

Kosovo, the Next Investment Destination in Europe



Enis XHEMAI

Former Chargé d'Affaires ad interim
Embassy of the Republic of Kosovo in Japan

Japan's Gateway to Europe

The Republic of Kosovo is located in the heart of the Balkans, a geo-strategic location in Southeast Europe, with a population of 1.81 million. It is a safe, friendly and attractive country for both investment and doing business. The newest country and with the youngest population in Europe. Well connected via air, motorways and railways, with free access to EU and CEFTA markets of 540+ million people, and most importantly with low taxes and operational costs.

Kosovo stands out as the country with the greatest investment opportunities in the region. The World Bank 2020 Doing Business Report recognises Kosovo's achievements as one of the 20 best upgrades in Doing Business, with the global ranking at the 57th place. In 2018, Kosovo had the highest percentage of households with home-based Internet access in the region (93%). Hence, Kosovo appeals strongly at international investors as a primary place for their investments.

Japan is Kosovo's sole strategic partner in East Asia. While Kosovo is Japan's gateway to Europe as the next tourist and investment destination. Japan being one of the first countries that recognised the independence, Kosovo immediately opened its embassy in Tokyo in 2010. Japan opened its embassy in Prishtina in 2020.

Attractive Economic Overview

The business environment in the Republic of Kosovo is becoming one of the most competitive in the region. Competitive, well-educated and young workforce with strong entrepreneurial skills, good spirit and general knowledge of most European languages, an excellent tax system, abundance of natural resources, quick and easy business registration methods, a transparent law on foreign investments, are just a few advantages making this country an attractive and friendly

environment for foreign investors. Kosovo's economy is heavily dependent on imports and this is the biggest shortfall that is hurting the Kosovo economy.

In June 2009, Kosovo joined the World Bank and International Monetary Fund, the Central Europe Free Trade Area (CEFTA) in 2006, the European Bank for Reconstruction and Development in 2012, and the Council of Europe Development Bank in 2013. In 2016, Kosovo implemented the Stabilization and Association Agreement (SAA) negotiations with the EU, focused on trade liberalization. Generalised System of Preferences (GSP) Program with US, Japan and Norway and Free Trade Agreement with Turkey.

The Lowest Taxes in the Region and Beyond

Tax policy in Kosovo is oriented towards simple rules which provide a broad tax base and the lowest tax rates in the region and beyond. Taxes vary based on the form of business and annual turnover. Tax administration applies three main tax regimes:

- Value Added Tax (VAT) is fixed at 18 % for most goods regardless of their origin, and 0% for goods dedicated for export. Utilities and food basket are set at 8%, and new production lines and raw material as well as certain agricultural and capital goods are set at 0 %.
- Corporate Income Tax (CIT) for annual turnover above € 50,000 is 10% and is paid every three months.
- Personal Income Tax (PIT) is based on the salary earned: 0% for 960 euro/year; 4% over 960 up to 3000 euro/year; 8% between 3001 and 5400 euro/year; and 10% over 5400 euro/year

In addition, Pension Contributions, a mandatory tax for employee and employer, is at a rate of 5 % of salary from each.

Economic Zones

Kosovo has established a number and various types of

Economic Zones. Businesses located there are provided with fiscal facilities such as physical infrastructure parcels (sewerage, water supply network, electricity network, road access, sewage treatment and maintenance of public spaces - waste) for business development, in order to attract new investments within the economic zones.

Germany, Switzerland, Turkey and the US are Top Investors in Kosovo

Foreign sovereign investors in Kosovo primarily include regional European countries such Germany, Switzerland, Turkey, Austria, Slovenia and the US. A majority of foreign investment is concentrated in Prishtina, with particular focus in the areas of real estate, renting and business activities, wholesale, retail trade, repair of motor vehicles etc., financial intermediation and electricity, gas and water supply. In 2019, the total foreign direct investment was 271.8 million euros, where according to countries 72.9 million euros from Germany, 61.9 million Switzerland and 21.3 million from the US.

The Biggest Japanese Shiitake Mushrooms Factory in Europe

Hirano Mushroom LLC was established in 2013 in Kosovo, as a diverse international company with expertise coming from Japan, France, Netherlands, Switzerland and Kosovo. It is the only producer of exotic, shiitake mushrooms in the Eastern Europe, devoted to bring high quality mushrooms to the European, Asian and United States markets. With production capacities of 8 tons a day and distribution points in France and the Netherland, Hirano Mushrooms makes sure to deliver the order with first class shiitake within 3 days anywhere in Europe. 100% of its production is for export mainly to the EU market. There are other Japanese companies in Kosovo in sectors like real estate, gastronomy, agriculture, fisheries, and technology.

