



Republika e Kosovës  
Republika Kosova - Republic of Kosovo  
*Qeveria - Vlada - Government*

*Ministria e Industrisë, Ndërmarrësisë dhe Tregtisë  
Ministarstvo Industrije, Preduzetništva i Trgovine  
Ministry of Industry, Entrepreneurship and Trade*

KOSOVO  
INVESTMENT  
AND ENTERPRISE  
SUPPORT AGENCY **KIESA**

# STUDY OF ECONOMIC ZONES IN KOSOVO



November, 2024

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**PROJECT TITLE:**

“Drafting the Study on Economic Zones in Kosovo”

**PROCUREMENT NUMBER:**

204-23-13981-2-2-1

## LIST OF ABBREVIATIONS

MIET	Ministry of Industry, Entrepreneurship and Trade
KIESA	Kosovo Investment and Enterprise Support Agency
AIE	Agency for Investment and Export
PAK	Privatization Agency of Kosovo
KBRA	Kosovo Business Registration Agency
KAS	Kosovo Agency of Statistics
TAK	Tax Administration of Kosovo
FTZ	Free Trade Zone
HDI	Human Development Index
IHDs	Foreign Direct Investments
MESTI	Ministry of Education, Science, Technology and Innovation
SMEs	Small and Medium Enterprises
OSTIM	Organized Center for Industry and Export Trade
BAR	Business Associations Registry
EMIS	Education Information Management System
ISEC	International System of Education Classification
VAT	Value Added Tax
DCM	Decision of the Council of Ministers
EZ	Economic Zones
SEZ	Special Economic Zones
FTZ	Free Trade Zone
ETZ	Economic Trade Zones
ITP	Industrial and Technological Parks

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## Executive summary

The study of Economic Zones in Kosovo provides an in-depth analysis of the establishment and functioning of economic zones in Kosovo, with a particular focus on their socio-economic impact and the challenges encountered in this process. The Ministry of Industry, Entrepreneurship and Trade (MIET), through the Kosovo Investment and Enterprise Support Agency (KIESA), has established several economic zones aimed at promoting investments, creating new jobs, and contributing to sustainable economic development in the country.

This study was drafted by D&D Business Support Center contracted by the Kosovo Investment and Enterprise Support Agency (KIESA). The study is divided into three main chapters:

- **Chapter 1** outlines the current state of economic zones, business activities, and their funding methods. This chapter provides a detailed analysis of existing zones and their performance to date.
- **Chapter 2** includes an analysis and evaluation of the socio-economic benefits and challenges of economic zones, with a particular focus on identifying municipalities with potential for establishing industrial and technological parks. This chapter also includes an analysis of potential businesses that could benefit from these zones and their economic impact at local and central levels.
- **Chapter 3** focuses on comparing the legislation of economic zones in Kosovo with other countries, such as Albania, Italy, Slovenia and North Macedonia, and describes the criteria for establishing a successful economic zone.

In Kosovo, 12 economic zones have been established, bringing significant benefits such as increased investment and new job opportunities. Some of the most successful zones include the Business Park in Drenas, the Business Park in Mitrovica, the Technology Park in Shtime, and the Industrial Park in Suhareka. Significant public and private investments have been made in the infrastructure of these zones, including roads, energy, water, and other support services.

The SWOT analysis shows that economic zones in Kosovo have great potential to attract new investments and enhance local business competition. However, there is a need to improve infrastructure and attract foreign investors by promoting and offering incentives for property utilization.

The report concludes with key findings and recommendations aimed at improving the functioning of economic zones in Kosovo and maximizing their socio-economic benefits. These recommendations include developing advanced infrastructure, promoting investments, supporting local businesses, and establishing more favorable policies for foreign investors.

## Methodology

In order to conduct a detailed analysis of the economic zones in Kosovo, a structured methodological approach was followed, involving the collection of primary and secondary data.

The goal of this study is to evaluate the current state and development potential of economic zones in Kosovo.

**Primary data** was collected through on-site visits to existing and potential economic zones, conducting interviews with key stakeholders such as zone managers, business representatives, municipal officials, and representatives from the Ministry of Industry, Entrepreneurship and Trade (MIET). To accomplish this, four specific questionnaires were developed:

1. **First Questionnaire:** Aimed to collect information about municipalities that have economic zones.
2. **Second Questionnaire:** Included inquiries about businesses established within the economic zones.
3. **Third Questionnaire:** Collected data on municipalities with the potential to establish new industrial and technological parks in Kosovo.
4. **Fourth Questionnaire:** Focused on the interest and information of potential businesses that could be located in industrial and technological parks.

**Secondary data** included an analysis of strategic documents, reports, and relevant legislation. Additionally, necessary data was obtained from relevant institutions such as the Ministry of Industry, Entrepreneurship and Trade, the Municipalities of Kosovo, and the Kosovo Agency of Statistics. This information was used for supplementary and secondary analysis in drafting the study on Economic Zones in Kosovo, as well as for comparing international best practices from countries like Albania, Italy, Slovenia and North Macedonia.

A **SWOT analysis** was used to identify the strengths, weaknesses, opportunities, and threats of each zone. The economic evaluation focused on the impact of these zones on job creation, investment, rental and tax revenues, as well as contributions to exports and import substitution. Furthermore, a legal analysis was conducted to assess the compliance of Kosovo's legal framework with international standards.

Moreover, an evaluation of the current infrastructure was conducted, and sectors with high potential for attracting local and foreign investment were identified. The final report includes specific recommendations for enhancing the management and development of economic zones, promoting investment policies, and improving infrastructure.



## Chapter I

### Concept of Current Economic Zones in Kosovo

#### 1. Introduction

In the era of globalization, both developed countries and the majority of developing countries are experiencing economic transformations. One emerging form of economic development is the establishment of designated areas for the development of business activities, in order to better promote and develop local and foreign businesses. These designated areas in the economy are commonly known as “economic zones” or “industrial parks”.

The first modern economic zone was established in Ireland in 1959, and since then, a variety of different structures of economic zones have been developed, evolving in various forms.

Initially, the term economic zones encompassed a wide variety of related concepts, including free trade zones, free ports, foreign trade zones, export processing zones, special economic zones, free export zones, trade and processing zones, etc.

Despite the many variations in name and form, they can all be broadly defined as demarcated geographical areas contained within certain boundaries, where the rules of business are different from those that prevail in the territory outside the economic zones. These differential rules principally deal with investment conditions, international trade and customs, taxation, and the regulatory environment.

There is widespread agreement on the importance of having appropriate spaces and physical facilities (such as places or buildings with sustainable infrastructure) in a well-maintained and well-managed environment, located in a suitable area, which is a very crucial element of any program aimed at promoting private sector development. The overall economic development, as well as the generation of new jobs in many countries around the world, including Kosovo, heavily depend on the growth of the private sector.

The challenges of developing small and medium-sized enterprises are numerous. In order to successfully address them, businesses need support at both the local and central levels to create a more conducive environment for SME development.

On the other hand, there is a significant number of businesses that are closing, and our focus should be on the key factors leading to the closure or inactivity of these businesses. Therefore, SMEs require support, with a key and very important role being the development of economic zones, those designated by legislation in Kosovo as industrial and technological parks. Experiences from many countries worldwide demonstrate that economic zones have been successful in creating, growing, developing, connecting and sustaining businesses.

The focus of the study will be on what lessons can be learned from these experiences, what are the experiences of the current functioning of economic zones in Kosovo, and what needs to be undertaken in the future. Numerous studies have evaluated the economic performance and

impact of economic zone programs in developing countries. However, the majority of these studies have concentrated on zones that are established and managed by the government, whether at the central or local level.

## **2. Purpose**

The establishment of economic zones aims to promote a free economy, because when a country's economy is heavily protected at the national level, it restricts trade opportunities with foreign countries and at the same time it limits opportunities in the variety of products/services available, often resulting in unfavorable market prices. By prioritizing free trade with countries in the region and beyond, our country is committed to creating a favorable environment for foreign investments and developing the country's economy. An industrial park is established for the following purposes:

- Supporting responsible and sustainable investments;
- Promoting manufacturing and processing activities, innovation, and offering value-added services;
- Employment and skills development;
- Fostering and developing the innovative ecosystem and cooperation between commercial companies, promoting them;
- Increasing competitiveness and supporting exports;
- Encouraging advanced technology;
- Regional development;
- Supporting projects of special strategic interest.

Another possible purpose (goal) is to increase private sector investment, business-to-business collaboration, creating ecosystems, innovation, and increased production and employment.

