Economic Development in Kosovo

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ABSTRACT

The state of Kosovo, from my legal point of view, formulates rules for the basic functioning of the state as best as possible, with a special emphasis on the Economy sector. It is no coincidence that special emphasis is placed on the sector of the economy, because if we have a good economy, we also have the state. First of all, the economy is the best picture of a country, and that of a financial system, it is noticed that a country has a financial capacity and that the employment sector has been created. Considering that the Economy is the basis for the establishment of a stable and functional state, then they have not taken strategies on how to develop the economy by analyzing all the businesses that may be in the country's economy. Thus, the analysis of the situation starting from the centers of the center, and turning the focus on the local level, and that by looking at which municipality can be at the economic level more. Statistics of the economic situation in the country made by being at a high level as the foundation of the territory and the number of population in that municipality. Therefore, since the population and the wide geography of the territory, second from the municipalities of the municipality of Prizren, there is an economic family and a great economic development in other municipalities, so you need to increase their number of businesses. numerous, this starting from the tourism sector as the most visited city by tourists.

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Therefore, given the economic characteristics of several years of Prizren, and that from different business sectors, I claim from the analysis of the analysis and research more closely how now and how it will be thought in the future of economic development.

I. Introduction

Local economic development refers to the processes by which local government groups, businesses and civil society come together to increase revenue in such a way as to live their lives in a good area. Local Economic Development (LED) is a process with clients in all local areas of all labor sectors to stimulate local trade activity, achieving a common resilience of the local economy. This is a way to write good working English and use life technology for everyone, including the poor and marginalized. Local economic development of the private and civil sectors of society to create partnerships and solve solutions to common economic challenges. EL seeks to strengthen the local EH process effectively to utilize labor, capital and other local resources to achieve local priorities (e.g. to promote proper work, reduce poverty, find municipal tax days). The strategy begins with identifying and a practical understanding of local advantage and local supply. Stakeholders from different political backgrounds have participated in this analysis by asking questions: to what extent do its weaknesses and shortcomings extend; A systems; An external opportunity; What the local population wants and needs. The design of the LED strategy and economic economy requires regional knowledge of areas, connections, including advantages and competition. LED success creates a curated business environment where markets can operate efficiently within the country. Given that economic development at the local level has importance and impact on the economic relations of the state, it seems reasonable to me to deal more extensively with the study on the topic, thus researching about businesses that have economic ties in the municipality of Prizren, from the past to the present. Thus in matters of the paper, all of which are clarified by the businesses which are likely to analyze more the businesses in question. Therefore, I think that the paper will be a contribution to the science of economics, namely for studies that deal with the review of economic work at the local level of the municipality of Prizren in general.

II. Methodology

The paper as a whole will work on the appropriate scientific methods, so starting from the main method on which the topic will be addressed is the research method. Through the research method, I will try to do research on businesses that affect the economic development of the municipality of Prizren. Along with the research method, the statistical method will be used to emphasize the research that will be done.

In addition to the research method, other methods that will be used during the formulation of the paper are: Historical method, logical method, analytical method, normative method, practical case method and other methods that can be accessed during the formulation of the paper.

