrial and technological park)
<p>In this context, it should be stipulated in the administrative instruction that the feasibility studies need to be carried out by independent experts with relevant experience and expertise</p>	<ul style="list-style-type: none"> Article 11 (Designing the feasibility study)

3.3. Administrative instruction on determining the administration and management of industrial and technological parks

Comments / recommendations	Articles
<p>The instruction should clearly provide for the involvement of specialised private companies</p> <ul style="list-style-type: none"> In light of strained public budgets and increasingly sophisticated demand from tenants, private sector involvement can help to mobilise additional resources, increase the efficiency and meet infrastructure and service needs Furthermore, specialised private companies can bring in valuable contact networks for the promotion of parks 	<ul style="list-style-type: none"> Article 2 (Scope) Article 6 (Management of the industrial and technological park)

Comments / recommendations

Articles

The division of tasks and responsibilities – in particular between the “administrator” and “manager” – should reflect commonly used governance roles at the international level:

- Regulator:
 - Designing strategic framework
 - Overseeing implementation of the programme and ensuring consistency and compliance with laws / regulations and international agreements
 - Monitoring performance based on KPIs
 - Designating parks, selecting (private) developers and operators
 - Allocating resources to parks
 - Providing off-site infrastructure
 - Licensing and issuing permits
- Developer:
 - Preparing master plans specifying phases, layout, infrastructure and facilities
 - Initiating and participating in zoning and land use planning processes
 - Designing and constructing on-site facilities, networks, utilities
- Operator:
 - Day-to-day management of the park
 - Maintaining the infrastructure
 - Promoting the park and selecting users
 - Facilitating utility provision and land transactions, leasing of plots and premises
 - Providing value-adding services (networking and recruitment platforms, conference facilities, flexible space solutions etc.)

- **Article 3** (Definitions)
- **Article 5** (Responsibilities of the Administrator)
- **Article 8** (Responsibilities of the Manager)

In this context, the prerequisites and options for dividing up or sharing the governance roles in different ways between public and private entities should be refined. This applies amongst others to:

- Possible contractual arrangements (e.g. service contracts, commission-based contracts etc.) and contributions of the different entities and institutions involved
- Conditions for a joint administration with proposers and for an administration by municipalities and investors

- **Article 4** (The manner of administration of the industrial and technological park)
- **Article 5** (Responsibilities of the Administrator)
- **Article 8** (Responsibilities of the Manager)

It should be ensured that managers of industrial or technological parks have relevant experience and expertise

- This applies to both public authorities and non-governmental organisations
- International experience shows that the capacities and expertise of the management organisations play a major role for the success of industrial and technological parks

- **Article 7** (Selection of managers)

Reporting tasks should be aligned with the requirements stipulated in the administrative instruction on the form and content of the register of industrial and technological parks – e.g. with respect to:

- Number and size of available / used land plots
- Structural characteristics of the company landscape

- **Article 9** (Reporting)

3.4. Administrative instruction on determining the selection of users and the form and content of the contract for the use of industrial and technological parks