### **3. Description of the current state of economic zones, business activities, and funding methods, including the cost of public and private investments by businesses**

The Ministry of Industry, Entrepreneurship and Trade is the institution responsible for establishing economic zones, with a total of 12 created so far:

1. BUSINESS PARK IN DRENAS,
2. BUSINESS PARK IN MITROVICA,
3. TECHNOLOGICAL PARK IN SHTIME,
4. INDUSTRIAL PARK IN FRASHËR – MITROVICA,
5. AGRO INDUSTRIAL ZONE IN SUHAREKA,
6. INDUSTRIAL PARK IN SHIROKA – SUHAREKA,
7. INDUSTRIAL PARK IN LIPJAN,
8. INDUSTRIAL PARK IN VITIA,
9. INDUSTRIAL PARK IN VUSHTRRI,
10. INDUSTRIAL PARK IN RAHOVEC,
11. GENERAL PARK IN PODUJEVO,
12. GENERAL PARK IN DRENAS 2.

Out of a total of 12 economic zones established, the following are fully operational: Business Park in Drenas, Business Park in Mitrovica, Technology Park in Shtime, and Industrial Park in Suhareka. Those that are completed with infrastructure and ready for operation are: Industrial Park in Vitia, and Industrial Park in Vushtrri. In the investment phase are: Industrial Park in Rahovec, Industrial Park in Lipjan, General Park in Podujeva, and Industrial Park in Frashër – Mitrovica. The General Park in Drenas 2 is in the phase of procedures for starting the infrastructure construction. The following section of this study presents data for each of these economic zones.

#### **BUSINESS PARK IN DRENAS**

The Business Park in Drenas was established in 2010 with an area of 24 hectares. The construction of the physical infrastructure (such as roads, electricity, water, sewage, physical security, green areas, etc.) has been completed. MIET has made investments in this park. Currently, there are 40 businesses with a variety of business activities operating within the park, employing over 782 people.

The **activities** carried out by businesses in this business park include pharmaceutical production, elevator manufacturing, metalworking, the wood sector, various panel production and even plastic recycling.

Businesses operating in the BPD pay rent at a rate of 0.15 euros/cents per m<sup>2</sup>. However, the rent is scaled during the first 10 years of operation.

Supporting links: <https://kiesa.rks-gov.net/page.aspx?id=1,89> & <https://kiesa.rks-gov.net/desk/inc/media/8E2AE57B-1DC7-4466-9DFC-35541BDD6704.pdf>

#### **Funding method**

It is important to note that investments in basic physical infrastructure are primarily public. According to the municipality, public investment, along with support from the Ministry is around 10 million euros, including supporting infrastructure, water, and power lines, while private investments are approximately 50 million euros.

### **BUSINESS PARK IN MITROVICA**

The Business Park in Mitrovica was established in 2012 with an area of 3.5 hectares. Currently, there are 22 businesses located within the park and employing around 300 employees.

The **activities** carried out by businesses in this business park include plastic recycling, carpentry, production of paper bags, textiles, metal products, etc. These businesses are exempt from paying rent.

Supporting links: <https://kiesa.rks-gov.net/page.aspx?id=1,90> & <https://kiesa.rks-gov.net/desk/inc/media/2B50B634-CF68-4C2B-B8C9-6659B9837AB6.pdf>

#### **Funding method**

It is important to note that investments in basic physical infrastructure are primarily public. According to the municipality, public investment, along with support from the Ministry is around 200 thousand euros, while private investments are approximately 17 million euros.

### **TECHNOLOGICAL PARK-SHTIME**

The Technological Park in Shtime was established in 2013 with an area of 10.70 hectares. Currently, 13 businesses have been contracted to be located within the Technological Park, employing around 250 employees.

The **activities** carried out by businesses in this business park include processing and preserving fruits and vegetables, manufacturing construction products, marble tiles, processing various types of glass, etc. The rent paid by businesses is €10 per year per 10 m2.

Supporting links: <https://kiesa.rks-gov.net/page.aspx?id=1,91> & <https://kiesa.rks-gov.net/desk/inc/media/753667A3-B814-4A91-9D2C-8989FDBA13FA.pdf>

#### **Funding method**

It is important to note that investments in basic physical infrastructure are primarily public. According to the municipality, public investment, along with support from the Ministry is around one million euros, while private investments are approximately 10 million euros.

## **INDUSTRIAL PARK IN FRASHER – MITROVICA**

The Industrial Park in Frashër, Mitrovica, was established in 2014 with an area of 48 hectares, and work on leveling the terrain has begun. Financial support from the Ministry has been reactivated to construct and develop this industrial park, making it ready for businesses.

Supporting links: <https://kiesa.rks-gov.net/page.aspx?id=1,92> & <https://kiesa.rks-gov.net/desk/inc/media/245369B3-BF97-469A-9EFB-C46537BE0CE7.pdf>

At present, only two businesses operating in the field of construction products are conducting their business activities within the industrial park.

### **Funding method**

It is important to note that investments in basic physical infrastructure are primarily public. According to the municipality, public investment, along with support from the Ministry is around 500 thousand euros. Currently, there is a contract for an additional 1.1 million euros in investment. Private investments are approximately 1 million euros, considering that the area is still unfinished and in the early stages of settlement. So far there are 2 active businesses employing around 10 employees.

## **AGRO-INDUSTRIAL ZONE IN SUHAREKA**

The Agro-Industrial Park in Suhareka was established in 2015 with an area of 28 hectares. While work on leveling the terrain has begun, the construction of the necessary physical infrastructure to support businesses has not been completed due to a lack of budgetary funds,.

Supporting links: <https://kiesa.rks-gov.net/page.aspx?id=1,93> & <https://kiesa.rks-gov.net/desk/inc/media/B818C558-FC0A-4247-866C-BE1796633C63.pdf>

Currently, no business activities are taking place yet in the park.

### **Funding method**

It is important to note that investments in basic physical infrastructure are primarily public. According to the municipality, public investment, along with support from the Ministry is around 300 thousand euros, while private investments are approximately 50 thousand euros.

## **INDUSTRIAL PARK IN MUNICIPALITY OF LIPJAN**

The Industrial Park in Municipality of Lipjan was established in 2016 with an area of 56 hectares. Investments have been initiated in this economic zone and efforts are ongoing to enhance the physical infrastructure, including roads, electricity and water supply. In 2022, the municipality of Lipjan announced a competition the first businesses to be located in this industrial park. Currently, no business activities are taking place in the park.

Regarding the rental terms, the municipality offers a 3-year grace period. After that, the rent varies as follows: 0.07 euros per square meter for a period of 4 to 7 years, 0.11 euros per square

meter for a period of 8 to 10 years, and 0.125 euros per square meter for a period exceeding 11 years.

Supporting links: <https://kiesa.rks-gov.net/page.aspx?id=1,94> & <https://kiesa.rks-gov.net/desk/inc/media/A7AD7B4A-841E-4172-8DA3-E8C7BBAF831B.pdf>

#### **Funding method**

It is important to note that investments in basic physical infrastructure are primarily public. According to the municipality, public investment, along with support from the Ministry is around 1.5 million euros and is currently in the investment phase, while there are no private investments.

### **INDUSTRIAL PARK IN VITIA**

The Industrial Park in Vitia was established in 2017 with an area of 15.50 hectares. With investment from MIET, the infrastructure has been completed and is now ready to be utilized by businesses. The municipality has announced a call for businesses and aims to accommodate up to 40 of them.

Supporting links: <https://kiesa.rks-gov.net/page.aspx?id=1,96> & <https://kiesa.rks-gov.net/desk/inc/media/57D6D976-34A5-4E0D-BA3D-1509510B405E.pdf>

#### **Funding method**

It is important to note that investments in basic physical infrastructure are primarily public. According to the municipality, public investment, along with support from the Ministry is around 1.7 million euros. There are currently no private investments, but the park is in the business accommodation stage.

### **INDUSTRIAL PARK IN SHIROKA – SUHAREKA**

The Industrial Park in Shiroka, Suhareka, was established in 2017 with an area of 162 hectares. According to the Municipality, there are currently 56 active businesses operating within the park, employing a total of 1668 employees.

The **activities** carried out by businesses in this business park include shoe manufacturing, facade production, soft drink processing, concrete elements production, vegetable processing and preservation, marble and granite processing, etc.

The rent paid by businesses within the Industrial Park in Shiroka is €500 per year per hectare.