III. Economic development in Kosovo

Kosovo's economy since 1999 has been largely driven by international assistance. The role of the private sector, especially SMEs, has been relatively weak. Nevertheless, Kosovo is still in the transition phase where entrepreneurship and the creation of small businesses are expected to play a crucial role on the path to a modern free market economy and consequently to economic development and growth. For economic development, it is essential that this issue is dealt with especially by the state institutions themselves, thus forming strategic documents that present the overview of the economy and its development in future periods. In one of the many strategic documents of the central institutions, the
Ministry of Trade and Industry presents this overview of Kosovo's economy: the main development challenges continue to remain in Kosovo. The most urgent problem is high official unemployment and the poverty associated with it, and relatively low GDP (€ 1,795 per capita in 2009). The Government of Kosovo (GoK) recognizes the importance of small and medium enterprises (SMEs) for the Economic Development of Kosovo. More than 99% of enterprises in Kosovo are SMEs. The Ministry of Trade and Industry (MTI) through the Agency for SME Support (AMNVM) is the institution responsible for formulating the SME Development Strategy 2012-2016 (SME Strategy). The strategy formulation process was initiated in December 2010 divided into two phases. The first phase until June 2011 resulted in the completion of the SME Strategy. In the 2nd phase from June to October 2011 had developed and completed the Implementation Plan. The SME Strategy formulation process was led by the SME Strategy Operational Working Group (GPS) set up by the Chief Executive Officer of the SMEs in January 2011 and the SME Strategy Advisory Group. The SME Strategy Advisory Group was established by the Minister of MTI Mrs. MTI and AMNVM are being provided with technical assistance for the formulation of the Strategy through the EU funded project "Support to SMEs through the Ministry of Trade and Industry" (EU SME). This assistance will continue in the first year of implementation of the SME Strategy. The EUSME project has four main components: 1. Improving the Business Climate; 2. Establishment of Public-Private Dialogue and Donor Coordination; 3. Improving the competitiveness of SMEs in Kosovo; and 4. Public Information Campaign. Support for the preparation of the SME Strategy is part of component 1. The strategy is based on two main pillars: the European Small Business Act (ABV) that Kosovo is committed to implementing and the EU Competitiveness and Innovation Programs (CIP). that Kosovo aspires to participate in the near future. Furthermore, the SME Working Group has analyzed and considered the Government Vision and Priorities for Economic Development. The SME Strategy identifies the measures (Strategic Goals, Strategic Goals and Objectives) to be taken to advance the reforms that will lead to a dynamic SME sector that will create new jobs for Kosovo. The SME Strategy is a sub-sectoral component of the Kosovo National Development Strategy. The SME Strategy is cross-sectoral and involves a number of Government Agencies which have responsibilities for some parts of its implementation. Successful implementation of the SME Strategy will help alleviate many constraints on economic growth, increase private sector activity, increase domestic and foreign investment, and consequently be a major contributor to the creation of work.

In 2010 the official unemployment rate reached up to 47% in and is even higher in rural areas. Approximately 30,000 young people enter the labor market each year. These development problems are recognized in many strategic development documents of Kosovo and there is an increasing focus on the private sector, as a generator for additional economic growth to create more opportunities for sustainable employment. In this regard, effective policies for private sector development will play a very important role in facilitating economic growth, driven by exports and investment. " (Republic of Kosovo, 2013). According to KAS, the overall unemployment rate in Kosovo in 2016 was 28%, while among young people it was estimated at up to 50%. The percentage of young people who are not employed, who are not attending school or any training program was 28%. So out of these 50% of the unemployed, 28% of them are doing nothing. And according to the department for work and employment in the Ministry of Labor and Social Welfare, in 2019, within a period of 12 months, there was available a job vacancy for about 60 unemployed registered in the employment offices. According to statistics, every month more than 316 unemployed had to apply for a job. (See Appendix A at the end of the summary for more statistical data).
III. 1. Current economic situation in Kosovo and the region

During these eleven years, the economy is characterized by a minimal economic growth that is insufficient for the country. Any economic growth below the 6 percent quota for our country, which has had many unemployed, has not been growth but, in fact, setbacks. In the absence of jobs, a very large number of citizens reaching the quota of approximately 30 percent of the population have moved to the West, it should also be noted that there have been very slow tax policy reforms and often by institutions submitting problems to employers, especially of the manufacturing and processing sector, has not been taken seriously. So problems are treated as individual problems. In fact, the whole economy has gone through problems of the same nature. One of the indicators of prolonging economic development was the problem with electricity. "One of the major problems that has slowed down economic development has been the continued lack of electricity and the silence of institutions in the face of this phenomenon that has led to the loss of hundreds of thousands of jobs in the country," he said, citing the regression in terms of investment. foreign. Although our institutions have presented Kosovo to the public as an investment paradise, foreign direct investment has fallen from year to year. The biggest misfortune is that there is still no institutional readiness to support production. Only in cosmetic form are genuine tax policies proclaimed which are offered only to medium and large firms, while small firms that are the largest employers in the country are not given any space at all in the exemption of raw materials from taxes. If this mentality continues, a great economic uncertainty awaits the country, which can bring social instability manifested by protests, thefts and unpopular phenomena of a criminal nature. According to the Ministry of Finance (MoF), the average real growth of Gross Domestic Product (GDP) in Kosovo for the years 2006-2009 was 4.8%. Evidence shows that the government's 2008 decision to increase the level of public investment above 120% has been a major driver of economic growth. In addition, this shift in resources allocated to public investment has proven to be an incentive for the economy in 2009 and has maintained growth opportunities of over 4% at a time when most regional countries are facing economic downturns. Due to Kosovo's relatively low level of integration into the global economy and weak fiscal policies, its economy has been significantly protected from the global economic crisis.