Kosovo Welcomes various Japanese Investors

Agriculture

Kosovo has 588,000 ha or 53% cultivable land. Currently, only around 45% is used as agricultural

land while it contributes 14.5% to the GDP. The most important fields of agriculture are the vegetable, grains, fodder crops and fruits. Kosovo is already well known as a producer of different types of grapes. Cabernet Franc, Merlot, Prokupac and Gamey are all planted here. The continental climate and the height of 300-400 meters above sea level provide ideal conditions for vineyards and the development and growth of grapes for wine. There are two main factors in favor of livestock investments in Kosovo. Firstly, the country offers very good natural and climatic conditions for various types of livestock farming. Secondly, market demand for livestock farming products is currently much higher than domestic production.

Wood Processing

The annual allowable amount of felling is currently slightly below 1 million m³ with beech and oak being the main species. Potential for foreign investors ranges from doors and windows to a variety of furniture production. A large amount of traditionally gained experience, great knowledge in wood processing, and a cost effective labor force make the Kosovar wood industry particularly well suited for the manufacturing of handmade luxury products. The Kosovar Government has recently approved a zero customs rate for the imports of selected machinery and capital goods related to this sector, while further negotiations for the exception of wood raw material from VAT and customs are currently underway.

Information and Communication Technology

Kosovo has the youngest population in Europe. It is both skilled and multilingual, with English being only just short of an official language to high international presence.

Internet penetration based on users is 76.6%, and based on households is 84.8%. This is the highest rate in the region and is comparable to the most development countries in Europe. Kosovar companies in the IT sector offer today high quality services and the latest technologies to their customers both local as well as to foreign companies who want to outsource their software development and/or call and support centers.

According to STIKK (Kosovo Information and

Communication Technology Association), the ICT Sector is currently considered one of the few sectors with a positive trade balance in Kosovo. Three out of four companies operating in the sector, or 74% of them, export their services and products. The countries/regions with the highest export potential are Germany (44%), North America (42%) and Switzerland (24%). This is because the majority of Kosovar professionals, besides their professional training, speak the languages of the aforementioned countries.

Construction

During past years, the construction industry became one of the most important sectors contributing to Kosovo's economic growth. Construction sector in Kosovo has so far utilized several hundred million euro that were primarily used for the construction of new homes, or for the rehabilitation and development of the road infrastructure respectively. A further factor which is helping to boost the development of this sector is the demand for road and highway construction. According to estimations in the next five years, Kosovo will need some 60,000 new apartments, including the associated infrastructure, such as roads, kindergartens, schools, leisure facilities, restaurants etc.

Mining and Energy

Kosovo has an enviable endowment of natural resources. At 14.7 billion ton, Kosovo possesses the world's fifth proven reserves of lignite. It also has reserves of other minerals such as aluminum, gold, lead, zinc, copper, bauxite, magnesium, asbestos, chromite, limestone, marble and quartz.

As estimated by the World Bank, while the majority of Kosovo's natural resources remain unused, its huge reserves are a great potential for future growth. Trepca Mines: about 23,000 employees, at a time it was one of the largest companies in Yugoslavia. Kosovo's government has adopted law and new strategy for Trepca.

Textiles and Leather Processing

Currently there are over 450 private companies engaged in textile production, out of which 90 percent are final product manufacturers. Kosovo offers three major benefits for investors wishing to revamp one of

the existing SOEs or found a new textile manufacturing company. 1. A cost effective, well skilled and experienced work force; 2. A solid base of technology that can be acquired through the ongoing privatization process; and 3. Numerous subcontracting and outsourcing possibilities.

Tourism

The natural wealth of Kosovo represents high quality tourism resources. Mountainous south of Kosovo has great potential for winter tourism. One of the most interesting opportunities for foreign investors in this sector is the ski resort Brezovica in the Sharr Mountains. The resort, situated between 1,700 and 2,500 m above sea level. It offers excellent weather and snow conditions, as well as long ski seasons from November to May. Mountains in Kosovo offers excellent tourism opportunities, such as skiing, eco-tourism, paragliding, mountain biking, rock climbing, trekking, kayaking, horse riding, etc. Apart from the above-mentioned tourism resorts, Kosovo is generally rich with mountains, artificial lakes and rivers and therefore offers prime possibilities for hunting.

The widespread production of rare artisan crafts in Kosovo, such as Filigree (silver), represents an attraction for foreign tourism.

In addition, Kosovo has the potential to develop cultural tourism with numerous religious and other sites of extraordinary cultural and historical value. Kosovo's numerous thermal springs are well known in the region for their healing effects. Foreign investors in the field will find high demand in the regional and domestic markets. 

お問い合わせ

JOI事業企画部

E-mail: bd@joi.or.jp、TEL:03-5210-3311

駐日コソボ共和国大使館

E-mail: embassy.japan@rks-gov.net、TEL: 03-6809-2577

Kosovo Investment and Enterprise Support Agency KIESA

KIESA is the state agency that promotes, provides assistance and 'walks' with (potential) investors in every step of their investment: before, during and after the investment, to further support and facilitate the ongoing processes. KIESA further focuses on SMEs, exports, tourism, and Special Economic Zones. <https://kiesa.rks-gov.net/>.