German Economic Team

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POLICY BRIEFING KOSOVO

Implementation scenarios for the management of Industrial and Technological Parks in Kosovo

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- Workshop presentation -

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Workshop agenda

8:30	**Welcoming remarks**	
8:40	**Setting the scene** • Presentation of key findings of the policy study (identified needs & preferences, cross-cutting results from the revenue & expenditure estimates, key conclusions and recommendations) • General questions & discussion of cross-cutting issues	
9:30	**Coffee break**	
9:45	**Deep dive: Preparing the implementation for Drenas** • Presentation of the site-specific assumptions for the implementation scenario and the results from the revenue & expenditure estimates • Location-specific questions and discussing need for adjustments of the assumptions for the scenario (e.g. responsibilities of the park management, organisation and composition, revenues, KIESA's contribution to the park management) • Preparing a road map for the implementation (e.g. key steps, outstanding issues)	
11:45	**Identifying lessons learned for further parks** • Discussing key factors affecting the feasibility of park managements in Shtime and Suhareka • Deriving conclusions for further / future parks	
12:15	**Wrap up & concluding remarks** • Key takeaways from the workshop • Way forward	
12:30	**Lunch**	

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Setting the scene - introduction

Background

» In line with international good practice, the new law on industrial and technological parks (Law No. 08/L-208) provides for the establishment of an on-site park management

Purpose of the policy study

» Assess the general prospects of implementing an on-site park management in Kosovo

» Identify concrete implementation scenarios for an on-site park management, outlining (1) tasks & services to be performed, (2) organisational model & (3) financial model

Methodology

» To ensure alignment with the local context and the needs of key stakeholders, the implementation scenarios were developed and assessed drawing on:

- Site visits to the Drenas Business Park, Shtime Technology Park and Suhareka Industrial Park
- Interviews with residents and municipalities
- Complementary research

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Setting the scene – needs & preferences

As confirmed by the interviews, companies would clearly prioritise facility management within the service portfolio of the park management

» Maintenance and security as well as a canteen and meeting rooms for rent as priority needs

» Short-term training programmes assigned medium priority in the interviews

» Recruitment support and community building with a less important role

» Overall, only minor deviations in service needs between the parks

Priorities allocated to different types of services

1. Facility management
- Security, cleaning and maintenance (e.g. lights, roads, green spaces)
- Canteen/restaurant and meeting/conference rooms for events/trainings
- Employee transportation
- Ensuring effective utility connections
- Reception services

2. Training
- Short-term training programmes, e.g. safety trainings for new employees, sales trainings, technical courses (e.g. welding), information and training sessions on certification for EU markets and new financing solutions

3. Recruitment support and community building
- Recruitment support, e.g. individual recruitment services, cooperation with professional schools
- Networking events / thematic workshops
- Facilitated platform for sharing equipment such as loading equipment (e.g. forklifts)

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Setting the scene – organisational model

While similar requirements apply to the composition of the park management, the model needs to be aligned with the existing institutional landscape

» At all locations, a composition comprising three positions is advisable

» Depending on the size of the parks and the existing institutional structures, in some cases part-time positions are sufficient

» Preferred organisational models for the parks:

- Shtime: recently established municipal enterprise
- Suhareka: existing association “Suhareka Business Centre” with (subcontracted) private service provider or subsidary
- Drenas: private service provider

Envisaged composition and tasks of the park management

Park manager

- Strategic planning & overseeing day-to-day operation
- Maintaining relationships with residents/ stakeholders
- Coordinating short-term training programmes
- Facilitating linkages within the park and beyond
- Promotion of the park

Facility manager

- Coordinating maintenance of on-site infrastructure and security
- Ensuring effective utility connections
- Coordinating further facility management services (e.g. canteen, meeting rooms)

Finance & administrative officer

- Financial & contract management
- Organising employee transportation
- Park-specific monitoring & reporting
- Reception services
- Administrative support

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Setting the scene – financing model

While there is a consensus on the design principles of the financing model, the rent level and revenue potential differ significantly between the parks