Supporting links: <https://kiesa.rks-gov.net/page.aspx?id=1,95> & <https://kiesa.rks-gov.net/desk/inc/media/7A773E89-5E44-4C7C-9D41-157737E8C7D5.pdf>

#### **Funding method**

It is important to note that investments in basic physical infrastructure are primarily public, where according to the municipality, public investment, along with support from the Ministry is around 3 million euros, while private investments are approximately 70 million euros.

## **INDUSTRIAL PARK IN VUSHTRRI**

The Industrial Park in Vushtrri was established in 2018, with an area of 14.86 hectares. With investment from MIET, the infrastructure has been completed and is now ready to be utilized by businesses. The municipality has announced a call for businesses and aims to accommodate up to 23 of them.

Supporting links: <https://kiesa.rks-gov.net/page.aspx?id=1,178> & <https://kiesa.rks-gov.net/desk/inc/media/E0FE95E6-25AB-4E55-8494-09EA7A52DB40.pdf>

Currently, no business activities are taking place in the park.

### **Funding method**

It is important to note that investments in basic physical infrastructure are primarily public, where according to the municipality, public investment, along with support from the Ministry is around 1.4 million euros. There are currently no private investments, but the park is in the business accommodation stage.

## **INDUSTRIAL PARK IN RAHOVEC**

The Industrial Park in Rahovec was established in 2020, with an area of 34.89 hectares. With investment from MIET, the first phase of investment is almost completed, and plans to begin the second and final phase for its operation are underway. It is expected that accommodation of businesses within the park will start the upcoming year.

Supporting links: <https://kiesa.rks-gov.net/page.aspx?id=1,179> & <https://kiesa.rks-gov.net/desk/inc/media/49878E8D-3100-4AAE-A6D0-484E6FD822BE.pdf>

### **Funding method**

It is important to note that investments in basic physical infrastructure are primarily public. According to the municipality, public investment, along with support from the Ministry is around 1.5 million euros, with an additional 1 million in progress. There are currently no private investments due to incomplete infrastructure.

## **GENERAL PARK IN PODUJEVA**

The General Park in Podujeva was established in 2024, with an area of 29.80 hectares. With investment from MIET, the park is expected to be completed and operational by 2026. It is planned (designed) to accommodate around 50 businesses.

Supporting links: <https://kiesa.rks-gov.net/desk/inc/media/F4318FBE-B9CF-46EA-B332-FC340E61BF7C.pdf>



### Funding method

It is important to note that investments in basic physical infrastructure are primarily public. According to the municipality, public investment, along with support from the Ministry is around 3.8 million euros within three years, while private investments have not been made due to incomplete infrastructure.

## GENERAL PARK IN DRENAS

The General Park in Drenas 2 was established in 2024, with an area of 36.50 hectares. The project is currently in the process of finalizing procedures to start construction of infrastructure, which is expected to be completed within three years.

Supporting links: <https://kiesa.rks-gov.net/desk/inc/media/7BC1511D-2A42-48DF-8AFE-0C4062877B19.pdf>

### Funding method

It is important to note that investments in basic physical infrastructure are primarily public. According to the municipality and the Ministry around 9 million euros investments are planned within three years, while private investments have not been made due to incomplete infrastructure.

## 4. Activities carried out by businesses by sectors

In this study, we conducted interviews (surveys) with 120 out of 132 businesses located in economic zones. The purpose of this survey was to collect detailed information about their activities, the challenges they encounter, and opportunities for further development. The data collected will help us gain a better understanding of the current state of the economic zones and provide recommendations for their enhancement. Our goal through this analysis is to contribute to the sustainable and prosperous development of the industry in the country.

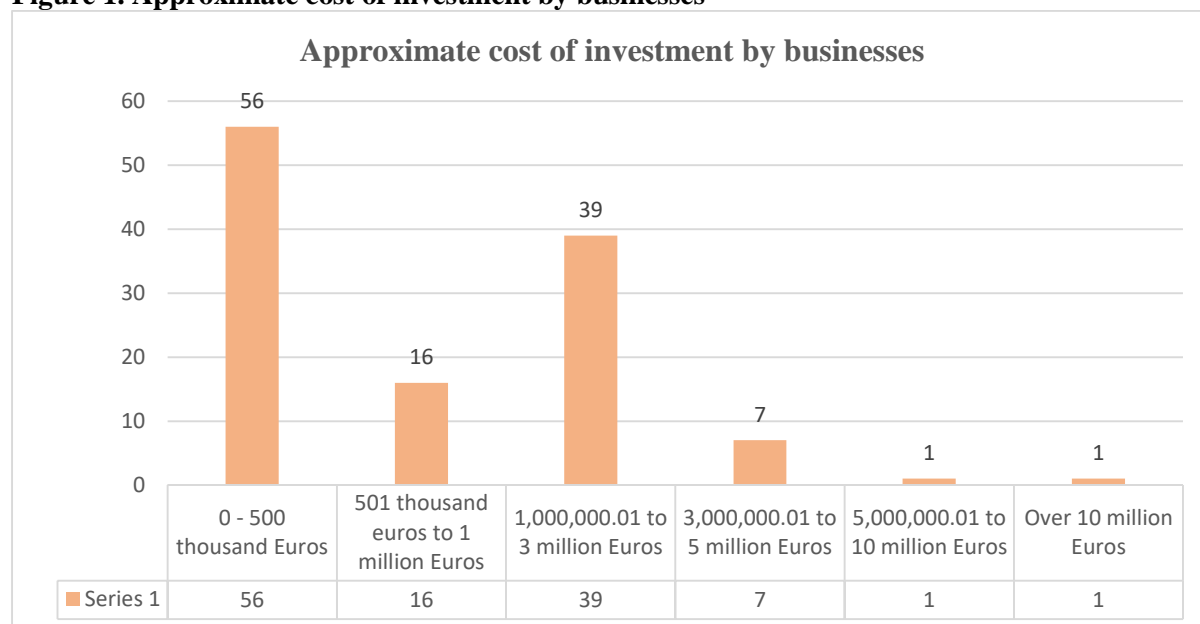
The table below shows the distribution of activities into four main categories: manufacturing and processing, trade, and services. Out of a total of 120 businesses interviewed, 80.83% belong to manufacturing and processing activities, making it the largest share of activities. Trade activities account for approximately 10% of the total, while service activities represent 9.17%.

**Table 1. Activities of businesses in Economic Zones**

Activity	Surveyed businesses	Percentage
Manufacturing and processing	97	80.83%
Trade	12	10%
Service	11	9.17%
<b>Total</b>	<b>120</b>	<b>100%</b>

Source: Data from research, calculations of authors

**Figure 1. Approximate cost of investment by businesses**



Source: Data from research, calculations of authors

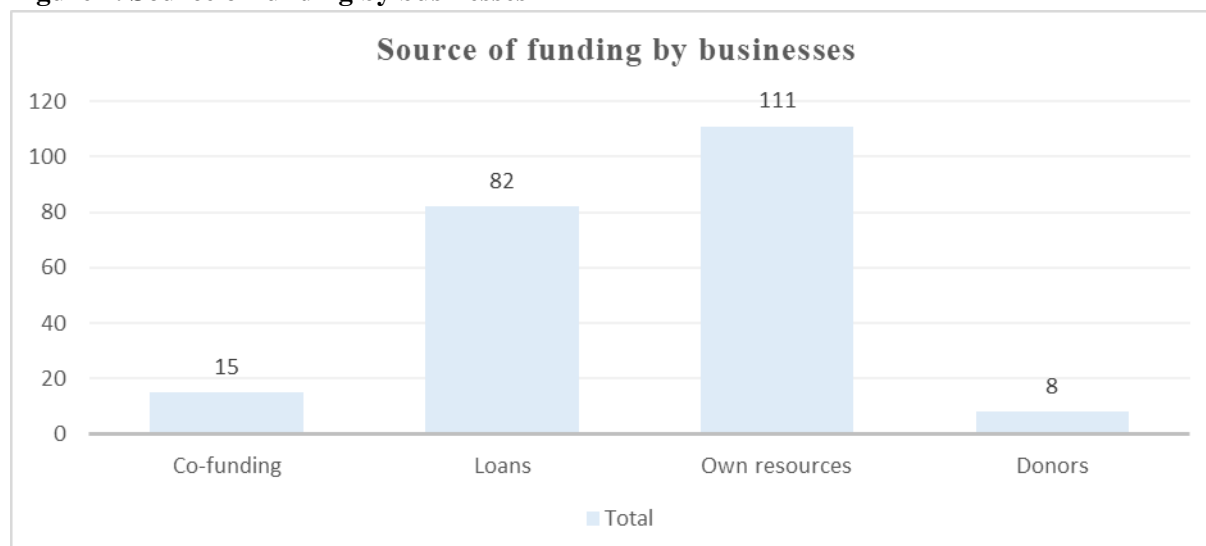
The figure above illustrates the distribution of approximate investment cost by businesses in several categories. Out of a total of 120 businesses interviewed (surveyed), 46.67% have invested up to 500 thousand euros, making it the largest group. Meanwhile, 32.50% of businesses have invested between 1 million and 3 million euros, placing them as the second largest group. Businesses that have invested between 501 thousand euros and 1 million euros account for 13.33% of the total. The remaining groups consist of 5.83% of businesses investing between 3 million and 5 million euros, 0.83% of businesses investing from 5 to 10 million euros, and another 0.83% investing over 10 million euros. This data indicates a high concentration of businesses with lower investments, while only a small number of businesses are making large investments.