The economy grew in 2009 and continued to grow in 2019. Most economic growth was driven by government spending, while the foreign trade balance remained high (EC Progress Report on Kosovo for 2010). According to World Bank reports, much of recent economic progress has been based on donor assistance and remittances, which may not be the basis for sustainable economic strategies. As for the countries of Southeast Europe, they have gone through the economic crisis similarly to the eurozone countries, as a result of the high level of economic integration of this region with the eurozone countries. During the crisis years (with the exception of Albania which has recorded an economic growth of 3.3%) the economies of all Southeast European countries have declined from the highest growth of 5.8% (Croatia) to the lowest of 0.8% in FYROM. Even 2010 did not result in positive growth in the countries of the region, where Croatia, Romania and Montenegro have continued with negative GDP growth (IMF 2010). Despite economic growth, the current level of GDP in Kosovo is 4.2 billion euros, which is twice less than Albania and FYROM and three times less than Bosnia and Herzegovina (IMF 2010). Poverty remains a problem in Kosovo. According to UNDP reports, the unemployment rate in Kosovo is around 43% when 34% of people live in poverty on less than 1.41 euros per day. Eighteen percent live in extreme poverty on less than 94 euro-cents a day. The number of new entrants to the labor market is very high compared to countries in the region. It is estimated that the number of young people entering the labor market each year is such that at least a real economic growth of 7.0% is required only to begin the absorption of these new entrants and to contribute to the reduction of the large number of existing of the unemployed. According to the EC Progress Report for Kosovo for 2010,
despite economic growth, the economy is not creating enough jobs to absorb new entrants and reduce pressure on the labor market. As a large number of new jobs will be created by SMEs, through the creation of new SMEs and the growth of existing ones then the successful implementation of the SME Strategy will be the main contributor to Economic Growth in Kosovo. Due to the unfavorable business environment and the lack of a creative entrepreneurial culture, Kosovo lacks innovative fast-growing firms, which are the main contributors to job creation in developed western economies.

In the meantime, exports are expected to increase gradually, partially offsetting growth in imports. However, the suspension of trade preferences by the EU may affect the level of exports. The forecast of macroeconomic indicators shows that Kosovo's economy during the period 2011-2014 is expected to reach an average growth of 6.8%. The positive growth rate is expected to be driven by expansionary fiscal policies, while private investment and exports over the forecast period are expected to continue at a relatively stable growth rate. More precisely, in 2013 it is projected to achieve greater economic growth, which results from the increase of exports, investments and consumption, mainly as a result of the increase of public sector wages and the multiplier impact on the economy of Kosovo.


<table>
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<th>Year</th>
<th>Consumption</th>
<th>Investment</th>
<th>Net Export</th>
<th>Export Sales and Services</th>
<th>Import Sales and Services</th>
<th>BPV</th>
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<td>4,345</td>
<td>1,094</td>
<td>-1,587</td>
<td>612</td>
<td>-2,156</td>
<td>3,905</td>
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<td>4,280</td>
<td>1,166</td>
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<td>820</td>
<td>-2,146</td>
<td>3,912</td>
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<td>2015</td>
<td>4,760</td>
<td>1,213</td>
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<td>875</td>
<td>-2,504</td>
<td>4,269</td>
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<tr>
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<td>1,433</td>
<td>-1,867</td>
<td>933</td>
<td>-2,742</td>
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<tr>
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<td>5,819</td>
<td>1,756</td>
<td>-2,075</td>
<td>1,049</td>
<td>-3,124</td>
<td>5,501</td>
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### III.2. Economic Development at the local level