- Broad consensus on a management fee (calculated on the basis of the size of the land plot) and paid services as main funding sources
- Acceptance for higher costs in return for an improved service portfolio & infrastructure
- However, varying rent level, rental income and revenue potential across parks

Rental income and additional revenue potential of the parks

	Item	Shtime 1 (existing park)	Shtime 2 (planned park)	Drenas	Suhareka
Rental income	Size (ha – rentable land plots)	8,6	29,6	16,6	129,6
	Rent (EUR per ha and year)	1,000	1,000	18,000	500
	Max. rental income (EUR per year)	8,600	29,600	298,800	64,800
Additional revenue potential	Management fee	x	x	x	x
	Canteen		x	x	
	Meeting/conference rooms		x	x	
	Small offices for rent			x	
	Employee transportation	x	x	x	x
	Security	x	x		x
	Training & recruitment	x	x	x	x

Source: own display, based on KIESA and own research

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Setting the scene – revenue & expenditure estimates

The necessary management fee was calculated considering the following items (depending on park-specific infrastructure and management model):

Revenues	Rents (for canteen, meeting rooms)
	Recharged costs for security incl. 5% service charge
	Recharged costs for employee transportation and training incl. 20% service charge
	Total revenues
Expenditure	Personnel expenses for park manager, facility manager and finance and administrative officer
	Maintenance expenses
	Security expenses
	Employee transportation and training expenses
	Marketing and travel expenses
	Unforeseen expenses (5% of expenses)
	Total expenditure
Necessary management fee	Total fee (balance of revenues and expenditures)
	Fee per hectare

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Setting the scene – revenue & expenditure estimates

The revenue and expenditure estimates indicate more promising conditions in Shtime (management for both parks) and Drenas than in Suhareka

» The size and infrastructure as well as the existing rent level and institutional landscape strongly influence the feasibility and design options

» Without a profit margin, a management fee of 130% of the rental income needed in Suhareka – compared with 11% in Drenas and 0% in Shtime (second scenario)

- In Shtime, the park management could be implemented by a municipal enterprise at lower costs, the resulting savings could be passed on to the residents
- In Drenas, the higher rent level would make it easier to finance the park management
- In Suhareka, without a canteen, the revenue potential is limited. At the same time, costs for maintenance and security are likely to be higher due to the size of the park

Size, rent level and necessary management fee to finance a park management

Park	Size (ha – rentable land plots)	Rent (EUR per ha and year)	Max. rental income (EUR per year)	Necessary management fee	
				Total (EUR per year)	Share of rental income (%)
Existing Shtime Technological Park	8,6*	1,000	8,600	25,034	291
Existing and planned park in Shtime	38,2*	1,000	38,200	18	0
Suhareka Industrial Park	129,6*	500	64,800	84,064	130
Drenas Business Park	16,6	18,000	298,800	32,929	11

Source: own display, based on KIESA and own research
*Note: *it is assumed that rentable land plots account for 80% of the total size of the parks*

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Deep dive „Drenas“ – assumptions

The implementation scenario for Drenas envisages contracting a specialised private service provider focusing on the role of a facilitator

Assumptions for the revenue and expenditure estimate for Drenas

Responsibilities of the park management	• Facility management (coordinating maintenance, security and utility connections – without procurement of services) • Facilitating the rental of the meeting rooms and small offices (incl. invoicing on behalf of KIESA) • Overseeing the operation of the canteen • Organising employee transportation • Organising training programmes • Facilitating linkages within the park and beyond • Promotion of the park • Park-specific monitoring
Organisation & composition	• Management by specialised private service provider • Composition comprising three part-time positions (1.5 full-time equivalents)
Revenues	• Park management (service provider) receives recharged costs for employee transportation and training incl. service charge • In addition, the park management receives a management fee, which is collected by KIESA from the residents (together with the rent for land plots) • KIESA receives the rents for the canteen and meeting rooms (invoiced by park management)
KIESA's contribution to the park management	• KIESA has already developed the infrastructure of the existing park • KIESA restores the administrative building • KIESA procures and finances maintenance and security services
Further assumptions	-