Comments / recommendations	Articles
<p>Calls for the allocation of land plots to companies should be frequently announced</p> <ul style="list-style-type: none"> Sporadic calls and long time intervals between announcements form a major constraint for local businesses with planned expansion projects as well as for foreign investors In light of changes in international investment patterns – e.g. with respect to nearshoring processes – the time pressure for location decisions has significantly increased 	<ul style="list-style-type: none"> Article 4 (Application procedure)
<p>The division of tasks and responsibilities – in particular between the “administrator” and “manager” – should be revised reflecting commonly used governance (see section 3.3), e.g. with respect to:</p> <ul style="list-style-type: none"> Announcements of calls Contracting parties involved in land transactions Evaluation of application documents 	<ul style="list-style-type: none"> Article 4 (Application procedure) Article 8 (Contract for use) Article 9 (Examination of documentation)
<p>Separate calls for specific groups of investors (e.g. foreign investors) should be avoided following a non-discriminatory approach</p>	<ul style="list-style-type: none"> Article 4 (Application procedure)
<p>The spectrum of criteria for the evaluation of applications and for direct negotiations should be widened, placing more emphasis on the quality and impact of investment projects</p> <ul style="list-style-type: none"> Compared with international good-practice, Kosovo is using a narrow set of criteria (investment volume, number of new jobs, and type of activity differentiating between “production and innovation” and “processing”) Further criteria could relate amongst others to the size, export-orientation and specific industry of the company, qualification of employees, training or R&D activities or the type of project (e.g. expansion projects of companies, which are already present in the park and have a reliable investment and growth track record) 	<ul style="list-style-type: none"> Article 5 (Content of the public call) Article 6 (Evaluation criteria)
<p>The time frame for the implementation of investment projects should be clearly defined in the contracts with investors</p> <ul style="list-style-type: none"> The findings of the policy paper (PP 01/2022) indicate a need to ensure that the land plots are fully utilised for the intended purposes The job creation performance in relation to the size of the parks in Kosovo is very low in international comparison Clearly defined milestones and deadlines form the basis for an effective monitoring and enforcement of contractual obligations 	<ul style="list-style-type: none"> Article 8 (Contract for use)
<p>The commission responsible for the evaluation of the applications should also include representatives from the business community in the park as well as academia</p> <ul style="list-style-type: none"> The draft administrative instruction only provides for representatives from the Ministry of Industry, Entrepreneurship and Trade, the Ministry of Environment, Spatial Planning and Infrastructure and the respective municipalities The commission should reflect the perspective of all main stakeholders of industrial and technological parks 	<ul style="list-style-type: none"> Article 9 (Examination of documentation)

3.5. Administrative instruction for determining the form and content of the register for industrial and technological parks

Comments / recommendations	Articles
<p>The register should entail a dynamic perspective as a basis for informed decisions on strategic and operational adjustments</p> <ul style="list-style-type: none"> ▪ The register should not only show a static picture ▪ It should become clear, what changes took place and if those are due to the growth, closure / relocation of existing companies or new investments ▪ In the case of incubators, it would be helpful to understand the effects of new startups, the growth of existing startups and startups leaving the incubators ▪ In this context, the register could also collect data / information on planned / necessary expansions of the industrial and technological parks and business incubators 	<ul style="list-style-type: none"> ▪ Article 4 and Annex 1 (Content of the register of industrial and technological parks) ▪ Article 5 and Annex 2 (Content of the register of business incubators)
<p>The register should capture more detailed information on the profile of the companies and startups to align promotional measures and the development of the infrastructure and service portfolio accordingly</p> <ul style="list-style-type: none"> ▪ Amongst others, this relates to data / information on structural characteristics such as size and industry of the users ▪ Furthermore, a differentiation between foreign and local companies (incl. investment volume) seems advisable 	<ul style="list-style-type: none"> ▪ Article 4 and Annex 1 (Content of the register of industrial and technological parks) ▪ Article 5 and Annex 2 (Content of the register of business incubators)
<p>In particular in the case of technological parks, the register should also reflect the research / academic landscape</p> <ul style="list-style-type: none"> ▪ Data / information on facilities and activities of universities and research institutions (e.g. main focus, number of students and researchers) should be integrated ▪ Furthermore, the register could cover innovation dynamics (e.g. R&D expenditure, collaborative innovation projects, patents etc.) 	<ul style="list-style-type: none"> ▪ Article 4 and Annex 1 (Content of the register of industrial and technological parks)
<p>Similarly, a more differentiated approach should be taken towards collecting employment data</p> <ul style="list-style-type: none"> ▪ More detailed data would e.g. be helpful for decisions on joint training measures ▪ Sex-disaggregated data should be collected in the area of employment / training as well as entrepreneurship 	<ul style="list-style-type: none"> ▪ Article 4 and Annex 1 (Content of the register of industrial and technological parks) ▪ Article 5 and Annex 2 (Content of the register of business incubators)
<p>Finally, adding indicators that reflect the environmental impact (e.g. renewable energy sources and consumption, CO₂-Emissions etc.) should be considered.</p>	<ul style="list-style-type: none"> ▪ Article 4 and Annex 1 (Content of the register of industrial and technological parks)