Local economic development deals with the well-being of a country, of a locality. In contrast to “economic development” in general, local economic development focuses on specific contexts, which vary in space. ‘Context’ refers to the constellation of endogenous behaviors and formal and informal institutions that have evolved in a country and interact with exogenous currents that can be social,
cultural, economic, political, ecological. Approaches to local economic development are fundamentally different, and they are context-specific. "Premises" has different meanings in relation to the broader context in which places are conceived. "Economic development" also has different meanings; that is, the nature of "well-being" is interpreted differently, in relation to the theoretical views of scholars. Therefore, 'local development' and 'economic development' are addressed separately, and approaches to local development as a field of study were elaborated later. Local economic development (LED) is seen as one of the most important ways to reduce poverty. Local economic development should aim at creating jobs by making the local economy grow. This means that more businesses and factories should start in the municipal area. As part of IDPs, key stakeholders in a municipality need to come together to reach agreements and make decisions to make the economy grow and create income opportunities for more people, especially the poor. The national government makes policies and provides funding, research and other support for local economic development. Municipalities decide on LED strategies and the process of achieving an LED strategy should be part of the integrated development planning process (IDP). LED strategies should be based on the overall vision described in the IDP and should take into account the result of the analysis done to identify problems and prioritize development projects. He should also look at things like integrating our residential and work areas, building development corridors between areas and supporting the economy with good public transport.

The principle of subsidiarity in the EU The principle of subsidiarity is a powerful principle that enables municipalities to act and regulate areas in which central or regional government does not operate and where goals can best be achieved by acting at the municipal level. Article 15 of the Law on Local Self-Government in Kosovo states that "Municipalities exercise their competencies according to the principle of subsidiarity". Article 17 of the same law specifies that municipalities "have full and exclusive competencies, in terms of local interest, respecting the standards set out in the applicable legislation, in the following areas" a) local economic development; h) the provision of public preschool, primary and secondary education, including the registration and licensing of educational institutions, employment, payment of salaries and training of instructors and administrators of education; s) any matter which has not been expressly excluded from their competence, or which has not been assigned to another authority. Article 30 of the same law further stipulates that “municipalities have the right to enter into cooperation agreements with foreign bodies of local self-government in all areas of their own municipal competencies and extended competencies, with the exception of those in paragraph 2 of Article 40 of this law.” Regarding finances, law no. 03 / L-49 marks the competencies of the local government in generating revenues that make the municipality self-sustaining. Among the competencies are listed the following competencies of the municipality for taxes and payments:

a) Business Permit Fee - the municipality, by municipal regulation, may establish an annual fee which must be paid by registered business organizations to obtain or maintain such a business license. Such a regulation may also establish a register of various taxes which are assigned to different categories of business activities. Any such business tax should be assessed only on the basis of rules set out in municipal regulations.

b) Professional Services License Fee - the municipality, by municipal regulation, may impose an annual fee which must be paid to obtain or maintain such a license for the exercise of professional business activity. Such a regulation may also establish a register of various taxes which are assigned to different categories of professional services. As we will see below from the literature section, these competencies are essential in formulating economic policies that can lead to economic development and new jobs.
III.3. Local economic development goals

As in economics in general, we distinguish between a descriptive or analytical point of view and a more oriented or political activity. From a descriptive point of view Local Economic Development will cover all economic activities that take place at the local or regional level and / or have any impact on localities. From this point of view, the locality is seen as an economic actor in itself. In traditional economic thought locality exists more or less as a place or space where other economic actors such as enterprises, industries, investors, authorities, etc., compete and use or utilize their natural and human resources. From a view of the Local Economy shows localities, i.e. neighborhoods, villages, towns, cities and regions are understood as "living organisms".