**Table 2. Source of funding by businesses**

Sources of funding for the construction of business facilities by businesses	Number of responses from businesses	Percentage
Co-funding	15	6.94%
Loans	82	37.96%
Own resources	111	51.39%
Donors	8	3.70%
<b>Total</b>	<b>216</b>	<b>100%</b>

Source: Data from research, calculations of authors

**Figure 2. Source of funding by businesses**



Source: Data from research, calculations of authors

Figure 2 illustrates the sources of funding used by businesses for the construction of commercial facilities. Out of a total of 216 responses, there were some cases of duplicate responses, meaning that some businesses provided two or more answers. Therefore, the majority of businesses reported using their own funds, representing 51.39% of the responses. Loans were used by 37.96% of businesses, showing a significant dependency on funding through borrowing. Co-funding was chosen by 6.94% of businesses, while donors contributed in 3.70% of cases. Since a business could choose more than one option, these percentages reflect the different combinations of funding sources that businesses have used to cover construction costs.

Based on research, it has been observed that the size of economic zones varies considerably, ranging from the smallest one with an area of 3.5 hectares in the Business Park in Mitrovica to the largest one with an area of 162 hectares in the Industrial Park in Shiroka, Suhareka. The performance of economic zones in Kosovo in terms of attracting investors and creating jobs has been moderate so far. Currently, the functional zones have around 132 businesses with 3,063 employees declared by the businesses. According to interviews (surveys) conducted as part of on-site visits in August 2024, foreign investors play a minor role, which may be a result of limited promotion of economic zones. For example, in the Business Park in Drenas, only 6 out of 40 companies have foreign investors involved. In the Industrial Park in Shiroka, Suhareka, only 2 out of 56 companies have foreign investors involved, and in the Technological Park in Shtime, only 1 out of 11 businesses have foreign investors involved. The majority of companies in economic zones are local SMEs.

**Table 3. Selected Indicators for Economic Zones in Kosovo**

Economic zone	Establishment year	Area (ha)	Infrastructure	Active companies	Employees	Public Investments	Private Investments
Drenas Business Park	2010	24	Finalized	40	782	10,000,000	50,000,000
Mitrovica Business Park	2012	3.5	Finalized	22	397	200,000	17,000,000
Shtime Technology Park	2013	10.7	Finalized	11	206	1,000,000	10,000,000
Frasher-Mitrovica Industrial Park	2014	48	Early stage – in the investment stage	3	10	500,000	1,000,000
Suhareka Agro-Industrial Zone	2015	28	Early stage	-	-	300,000	-
Lipjan Industrial Park	2016	56	Partially developed – in the investment stage	-	-	1,500,000	-
Shiroka, Suhareka Industrial Park	2017	162	Finalized	56	1668	3,000,000	70,000,000
Vitia Industrial Park	2017	15.5	Finalized – in the process of business accommodation	-	-	1,700,000	-
Vushtrri Industrial Park	2018	14.8	Finalized – in the process of business accommodation	-	-	1,400,000	-
Rahovec Industrial Park	2020	35	Partially developed – in the investment stage	-	-	1,500,000	-
Podujevo General Park	2024	30	In the early investment stage	-	-	3,800,000	-
Drenas General Park	2024	36.50	In the early investment stage	-	-	9,000,000	-

Source: KIESA, surveys with municipalities

## 5. Defining Current Economic Zones on a Global Level

The forms of economic zones are the result of several factors, including:

- (1) The need to differentiate between types of zones that show genuine differences in form and purpose,
- (2) Differences in economic terminology among countries,
- (3) The desire to differentiate their product from that of competitors.

Definitions of economic zones vary from country to country and are constantly evolving towards the contemporary economic development. Any efforts towards developing economic zones should be comprehensive enough to encompass the past, present and the future zones.

In literature, there are various concepts of definitions of economic zones, using different terms but with the same meaning of economic zone. Depending on the political context of a country, there may be variations in the terminology used to describe the type of zone.

Despite differences in nomenclature, each economic zone functions to boost trade within its specific region, by offering special trade incentives to attract foreign investment to both the region and the country. Therefore, we will further analyze some of the most common types or categories of economic zones that operate worldwide.

### Special economic zones

They are generally classified as areas that promote trade growth, structured through beneficial and reduced tax schemes and oversight from customs. Within this broad framework, various nuances have emerged to accommodate specialized industries, working conditions, country infrastructure, government oversight, etc.

### Free Trade Zones

One of the most widespread types of special economic zones is a Free Trade Zone (FTZ). An FTZ is a designated area, typically enclosed geographically, with different tax regimes, warehousing, distribution, trade and import/export operations in a reduced regulatory environment. This generally involves stricter customs controls, but offers more benefits (incentives). These zones primarily concentrate on tangible international trade operations.

### Export Processing Zones

Export Processing Zones (EPZs) are industrial estates primarily dedicated to foreign markets. In these zones, foreign manufacturers enjoy the privilege of importing semi-finished goods, tax breaks, use of infrastructure, and exemption from various rules and laws applied in the rest of the country. The zones are particularly attractive for labor-intensive industries such as clothing and footwear, electronic component assembly, etc. As a result, a skilled workforce is required in the EPZs field. These zones are typically hybrid and usually have a sub-division into a general open area for all industries and a section reserved for export-oriented registered enterprises, where developing countries often use these zones to stimulate exports.

The main concept of Export Processing Zones (EPZs) was conceived in the early 1970s to promote the growth of the sickening export business in India. EPZs in India were established to help the growth of Indian export commodities, especially from fast-growing sectors. Various countries such as Malaysia, Mauritius and Singapore have actually managed to develop a wide range of local export industries based on the development and investment in these types of zones. The different incentives and low entry costs attract manufacturing and processing industries to invest in the zones, they also tend to be able or willing to invest in new skills, technology or productivity improvements.

### **Special Economic Zones (SEZs)**

Special Economic Zones (SEZs) are defined as geographical areas governed by a supervisory management body that offer special trade conditions and incentives for companies that choose to be physically located within them. Despite differences in nomenclature, each economic zone functions to boost trade within its specific region by offering special trade incentives to attract local and foreign investment.

These zones are typically established to meet fiscal, social, and infrastructure policies. The fiscal objective is to facilitate economic growth by implementing lower and more efficient tariff rates and customs controls.

Specialized zones have been established to promote the development of highly technical products and unique services within an industry. Many of these zones focus on the production and advancement of science and technology.

“Dubai Internet City” is a specialized zone that focuses exclusively on software development and internet-based services.

“Labuan” Offshore Financial Center in Malaysia is another example of a specialized zone for the development of financial services.

### **Characteristics of Successful Special Economic Zones**

Despite the large number of special economic zones (SEZs) around the world, they are mainly concentrated in a few countries. China has been the most successful in implementing SEZs and has been the most profitable in their operation. The majority of SEZs in China are large and specialized in a narrow range of products or services that are most conducive to a manufacturing environment.

### **Incentives in Special Economic Zones (SEZs)**

The purpose of an SEZ is to provide global corporations with an incentive to invest in the development and infrastructure of a foreign country by offering a more favorable tax environment. The reduction of taxes for companies established in these zones will have a direct positive benefit on their revenues.

### **Public-Private Partnership in SEZs**

Initially, Special Economic Zones (SEZs) were government-sponsored projects, respectively projects aimed at promoting investments in general and foreign investments in particular.

### **Challenges of Special Economic Zones (SEZs)**

The development of SEZs has not been without significant costs. One of the factors that has contributed to the success of investors in certain SEZs is their exemption from specific taxes, security measures, oversight, and environmental regulations.