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Deep dive „Drenas“ – revenues & expenditure

The revenue & expenditure estimates indicate favourable conditions for the implementation of a park management in Drenas from a financial perspective

- Management fee of approx. EUR 33,000 p.a. (without a profit margin) required, which could be covered by KIESA’s rental income from the canteen and meeting rooms
- If the fee was added to the existing rent, this would correspond to an increase of 11%

Estimated annual revenues and expenditure of the park management

	Item	Amount (EUR p.a.)
Revenues	Rents (canteen, meeting rooms)	0
	Recharged costs for security incl. 5% service charge	0
	Recharged costs for employee transportation and training incl. 20% service charge	91.469
	Total revenues	91.469
Expenditure	Personnel expenses (1 park manager P/T, 1 facility manager P/T, 1 finance and administrative officer P/T)	34.250
	Maintenance expenses	0
	Security expenses	0
	Employee transportation and training expenses	76.224
	Marketing and travel expenses	8.000
	Unforeseen expenses (5% of expenses)	5.924
	Total expenditure	124.398
Necessary management fee	Total fee (balance of revenues and expenditures)	32.929
	Fee per hectare	1.984

Source: own estimates, based on own research and data from Drenas Industrial Zone Infrastructure Project, PwC, 2019

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Deep Dive „Drenas“ – recommendations from study

Despite a positive assessment of the financial feasibility, the study recommends to explore alternative implementation options considering residents’ needs

- » Effective facility management of critical importance from residents’ perspective
- » However, in the envisaged model, park management focused on role of a facilitator limiting its powers to solve problems faced by residents
- » In addition, risk of parallel structures and processes
- ➢ The following models seem to be better aligned with residents’s needs:
  - (1) Extended mandate for service provider (incl. procurement of maintenance & security services)
  - (2) Park management directly by KIESA with its own (additional) staff
- ➢ For the extension of the business park, a landlord model could be applied:
  - – Government leases the entire park to a private company through a long-term contract
  - – Company subleases plots to investors, manages operations and maintains the infrastructure

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Lessons learned for further parks – Shtime

The (second) scenario for Shtime envisages the management of both the existing and the planned park by the new municipal enterprise

Assumptions for the revenue and expenditure estimate for Shtime

Responsibilities of the park management	Management of both parks comprising: • Facility management (incl. maintenance and security services) • Organising employee transportation • Organising training programmes • Facilitating linkages within the parks and beyond • Promotion of the parks • Park-specific monitoring
Organisation & composition	• Management by municipal enterprise (internal project team/unit) • Composition comprising three full-time positions
Revenues	Park management (municipal enterprise / municipality) receives the following revenues: • Management fee (collected together with rent for land plots) • Rents for the canteen and meeting rooms • Recharged costs for security, employee transportation and training incl. service charge
KIESA's contribution to the park management	• KIESA develops the infrastructure of the planned park – incl. an administrative building with a canteen and meeting rooms, which is provided free of charge to the park management
Further assumptions	• Management by a municipal enterprise leads to cost benefits that are passed on to the residents • Both parks are fully occupied (in total 43 companies with 1,600 employees)

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Lessons learned for further parks – Shtime

The revenue & expenditure estimates indicate that a management of both parks could be a viable option in the long run – once both parks are fully occupied

- Cost-neutral implementation possible, if the administrative building is provided free of charge and the park management receives the rents for the canteen and meeting rooms
- Without rental income from the canteen / meeting rooms, a management fee of approx. 60,000 EUR (1,600 EUR per ha) needed, which would be higher than the current rent

Estimated annual revenues and expenditure of the park management

	Item	Amount (EUR p.a.)
Revenues	Rents (canteen, meeting rooms)	60.800
	Recharged costs for security incl. 5% service charge	69.773
	Recharged costs for employee transportation and training incl. 20% service charge	182.938
	Total revenues	313.510
Expenditure	Personnel expenses (1 park manager, 1 facility manager, 1 finance and administrative officer within municipal enterprise)	20.000
	Maintenance expenses	51.700
	Security expenses	66.450
	Employee transportation and training expenses	152.448
	Marketing and travel expenses	8.000
	Unforeseen expenses (5% of expenses)	14.930
	Total expenditure	313.528
Necessary management fee	Total fee (balance of revenues and expenditures)	18
	Fee per hectare	0