The purpose of local economic development (LED) is to build the economic capacity of a local area to improve its economic future and quality of life for all. It is a process by which public sector, business and non-governmental sector partners work collectively to create better conditions for economic growth and employment generation. While "economic development" is often confused with economic growth or industrial development, it is generally accepted to be a proactive collaborative process within which there are multiple efforts that collectively serve to improve economic progress and quality of life as such, economic development can and often includes a number of stakeholders, governmental, non-governmental, communities and private sector organizations, focused on a range of outcomes such as new business start-ups, greater diversification sector, job creation, productivity growth, sustainable, improved quality of life etc. LED refers to the process in which the local government, or any agency, authority or organization on behalf of the local government, is committed to improving the ability of a community to deliver economic progress quantitatively and qualitatively. The success of a community today depends on its ability to adapt to the dynamic local, national and international market economy. Strategically planned LED is increasingly used by communities to strengthen an area's local economic capacity, improve the investment climate, and increase the productivity and competitiveness of local businesses, entrepreneurs, and workers. The ability of communities to improve the quality of life, create new economic opportunities and fight poverty depends on their ability to understand LED processes, and to act strategically in a changing and increasingly competitive market economy. Each community has a unique set of local conditions that improve or reduce those potential for local economic development, and it is these conditions that determine the relative advantage of an area in its ability to attract, generate, and sustain investment. The economic, social and physical attributes of a community will guide the design and approach to implementing a local economic development strategy. To build a strong local economy, good practice proves that each community should undertake a collaborative process to understand the nature and structure of the local economy, and to conduct an analysis of its strengths, weaknesses, opportunities and threats. This will highlight the key issues and opportunities facing the local economy. But much more interesting is the political perspective of Local Economic Development: obviously more than "economic development at the local level"; is a particular way or certain type of economic development and different from other forms or types of development economy. To understand its specific character, I will present four scenarios: The first scenario is called "development from above": The main actor here is the state, working from top to bottom from central government to regional government and local authorities. In this scenario local actors, people, enterprises as well as authorities await decisions as well as resources coming from above because they believe that the state is either largely responsible for all kinds of development or has only the power to do so. This attitude is often found in societies with centralized governments, not only in authoritarian regimes, but also in strong welfare states. This scenario is usually accompanied by a high degree of dependence and arbitrary measures. And it is finally not working anymore, if the state gets into political or economic trouble.
Why are local governments important for economic development?

Successful private enterprises and productive public-private partnerships create wealth in local communities. However, private enterprise requires a positive environment that enables the business to prosper. Municipal government has an essential role in creating a favorable environment for business development and success. By its very nature, local economic development is a partnership between the business sector, community interests and municipal government.

The premise of government involvement in LED means that economic development as a government activity should include an effort to encourage private investment in a particular jurisdiction for the purpose of generating or retaining jobs, expanding the base tax and increasing the level of general economic well-being. Local government played a key role in relation to their position as emerging leaders. They can respond effectively to the needs and challenges faced by citizens, including economic development. Their leadership can thus provide inclusiveness and sustainability to the wealth of the community.

LED is usually strategically planned by local government in relation to public sector and private partners. Implementation is carried out by the public, private and non-governmental sectors according to their capabilities and strengths. However, local governments still need to monitor and coordinate the process especially to ensure the proportional benefit generated. Their leadership is therefore a key factor leading to sustainable economic development.

III.4. Businesses that affect Economic development

Businesses influence the economic development of the country, based on the businesses that are more developed in the respective country. Thus, in the state of Kosovo, businesses that affect economic development are:

1. Individual business: In individual business, the owner has unlimited liability for all debts of the company. The company has an official name or includes the legal owner surname and includes the abbreviation "B.I."

2. General partnership: In a general partnership, all partners are liable without limitation, jointly and severally for the debts of the company. The Official Name of the General Partnership must include the words "General Partnership" or the abbreviation "O.P."

3. Limited Partnership: In Limited Partnership, in addition to "unlimited" partners (partners who are liable without limit and jointly and severally for the company's debts) also participate "limited" partners or those partners who are liable for the obligations of the company up to the limit of the value of their contributions. The Official Name of the Limited Partnership must include the words "Limited Partnership" or the abbreviation "O.K."

4. Limited Liability Companies: Limited liability companies are those companies that have been established by one or several founders, who are responsible for all their debts and other liabilities with all assets. The Official Name of the Limited Liability Company must include the words "Limited Liability Company" or the abbreviation "LLC".