### **Benefits of Special Economic Zones (SEZs)**

While the development of SEZs may present challenges to host countries, they also offer valuable benefits. As mentioned earlier, the main advantage (benefit) of a Special Economic Zone (SEZ) is to facilitate the expansion of the country's industrial base through foreign industries.

### **Free Economic Zones (FEZs)**

The precursor to Free Economic Zones was Duty-Free Ports, which were established in major European cities with the aim of ensuring the fastest and most efficient circulation of goods. In Duty-Free Ports, goods were deposited without customs formalities and were imported and exported.

The first duty-free port was established in 1189, when the Holy Roman Emperor Frederick I issued a decree freeing the city of Hamburg from customs duties, mainly for the storage of goods intended for import into Germany. In Germany, the circulation and storage of goods were exempt from customs duties and formalities, with customs only being paid when the goods were placed in the German market. During the Middle Ages, a series of free ports were opened, such as those in Bruges, Antwerp, Amsterdam, Marseille, London, Genoa, etc.

The development of free zones marked significant growth in the 1980s. For instance, in 1982, there were over 350 free zones worldwide, with two-thirds of them located in developing countries and employing at least 6 million workers.

### **Free Zone (Port) of Trieste**

The Free Zone of Trieste was established in 1928 with the main goal of maximizing the use of storage capacities, communication and transportation by directing goods through this Free Zone. This zone has a highly favorable geographical position and is located in the middle of Europe.



The ability to attract and nurture new economic initiatives is closely tied to the coexistence of environmental, cultural, social, institutional and financial conditions. These are a set of distinctive factors that enable its current resources to increase competitiveness.

### **Free Trade Zones**

A trade zone is a designated area for business activities, without a residential population. A Free Trade Zone (FTZ), also known as a Foreign Trade Zone, can be defined as an intensive manufacturing center that involves importing raw materials and exporting products. It is surrounded by duty-free areas that offer warehousing-storage, preservation, and facilities for commercial distribution, transit trade, and re-export services. The main goal of an FTZ is to reduce or eliminate trade barriers, bureaucratic requirements, and complex customs regulations in the hope of attracting new businesses (entrepreneurs) and foreign investors. The world's first FTZ was established in Shannon, Co Clare, Ireland<sup>1</sup>. This was an effort by the Irish Government aimed at promoting employment in a rural area and has been highly successful, still operating today.

### **Development and Evaluation of Economic Zones at a Global Level**

The economic performance and impact of economic zone programs in developing countries have been evaluated in numerous studies. However, most of these studies have concentrated on zones that are developed and led by the government, largely neglecting the economic impact of private zone development.

Economic zones are viewed as highly effective tools for job creation, especially for women joining the workforce. Data indicates that these zones are a more significant source of employment in smaller countries with populations of less than 5 million (such as Mauritius, Seychelles, and Jamaica), compared to larger countries.

Economic zones also contribute to the development of exports, not only by accelerating export growth, but also by diversifying exports. This is particularly important for less developed countries that rely on the export of primary products. Additionally, zones can play a significant role in attracting foreign direct investment by offering modern, world-class infrastructure and best practice policies.

The goal of developing supply growth and other connections through the use of free zones is important because it encourages local companies to sell goods and services to enterprises located in the zone.

Achieving an appropriate budgetary balance may be uncertain for countries where the zone is located, as the difference between profits and losses can be significant.

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<sup>1</sup> Shannon Free Zone, Ireland [www.shannonireland.com](http://www.shannonireland.com)

There are ongoing concerns about working conditions and social protection, including women's rights, in certain countries. However, wages and working conditions tend to be better within economic zones than outside of them.

When assessing environmental impact, it is important to distinguish between Economic Zones (EZs) for individual factories and industrial zones in the form of parks. It is much more difficult for governments to adequately enforce environmental laws and standards for EZs or individual factories, as they are widely scattered throughout the country.

World Economic Zones is a global developer and operator of economic, technological, logistics and industrial parks within the Dubai World Group. The company aims to establish a robust network of infrastructure platforms for these zones and parks worldwide with the objective of supporting the dynamic expansion of its rapidly growing international customer base.

## **6. Economic zones in different countries around the world**

### **China**

The first economic zone, and also the most famous in the world, is Shenzhen. It was established by the People's Republic of China in the early 1980s. This zone transformed from a small village into a city with a population of 10 million within 20 years, all thanks to the establishment of the economic zone. As a result of the establishment of the economic zone, Shenzhen is now one of the wealthiest cities in China, serving as a major center (hub) of manufacturing and home to some of China's most successful high-tech companies.

The State Council of China has approved the expansion of Shenzhen into a Special Economic Zone (SEZ) in order to further accelerate its development. The city's legislature is thriving in southern China.

### **Bulgaria**

The development of industrial zones is a crucial factor in attracting new manufacturing enterprises. The Bulgarian government is actively promoting investments in “Green Fields” to attract new investors by offering incentives primarily under the Investment Promotion Act.

A prime example of a successful public-private partnership is the Rakovski Industrial Zone, situated near the city of Plovdiv. Experts believe that the Rakovski Industrial Zone, which started development in mid-2004, has already garnered significant interest and has the potential to become the number one zone in Bulgaria.

### **Macedonia**

Economists predict that the majority of the industrial production in the coming years will take place in free economic zones, which will help boost the economy. By creating jobs and increasing exports, these zones will contribute to the growth of domestic wealth and help prevent the brain drain in Macedonia.

For Southeast Europe, which has around 10 special tax zones spread across Macedonia, Albania and Serbia, this development signifies increased regional stability. The establishment of economic zones in countries like Macedonia, Albania, and Serbia will have significant benefits, not only economically but also politically. These zones have generated numerous new job opportunities in the country, stimulated growth in the construction sector, and are expected to contribute to overall positive trends in the future.

Currently, Macedonia has four technical industrial zones: Zone 1 (Bunardzhik) and TIRZ 2 in Skopje, as well as one each in Shtip and Tetovo.

Investors in free zones are not required to pay VAT and are exempt from income tax and personal income tax for ten years after establishment. Foreign investors in the zones are also exempt from paying 5 to 20% of customs duties for importing goods, raw materials, and equipment.

The total value of goods and services produced in the free zones in Macedonia last year increased by 29.13% compared to the previous year, reaching 1.3 million euros.

Currently, 1.150 people are employed in the factories of the four zones, but this number is expected to increase to 3.500 employees in the next four years.

According to the Macedonian Directorate for Technological and Industrial Development Zones, the plan is to open seven additional free economic zones in Prilep, Gevgelija, Strumica, Kicevo, Rankovce, Struga and Radovish. These zones will contribute to future economic growth in the country. They will bring new technologies and modify the export structure, as well as the countries to which they export.

## **Montenegro**

Montenegro adopted the Law on the Creation or Establishment of Free Trade Economic Zones in 2004. This law allows for the free movement of goods, capital, and labour in free trade zones and offers several benefits for investors, including exemptions from taxes, customs duties, and other duties. Goods and services entering the free trade zones are also exempt from VAT. Currently, there is only one free trade zone established by the state within the Port of Tivat, which is part of the country's customs territory. The zone's territory includes the entire area of the Port of Tivat with the possibility of territorial expansion towards border areas.<sup>2</sup>

## **Albania**

In Albania, the history of economic zones began with efforts to draft the relevant legal framework. The initiative for the development of Economic Zones is reflected in the Law on Economic Zones and its legal concept in the Law on Concessions. The basic legal framework, the Law on Concessions, as well as the Law on Economic Zones, incorporates the best

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<sup>2</sup> [http://www.rciproject.com/other6\\_files/SEEINV~B.PDF](http://www.rciproject.com/other6_files/SEEINV~B.PDF)

procedural practices in the development of this initiative, fully compliant with European legislation on state aid regarding the treatment of Free Economic Zones.

Currently, there are 7 economic zones declared in Albania. The first economic zone was declared in Koplik, Shkodër, with the status of an “Industrial Park, as declared by Decision of the Council of Ministers VKM No. 12, dated 4.01.2008. The zone covers an area of 61 hectares and is state-owned. The activities carried out include manufacturing, industrial, agro-processing, trade activities, export-import, and auxiliary services. Additionally, we have the following zones:

An Economic Zone with the status of an “Industrial Park” in Shëngjin, Lezhë, declared by Council of Ministers VKM No. 11, dated 4.01.2008. The zone covers an area of 3.2 hectares and is state-owned. The activities carried out include manufacturing, industrial, agro-processing, trade activities, export-import, and auxiliary services.