Source: own estimates, based on own research and data from Drenas Industrial Zone Infrastructure Project, PwC, 2019

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Lessons learned for further parks – Suhareka

A park management by the existing association “Suhareka Business Centre” and a (subcontracted) private service provider or subsidiary is envisaged

Assumptions for the revenue and expenditure estimate for Suhareka

Responsibilities of the park management	• Facility management (incl. maintenance and security services) • Organising employee transportation • Organising training programmes • Facilitating linkages within the park and beyond • Promotion of the park • Park-specific monitoring
Organisation & composition	• Management by existing association “Suhareka Business Centre” with (subcontracted) private service provider or subsidiary – Association focusing on business development services, training and promotion – Service provider focusing on facility management • Composition comprising 2 part-time positions (park manager, finance and administration manager) and 1 full-time position (facility manager) – in total 2.0 full-time equivalents
Revenues	• Park management (existing association “Suhareka Business Centre”) receives recharged costs for employee transportation and training incl. service charge • In addition, the park management receives a management fee, which is collected by the municipality from the residents (together with the rent for land plots)
KIESA’s contribution to the park management	• KIESA has already developed the infrastructure of the existing park • No further direct contributions envisaged
Further assumptions	• An administrative building with a canteen / meeting rooms cannot be integrated into the park

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Lessons learned for further parks – Suhareka

The estimates indicate that the introduction of a park management in Suhareka would entail a considerable additional financial burden for the residents

- Management fee of EUR 84,000 p.a. (without a profit margin) needed, which would be higher than the current rent
- With regard to the acceptance among the residents, it needs to be considered that the current rent level is lower compared with the other two parks

Estimated annual revenues and expenditure of the park management

	Item	Amount (EUR p.a.)
Revenues	Rents (canteen, meeting rooms)	0
	Recharged costs for security incl. 5% service charge	93.030
	Recharged costs for employee transportation and training incl. 20% service charge	194.371
	Total revenues	287.401
Expenditure	Personnel expenses (1 park manager P/T, 1 facility manager F/T, 1 finance and administrative officer P/T)	43.500
	Maintenance expenses	51.700
	Security expenses	88.600
	Employee transportation and training expenses	161.976
	Marketing and travel expenses	8.000
	Unforeseen expenses (5% of expenses)	17.689
	Total expenditure	371.465
Necessary management fee	Total fee (balance of revenues and expenditures)	84.064
	Fee per hectare	649

Source: own estimates, based on own research and data from Drenas Industrial Zone Infrastructure Project, PwC, 2019

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Lessons learned – conclusions from study

The revenue and expenditure estimates indicate more promising conditions in Shtime (management for both parks) and Drenas than in Suhareka

- » The size and infrastructure as well as the existing rent level and institutional landscape strongly influence the feasibility and design options
- » Without a profit margin, a management fee of 130% of the rental income needed in Suhareka – compared with 11% in Drenas and 0% in Shtime (second scenario)

Size, rent level and necessary management fee to finance a park management

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Source: KIESA, own research
*Note: *It is assumed that rentable land plots account for 80% of the total size of the parks*

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Lessons learned – recommendations from study

(1) Introduce park managements with a phased approach using the parks in Drenas and Shtime to test different implementation models

(2) Provide future parks on municipal land with an administrative building allowing to rent out a canteen and meeting rooms (based on feasibility assessments) – as an incentive

(3) Broaden the revenue base of park managements, e.g. speeding up the transfer of land plots that are not used for the proposed investment projects

(4) Allow park managements to be responsible for more than one park to generate synergies and reduce the financial burden for residents

(5) Intensify collaboration between key stakeholders

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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.

**Within the framework of project activities in Georgia, we are in contact solely with reform-oriented partners for the time being; in Belarus advisory activities are suspended*

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