5. Joint stock companies: Joint stock companies are those companies, whose capital is divided into shares and where the shareholders are responsible for all debts and other liabilities with all its assets and property. The company can be established and have one or several shareholders. The Official Name of the Joint Stock Company must include the words “Joint Stock Company” or the abbreviation “JSC”. The amount of the initial capital of this company is at least 10,000 Euros.
6. Foreign Trade Company: The foreign company is a trade company and from the moment of registration is considered as a branch in Kosovo that does not have the identity of a legal entity. After registration he enjoys all the rights and obligations established under applicable law. The Official Name of the Branch of the Foreign Trade Company in Kosovo must include the full name of the Foreign Trade Company with the suffix “Kosovo Branch” or the abbreviation “D.K.”

7. Representation Office of the Foreign Trade Company: The official name of the Representation Office of the Foreign Trade Company in Kosovo must include the full name of the Foreign Trade Company with the suffix “Representation Office in Kosovo” or the abbreviation “Z.P.K.”

8. Socially Owned Enterprises: Socially owned enterprises means a legal entity that most of the assets and capital are socially owned. These enterprises until privatization are monitored and registered by the Privatization Agency of Kosovo according to Law No. 06 / L-016 on Business Organizations.

9. Public Enterprises: A public enterprise is an enterprise which carries out the activity of general interest, which is established by the state. The public enterprise is monitored by the Government and organized as a Joint Stock Company in accordance with the law on companies. All property interests in a public enterprise will be represented by shares and all of these shares must be registered.

10. Agricultural Cooperatives: Agricultural Cooperative is a company created by natural or legal persons who must be all farmers who contribute with their private property to the share capital. The farmers' cooperative is established by at least five (5) farmers, who are signatories to the obligations. The cooperative will not be established without capital nor will it exist without capital. The capital is divided into shares of equal value with a minimum value of € 10. The director cannot be a member of the cooperative. You can see all these in Law No. 2003/9 on Farmers' Cooperatives and Law no. 03 / L-004 on Amending and Supplementing the Law on Farmers' Cooperatives No. 2003/9.

II.2.1. Individual Business 93,129 90.00 2, General Partnership 3,383 3.20 3, Limited Partnership 90 0.08 4, Limited Liability Company 6,170 5.80 5, Joint Stock Company 368 0.35 6, Foreign Owned Enterprise 486 0.46 7, Socially Owned Enterprise 16 0.01 8, Public enterprises 12 0.01 9, Agricultural cooperatives etc.

In order to have a strong and efficient local government it is important to pay attention to local economic development, so that in the long run, only those municipalities that can generate local economic development will be able to offer range services, and can also improve the performance of their administration. Due to financial shortcomings, currently, most municipalities in Kosovo find it difficult to provide a wide range, and quality services. This situation is partly due to the lack of local economic development which is closely related to the unfavourable business climate, problems with the rule of law and corruption, as well as general economic preconditions. The content of the paper generally contains economic development at the local level and in the municipality of Prizren. In order to have development in the economy, we must take into account the factors that affect economic development and growth, and in those factors we must invest and form strategies to develop more of those types of businesses. This means that the municipal level does not have policies to promote certain economic and business activities that fit the local context and that can benefit from the appropriate advantage of the preconditions for business. For example, not all municipalities can generate local economic growth from tourism, but those that have such potential can develop clear policies that would increase their income, reduce unemployment, and also generate more intensification of economic activities. Thus, during the content of the paper, businesses are mentioned which substantially affect the economic growth of the municipality of Prizren, but it does not mean that e.g. Tourism will affect the economic development of other municipalities the same as in the municipality of Prizren, as the
municipality of Prizren according to statistics is considered the most visited municipality by tourists, and for that and tourism businesses and hotels should be looked at and developed more in this municipality. Therefore, in general, during the content of the paper, they are defined in more detail than there was economic development by businesses, whether from tourism, agriculture or other businesses developed in the city of Prizren.

**Recommendations:**

Mayors need to establish a clear communication platform with the general public and citizens, in order to ensure that policy-making at the municipal level is accountable, inclusive and transparent.

The list of obstacles in the promotion of cultural tourism in Kosovo is long and the organizers have listed the following difficulties in their activity for which assistance should be provided by the central level:

- To have limited funding from the central government in this restaurant in Prizren;
- Avoid the lack of appropriate cultural and tourism policies at the local government level.

**Literature:**


Laws, regulations, and websites

18. Law No. 03 / L-49. For Local Self-Government in Kosovo. Prishtina, 2008. Article 15;