An economic Zone with the status of an “Industrial Park” in Spitallë, Durrës, declared by Council of Ministers VKM No. 391, dated 21.02.2008. The Industrial Park zone covers 850 hectares and is under both state and private ownership. The activities carried out include manufacturing, industrial, agro-processing, trade activities, and services.

An Economic Zone with the status of an “Industrial Park” in Vlorë, declared by Council of Ministers VKM No. 774, dated 04.06.2008. The zone covers an area of 125 hectares and is state-owned. The activities carried out include manufacturing, industrial, commercial activities, import-export, services, etc.

**The legal framework defines the following:**

1. An “Economic Zone” is a territory with a special economic status, which can be either a free zone or an industrial park, as defined below.
2. A “Free Zone” is a designated area of land, buildings and other immovable property, used for production, trade and service activities, and considered part of the customs territory of the Republic of Albania, but is separated from this territory in terms of fiscal and customs regime, and regulated in accordance with the provisions of this law.
3. An “Industrial Park” is a designated territory, in accordance with a general plan, equipped with the necessary infrastructure, such as roads, transport and public services, with or without pre-built industrial buildings, and intended for industrial development.
4. A “Developer” is any legal person, licensed, domestic or foreign, who constructs, administers, and monitors the functioning of the economic zone, in accordance with the provisions of this law.
5. An “Operator” is any legal person, domestic or foreign, who operates within the boundaries of the economic zone in the capacity of a manager, through a contractual relationship established between them and the developer, a relationship that is not subject to this law.

## **7. Evaluation of the current and potential investment sectors within Industrial Parks, with an emphasis on their competitive advantages**

Kosovo has developed a range of sectors within its industrial parks, such as pharmaceutical production, metalworking, and plastic recycling. These sectors are supported by advanced infrastructure and significant public investments.

The competitive advantages include low rents and strong public support, making it an attractive environment for investors. Potential investment sectors include information and communication technology, biotechnology, and renewable energy. The growth prospects in these sectors are promising due to ongoing infrastructure development, investment promotion, and collaboration with research institutions. These factors form the foundation for sustainable economic growth and attracting new investments.

## **8. Analysis and evaluation of the labor force, including its impact on production growth, employment by qualification, gender and age**

The publication: “Education Statistics in Kosovo 2022-2023” is the result of collaboration between the Ministry of Education, Science, Technology and Innovation (MESTI) and the Kosovo Agency of Statistics (KAS). The data source for pre-university education is the Education Information Management System (EIMS). This publication does not include statistical data from the Serbian community, with the exception of data from the municipality of Kamenica, which is reported to the EMIS. Data on public and private university education were provided by KAS.

The publication "Education Statistics in Kosovo 2022-2023" is also available on the MESTI website: <http://masht.rks-gov.net/> and on the ASK website: <http://ask.rks-gov.net>

The “Education Statistics in Kosovo 2022-2023” includes data on the following:

- the number of children in preschool and pre-primary education by gender, nationality, age groups, and educational staff at this level;
- the number of students in primary and lower secondary education by gender, nationality, grades, and staff personnel at this level;
- the number of students in upper secondary education by gender, nationality, vocational schools/gymnasiums, and educational staff at this level;
- the number of children/students with special needs by gender, grades, and type of impairment-disability;
- the number of students in higher education by gender, nationality, faculties/study programs, level of study (bachelor and master), number of graduates at bachelor and master levels, academic staff, etc.

### **Number of students in primary and lower secondary education**

Primary education and lower secondary education include levels 1 and 2 of the International Standard Classification of Education (ISCED), specifically grades 1-9, and are considered compulsory education.

**Table 4. Number of students in primary and lower secondary education**

<b>Municipality</b>	<b>Men</b>	<b>Women</b>	<b>Total</b>
Deçan	1,858	1,729	3,587
Dragash	1,289	1,176	2,465
Ferizaj	7,561	7,477	15,038
Fushë Kosova	4,282	4,052	8,334
Gjakova	5,427	5,060	10,487
Gjilan	5,144	5,044	10,188
Glllogoc	4,005	3,735	7,740
Hani i Elezit	673	607	1,280
Istog	2,294	2,212	4,506
Junik	238	201	439
Kaçanik	2,185	1,994	4,179
Kamenica	1,259	1,199	2,458
Klina	2,448	2,407	4,855
Leposaviq	12	4	16
Lipjan	4,319	3,925	8,244
Malisheva	3,891	3,577	7,468
Mamusha	352	325	677
Mitrovica	5,042	4,800	9,842
Novobërda	244	243	487
Obiliq	1,471	1,405	2,876
Pejë	5,861	5,618	11,479
Podujeva	5,471	5,264	10,735
Prishtina	14,919	14,428	29,347
Prizren	10,090	9,396	19,486
Rahovec	3,069	2,926	5,995
Shtërpçë	168	160	328
Shtime	1,892	1,704	3,596
Skenderaj	3,053	2,801	5,854
Suhareka	3,470	3,040	6,510
Vitia	2,600	2,519	5,119
Vushtrri	4,747	4,352	9,099
Zubin Potok	45	40	85
Zveçan	37	34	71
Klllokot	46	51	97
<b>Total</b>	<b>109,462</b>	<b>103,505</b>	<b>212,967</b>

Source KAS: <https://askapi.rks-gov.net/Custom/ce374238-1ad6-4665-a295-27b8e9edcaea.pdf>

**Table 5. Number of students in vocational schools and gymnasiums (high schools)**

Municipality	Vocational School			Gymnasiums			Total		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
Deçan	267	132	<b>399</b>	252	331	<b>583</b>	519	463	<b>982</b>
Dragash	144	169	<b>313</b>	62	62	<b>124</b>	206	231	<b>437</b>
Ferizaj	1,484	1,535	<b>3,019</b>	1,231	1,265	<b>2,496</b>	2,715	2,800	<b>5,515</b>
Fushë Kosova	412	277	<b>689</b>	274	412	<b>686</b>	686	689	<b>1,375</b>
Gjakova	1,131	1,007	<b>2,138</b>	615	643	<b>1,258</b>	1,746	1,650	<b>3,396</b>
Gjilan	1,076	1,158	<b>2,234</b>	827	861	<b>1,688</b>	1,903	2,019	<b>3,922</b>
Glllogoc	816	583	<b>1,399</b>	303	529	<b>832</b>	1,119	1,112	<b>2,231</b>
Hani i Elezit	-	-	-	122	143	<b>265</b>	122	143	<b>265</b>
Istog	410	155	<b>565</b>	293	411	<b>704</b>	703	566	<b>1,269</b>
Junik	0	-	-	86	82	<b>168</b>	86	82	<b>168</b>
Kaçanik	313	93	<b>406</b>	224	349	<b>573</b>	537	442	<b>979</b>
Kamenica	226	93	<b>319</b>	165	230	<b>395</b>	391	323	<b>714</b>
Klina	421	251	<b>672</b>	250	362	<b>612</b>	671	613	<b>1,284</b>
Leposaviq	-	-	-	-	-	-	-	-	-
Lipjan	601	245	<b>846</b>	592	857	<b>1,449</b>	1,193	1,102	<b>2,295</b>
Malisheva	470	323	<b>793</b>	443	757	<b>1,200</b>	913	1,080	<b>1,993</b>
Mamusha	-	-	-	67	61	<b>128</b>	67	61	<b>128</b>
Mitrovica	1,188	1,229	<b>2,417</b>	426	625	<b>1,051</b>	1,614	1,854	<b>3,468</b>
Novobërda	20	30	<b>50</b>	-	-	-	20	30	<b>50</b>
Obiliq	256	83	<b>339</b>	91	198	<b>289</b>	347	281	<b>628</b>
Peja	1,230	867	<b>2,097</b>	642	872	<b>1,514</b>	1,872	1,739	<b>3,611</b>
Podujeva	1,187	753	<b>1,940</b>	513	907	<b>1,420</b>	1,700	1,660	<b>3,360</b>
Prishtina	2,552	1,725	<b>4,277</b>	1,895	2,946	<b>4,841</b>	4,447	4,671	<b>9,118</b>
Prizren	2,089	1,641	<b>3,730</b>	816	1,279	<b>2,095</b>	2,905	2,920	<b>5,825</b>
Rahovec	224	167	<b>391</b>	488	441	<b>929</b>	712	608	<b>1,320</b>
Shtërpce	8	1	<b>9</b>	48	41	<b>89</b>	56	42	<b>98</b>
Shtime	251	141	<b>392</b>	277	295	<b>572</b>	528	436	<b>964</b>
Skenderaj	774	535	<b>1,309</b>	225	371	<b>596</b>	999	906	<b>1,905</b>
Suhareka	702	477	<b>1,179</b>	297	464	<b>761</b>	999	941	<b>1,940</b>
Vitia	332	130	<b>462</b>	383	557	<b>940</b>	715	687	<b>1,402</b>
Vushtrri	1,038	584	<b>1,622</b>	270	495	<b>765</b>	1,308	1,079	<b>2,387</b>
Zubin Potok	-	-	-	-	-	-	-	-	-
Zveçan	-	-	-	-	-	-	-	-	-
Klllokot	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>19,622</b>	<b>14,384</b>	<b>34,006</b>	<b>12,177</b>	<b>16,846</b>	<b>29,023</b>	<b>31,799</b>	<b>31,230</b>	<b>63,029</b>

