IMPORTANCE OF FOREIGN DIRECT INVESTMENTS (FDI) IN KOSOVO AND CREATION OF FAVORABLE POLICIES IN ATTRACTING THEM

Feim Brava
University for Business and Technology (UBT), Department of Management, Business and Economics, feim.brava@ubt-uni.net

Abstract: Domestic investments are essential to develop each country, but sometimes insufficient, in most countries that aim for sustainable and long-term growth. Hence, most countries, and Kosovo, have a continuing need for additional capital, which, with adequate institutional policies, can be provided through Foreign Direct Investment (FDI).

While in developed countries there are debates about and against FDI (especially about the type of FDI when an investment can be made from domestic capital), in underdeveloped and developing countries there is a consensus on the need for FDI to meet the need for investments that cannot be realized through local investment.

Several emerging countries and Kosovo have made constant efforts to increase these investments but have faced significant problems in attracting foreign investors. Disadvantaged institutional policies, including monopoly policies and fiscal policies, have been one of the limiting factors.

This paper aims at analyzing current policies related to attracting FDI and identifying and analyzing institutional policies that are facilitating FDI, but the main focus will be on current and potential policies that can negatively impact on FDI withdrawal. At the end of the paper, some conclusions will be drawn based on research on the current situation as well as some recommendations on policies that may advance attracting Foreign Direct Investment (FDI).

Keywords: FDI, policies, transition, barriers.

INTRODUCTION
Foreign investments are counted as one of the most important and areas for the countries where they are directed, and exclusively, would be a strong support for a sound economic development for a new country like Kosovo.

After the war, the Kosovo economy was fragile, volatile economy and in this fragility it is worrying that our economy is mainly characterized as a consumption economy.

In the situation in which Kosovo's economy is located, the immediate needs are investments.

Only serious investments could create a strong foundation for a stable and competitive economy. To invest in our country, the country's government is facing serious.

Raising and increasing legal capacity is one of the major challenges. Harmonizing these laws with European Union legislation, combating informal economy, guaranteeing loyal and fair competition, securing investment and property, combating phenomena such as corruption and the abolition of bureaucracy within institutions whether central or local, providing and the creation of economic zones, including infrastructure, non-discrimination of investors, creation of attractive policies in certain areas of the economy, political stability etc.

All these are conditions and challenges that should be met as a precondition for an investor to be tempted to invest in our country.

In the course of the research I will also elaborate a very important detail, which is very much needed, as to the reason that pushes or pulls an investment to orient towards Kosovo, namely the creation of cadres in specific areas, which are today in trend and will be in the future as a form that has been used by many other countries that have gone through the situation that Kosovo is going through today.

For this, above all, a national strategy of all institutions and agencies should be achieved, in order to achieve satisfactory premises. The world recognizes such experiences and we recommend that the Kosovo institutions at least receive the experience from the countries that have gone through the situation where Kosovo is today.

Having in mind all these issues, I have taken the motive to develop this scientific research and to contribute, however little, with our recommendations, in the process of moving the relevant institutions to creating favorable conditions for attracting foreign investment. The main purpose of this paper is to provide additional information from our point of view, on the duties and responsibilities of the state, in relation to investors, as well as providing a range of information for the reader, whether for the investor about the conditions that Kosovo offers in this regard.
First and foremost, Kosovar institutions should inform all those who want to invest in Kosovo, with motives and restrictions on investment, quality of workforce, tax policies, geographical position, human resources and natural resources.

The country should pay particular attention to the investment, as the Investment Promotion Agency has been established, which has the role to inform investors as much as possible about the favorable climate they have in Kosovo and the benefit they have if they invest in a market like Kosovo.

This agency performs extraordinary work in accordance with the existing laws and regulations in Kosovo, which includes sufficient information regarding investments in our country.

The pre-investment phase means services offered to a foreign investor before the process of investing in Kosovo by providing the following services:

- Help and advice on how to start a new business in Kosovo;
- Help in business registration procedures;
- Help with applying for licenses and permits needed for your business;
- Organizing meetings with local and central institutions and meetings with local and foreign businesses;
- Help identify the ideal place to locate your business.

The investment phase involves an investment process in which foreign companies are offered the following services:

- Help you find real estate to adjust your business;
- Assistance in applying and implementing through industrial zones and business incubators;
- Provide information on specific sectors, different projects and potential partners with which you can collaborate;
- After caring, the process in which the company that invested in Kosovo and seeking additional services, KISEA in this regard offers the project for continued assistance. In this process, the current foreign company that has invested has the right to use the following services:
  - Service - Next concern for investors.
  - Help organizing meetings and participating in conferences and B2B meetings;
  - Notification of new changes in laws, taxes and other additional information.

The stagnation of the strong attraction of investors in Kosovo is happening for many reasons and I will mention several:

- The still undefined political status has created difficulties for borrowing from international financial institutions
- Significant reduction of external financial assistance in the form of donations for capital investments is foreseen, in order to avoid imposing the priorities of some of the Kosovo institutions.
- The Kosovo banking system is not yet capable of providing long-term loans and a larger volume to support more serious investments,
- Lack of financial market and securities market,
- Implementation of the privatization process aimed at attracting foreign investors,
- Remittances - remittances from Kosovo emigrants to Western Europe and the United States are falling day after day, as many Kosovars attract their families to their places of residence,
- Great investment needs in public infrastructure and other sectors for job creation and tackling unemployment
- High unemployment rate
- High corruption (last report Transparency International ranked Kosovo at 93rd place (2017-85) - there is regression!

A very important element in attracting investors and strategic investments occurs when attractive state governments offer investors an area of interest that will attract even greater investment!

Kosovo has created extremely important laws and here we will mention the Law on Foreign Investments. All state organizations, through the organization of various forums, which the relevant ministries and state agencies, such as the Agency for Promotion of Investment, which is within the MTI, through investment conferences, fairs, various visits to areas of interest to investors, should engage in providing enough information on the conditions offered by Kosovo.

So, there is a need for policy co-ordination among all government agencies, including ministries, privatization agencies, environmental and water agencies, customs expertise, tax administration and without ignoring the local level, which often comes out more problematic than the government administration itself.

---

208 https://kiesa.rks-gov.net/page.aspx?id=1,42
209 Ligji Nr.04/L.-220 per investimet e huaja
CONCLUSION
In conclusion, we would recommend that the institutions of Kosovo take unusual serious steps to create a favorable climate and provide conditions for attracting and directing foreign investments in our country. The funds that would be of vital interest, in attracting investors on our market, is Kosovo Telecom, which is a state asset that could be of interest to field companies. Another interesting investment advantage can be Trepca, one of the strongest mining sources not only in Kosovo, but more. Another area of interest for foreign investment can be tourism, and here we will mention Brezovica, Prevlava, Rugova and many attractive places through which the field of tourism could be raised as a very important economic area. The area of interest, where Kosovo's institutions should orient the innovative capacities, are the IT field, due to the fact that the world is moving towards the digital economy, not forgetting that Kosovo is the youngest age of the population in the region, and that age under 19 with 42.5%.210

LITERATURE
[1] Ministry of Trade and Industry
[4] https://www.min-rks.net/

210 http://ask.rks-gov.net