Source KAS: <https://askapi.rks-gov.net/Custom/ce374238-1ad6-4665-a295-27b8e9edcaea.pdf>



The highest number of students who registered for the first time in higher education at the Bachelor level has been recorded in the fields of “Business, Administration, and Law” with a total of 4,268 students or 25.0% of the total number of students. Conversely, the lowest number of students have been registered in the fields of “Agriculture, Forestry, Fishing, and Veterinary” with a total of 365 students or 2.1%. Additionally, there is a small number of students who have chosen to study in the field of “Education” with a total of 390 or 2.3%.

**Table 6. Field of Study**

Field of Study	Women	Men	Total
Education	366	24	390
Arts and Humanities	1469	616	2085
Social Sciences, Journalism, and Information	1450	335	1785
Business, Administration, and Law	2283	1985	4268
Natural Sciences, Mathematics, and Statistics	345	164	509
Information and Communication Technology (ICT)	871	1830	2701
Engineering, Manufacturing, and Construction	903	1068	1971
Agriculture, Forestry, Fishing, and Veterinary	230	135	365
Health and Welfare	1844	618	2462
Services	178	338	516
<b>Total</b>	<b>9939</b>	<b>7113</b>	<b>17052</b>

Source KAS: <https://askapi.rks-gov.net/Custom/6c832db1-dbad-452d-a347-2ccfb224f823.pdf>

### **Research conducted through surveys with 120 active businesses in economic zones in Kosovo**

The following section of this study presents data from surveys conducted with 120 out of 132 active businesses in economic zones in Kosovo. The surveys were conducted using a questionnaire that mainly consisted of demographic questions about the businesses, as well as other questions aimed at extracting detailed information about their current state, number of employees, type of investment, etc. The data gathered from the questionnaires is also included in this study.

#### **a. Workforce data analysis in Industrial Parks in Kosovo**

We conducted a survey of 120 out of 132 businesses located in industrial parks. Based on the responses from the 120 active businesses interviewed (surveyed) in industrial parks in Kosovo, we have compiled a detailed analysis of their workforce. This analysis includes information on the break down of employees by number, gender representation, age, and qualifications.

### b. Number of employees in economic zones

The total number of employees in the industrial parks based on a survey of 120 active businesses, is 3,063. The breakdown of businesses by number of employees is as follows:

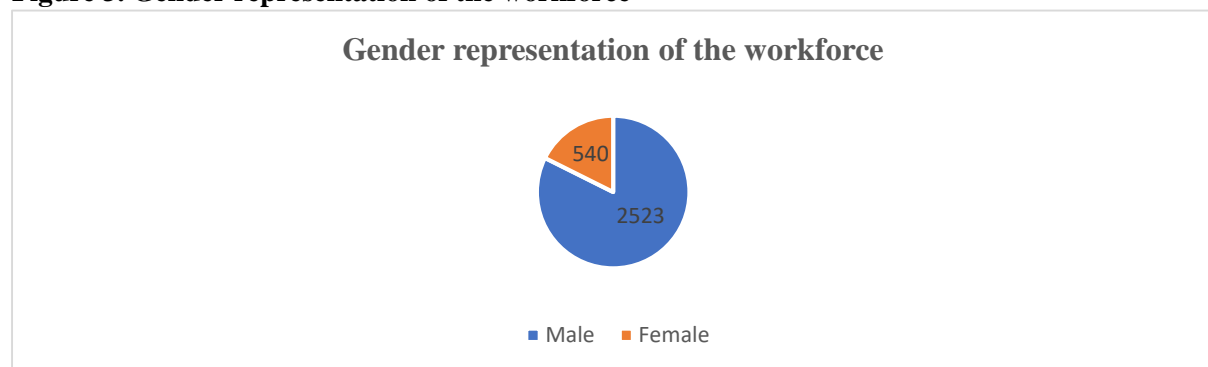
- **1 – 9 employees:** 36 businesses (30%)
- **10 – 49 employees:** 72 businesses (60%)
- **50 – 249 employees:** 11 businesses (9.17%)
- **250+ employees:** 1 business (0.83%)

**Table 7. Gender representation**

<b>4. What is the gender representation of the workforce in the economic zones within your municipality?</b>	<b>Number of employees</b>	<b>Percentage</b>
Women	540	18%
Men	2523	82%
<b>Total</b>	<b>3063</b>	<b>100%</b>

Source: Data from research, calculations of authors

**Figure 3. Gender representation of the workforce**



Source: Data from research, calculations of authors

In terms of gender representation, the data shows a high percentage of men in the workforce (approximately 82%), indicating a noticeable gender disparity in Industrial Parks. This inequality may reflect social and cultural challenges that hinder the integration of women into the labor market.

### c. Age of the workforce

The break down of employees by age is as follows:

**Table 8. Age of the workforce**

<b>5. Age of the workforce in the economic zones within your municipality?</b>	<b>Number of employees</b>	<b>Percentage</b>
Young people 18-30 years old	910	29.71%
Middle age 31-50 years old	1796	58.64%
Over 50 years old	357	11.66%
<b>Total</b>	<b>3063</b>	<b>100%</b>

The majority of the workforce (around 59%) falls within the middle age range of 31-50 years old, which is a positive indicator of stability and experience in the workforce. However, the significant presence of young people (around 30%) shows good potential for further workforce development.

#### **d. Employee Qualifications**

The qualifications of employees are broken down into the following categories:

- **Employees with higher education:** 858 employees (28,01%)
- **Employees with secondary education:** 1.819 employees (59.39%)
- **Employees without formal education:** 386 employees (12.60%)

This data indicates that the majority of the workforce possesses a secondary level of education (59.39%), which is common in many industrial zones. The percentage of employees with higher education (28.01%) is also notable, suggesting the presence of experts and professionals in the economic zones. A small portion of employees (12.60%) lack formal education, highlighting a potential need for skills training and development programs.

### **9. Analysis and evaluation of the socio-economic benefits and challenges faced by the communities in and around the region**

The economic zones in Kosovo have brought numerous socio-economic benefits to the communities in and around the region. One of the major advantages is the creation of new job opportunities, which contributes to reducing unemployment rates and enhancing living standards. Economic growth in these zones has also resulted in increased income for local communities, allowing for improvements in local infrastructure and public services. Furthermore, the economic zones have played a role in diversifying the local economy and creating opportunities for collaboration between businesses and educational institutions, promoting skills development and vocational training. Economic diversification in the municipalities where Industrial and Technological Parks have been constructed has significantly evolved. Previously, these municipalities' economies were mainly based on agriculture and small-scale industries, with limited opportunities for the development of other sectors. For example, the Municipality of Drenas was known for its limited industrial activities, but after the establishment of the Business Park, the participation of processing and manufacturing industries increased. In Mitrovica, the economy was primarily focused on mining and industries related to natural resources. Today, the Business Park has helped develop new sectors, such as the production of construction materials and metal processing. Meanwhile, in Suhareka, the area was mainly focused on agriculture, but after the construction of the Industrial Park, food processing and textile manufacturing industries have emerged, creating new opportunities for residents and businesses.

However, there are also significant socio-economic challenges that communities around face. The environmental impact of industrial development, such as air and water pollution, as well

as land degradation, can be concerning. Additionally, integrating the local workforce into economic zones can be challenging due to the lack of specific skills required by new industries. There is also a risk of economic inequality for businesses located in economic zones compared to those outside the zones, where economic benefits may not be distributed equally among businesses. Other challenges include pressures on existing infrastructure and public services due to rapid economic growth and population migration towards urban areas.

In summary, while economic zones in Kosovo have great potential to improve the socio-economic life of communities around, it is essential to address environmental and social challenges to ensure sustainable and fair development.

The Kosovo Agency of Statistics (KAS) has prepared the publication “Statistical Directory on Enterprises in Kosovo March 2024”, which includes statistical data on businesses registered with the Kosovo Business Registration Agency (KBRA). The Statistical Business Register (SBR) is part of KAS and contains basic information on all businesses operating in the economic territory of the Republic of Kosovo. It serves for business demography statistics and analysis, sample preparation, and preparing results at the national level for all business surveys conducted.

## **Definitions**

The Nomenclature of Economic Activities (NACE) is a four-digit classification of economic activities carried out by various entities. This nomenclature is a translation and adaptation of the European Community’s Nomenclature of Economic Activities (NACE Rev.2. in English). The use of this nomenclature became mandatory as of September 1, 2014 in all institutions of the Republic of Kosovo, and is based on Regulation No. 11/2013 approved by the Government of the Republic of Kosovo. The structure of economic activities in NACE Rev. 2 consists of 21 sections which are presented below and each named with letters from A to U.

- A Agriculture, forestry, and fishing
- B Mining and Quarrying
- C Manufacturing
- D Electricity, gas, steam and air conditioning supply
- E Water supply, sewerage, waste management and remediation activities
- F Construction
- G Wholesale and retail trade; repair of motor vehicles and motorcycles
- H Transportation and storage
- I Accommodation and food service activities
- J Information and communication
- K Financial and insurance activities
- L Real estate activities
- M Professional, scientific and technical activities
- N Administrative and support service activities
- O Public administration and defence; compulsory social security
- P Education
- Q Human health and social work activities

- R Arts, entertainment and recreation
- S Other service activities
- T Activities of households as employers
- U Activities of extraterritorial organisations and bodies.

According to the new nomenclature NACE Rev. 2, there are a total of 615 classes of economic activities identified by four-digit numerical codes ranging from 0111 to 990.

**Table 9. Number of registered enterprises by months and sections of economic activities**

		Agriculture, forestry, and fishing	Mining and Quarrying	Manufacturing	Electricity, gas, steam and air conditioning supply	Water supply, sewerage, waste management	Construction	Wholesale and retail trade; repair of motor vehicles and motorcycles	Transportation and storage	Accommodation and food service activities	Information and communication	Financial and insurance activities	Real estate activities	Professional, scientific and technical activities	Administrative and support service activities	Public administration and defence; compulsory social security	Education	Human health and social work activities	Arts, entertainment and recreation	Other service activities
Month	Total	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q	R	S
2023 January	876	27	1	112	16	2	93	220	28	62	54	5	8	91	50	1	14	22	20	50
2023 February	1043	117	1	114	9	2	102	228	27	103	61	7	12	105	53		10	33	14	45
2023 March	1166	39	2	130	14	4	128	311	25	107	56	12	17	112	65	1	20	23	27	73
2023 April	725	30	1	75	5	2	83	207	14	68	32	10	17	60	53		8	12	12	36
2023 May	1024	22	3	99	13	1	105	247	21	98	61	13	25	115	76	1	16	31	24	53
2023 June	909	30	2	111	7	4	96	210	25	92	45	10	12	87	82	1	2	21	15	57
2023 July	996	31	2	84	7	4	90	222	23	111	67	8	12	95	77		17	31	35	80
2023 August	939	17	3	93	7	6	85	187	18	85	64	8	20	120	61	1	13	24	27	100
2023 September	910	18	1	95	6	3	100	203	20	92	47	3	17	118	49	2	14	23	10	89
2023 October	1090	18	4	85	7	4	109	262	28	118	87	11	14	120	83	3	17	38	11	71
2023 November	924	30	3	93	8	3	91	241	19	66	59	9	24	94	75	3	10	26	12	58
2023 December	807	16	2	75	7	3	83	213	29	61	54	5	17	93	61	3	16	17	15	37
<b>2023 Total</b>	<b>11,409</b>	395	25	1,166	106	38	1,165	2,751	277	1,063	687	101	195	1,210	785	16	157	301	222	749
2024 January	<b>998</b>	15	1	109	-	2	132	273	30	73	76	11	16	116	64	-	13	26	9	32
2024 February	<b>1,029</b>	19	4	114	8	4	102	276	41	85	61	11	17	113	72	1	7	25	23	46
2024 March	<b>1,222</b>	119	3	139	10	4	130	300	48	88	77	11	10	104	57	4	8	30	29	51

Source KAS, Link: <https://askapi.rks-gov.net/Custom/e42e02cf-b149-441b-93a3-2824a2f62f40.pdf>

**Table 10. Number of SMEs registered in 2023**

Number of SMEs registered in 2023				
	Q4 2023	Q3 2023	Q2 2023	Q1 2023
Micro enterprises 1 - 9	2787	2834	2624	3057
Small enterprises 10 – 49	33	18	31	28
Medium enterprises 50 – 249	1	0	8	1

Source KAS, Link: [Numri i NVM-ve sipas klasifikimi / numri i te punesuarve dhe tm / numri i bizneseve. SiteTitle](#)

Taking into consideration the businesses registered according to the tables above and the activities carried out in economic zones, it is clear that the current and potential sectors for investment within industrial parks are sector C - manufacturing activities, including construction products, and sector M - professional, scientific and technical activities. These sectors, particularly those related to technological parks and their connections to universities and research institutes, show promising potential for investment.

## **10. Analysis and evaluation of income from economic zones including rents, salaries, etc.**

Gross income of employees, including incomes from work, time spent at work, other personal income, determined by law, collective agreement (allowances), or employment contract, on which personal income tax is applied. Gross salary is the total amount of salary without tax and deducted contributions (pension/savings contributions, health insurance, etc.).

In 2012, the average gross salary in Kosovo was 383 Euros. By 2021, it had increased to 484 Euros, and in 2022, it further rose to 521 Euros, an increase of 37 Euros from the previous year. Meanwhile, the net salary increased from 348 Euros in 2012 to 432 Euros in 2021, and in 2022 it rose to 446 Euros, an increase of 14 Euros from the previous year.



**Table 11. Average gross salary level in euros, by years 2012 - 2022**

Year	Kosovo		Public Sector		Public Enterprise		Private Sector	
	Gross	Net	Gross	Net	Gross	Net	Gross	Net
<b>2012</b>	383	348	407	366	561	502	337	308
<b>2013</b>	386	351	411	370	573	512	340	310
<b>2014</b>	403	365	473	423	656	583	329	301
<b>2015</b>	415	376	509	454	674	598	328	300
<b>2016</b>	422	382	525	467	686	609	340	310
<b>2017</b>	431	390	532	474	699	620	356	324
<b>2018</b>	453	409	573	509	721	639	376	342
<b>2019</b>	477	430	584	519	766	677	411	372
<b>2020</b>	466	416	624	552	769	680	380	342
<b>2021</b>	484	432	612	542	768	680	419	376
<b>2022</b>	521	446	604	536	789	659	473	401

Source KAS: <https://askapi.rks-gov.net/Custom/085019af-7367-4166-966f-87cfcecf3852.pdf>

### **Social impact of salaries in economic zones**

In operational economic zones, there are a total of 3,063 employees, with an average monthly salary of 500 euros. This results in a total salary turnover of 1,526,500 euros per month. This amount represents a significant financial boost into the local economy, increasing the buying power of workers and ultimately fostering economic development in the region. The salary turnover is an important indicator of the economic impact of these zones, promoting the stability and economic progress of the respective communities.

## **11. Sales Analysis**

The analysis of sales in the economic zones in Kosovo shows a strong performance in terms of growth and diversification of products and services by businesses established there. Out of the 120 businesses surveyed, over half, 53.33% respectively, have reported a significant increase in sales. This increase has come as a result of investments in production capacity and finding new markets, facilitated by the good infrastructure in the economic zones. Furthermore, 31.67% of businesses have seen a slight increase in sales, benefiting from cooperation between businesses and accessing new market opportunities. Only 12.50% of businesses have not experienced significant changes, and a very small portion, 2.50%, have reported a decrease in sales, mainly due to international competition and challenges with logistics.

Another perspective reveals that the increase in sales in these zones is closely linked to the enhancement of product quality and production processes. 53.33% of businesses that have seen significant growth have benefited from easier access to new technological resources and

improvements in transportation infrastructure, making them more competitive in global markets. Meanwhile, businesses that have experienced slight growth, 31.67%, have used existing infrastructure to boost productivity, but still encounter difficulties in expanding their markets. On the other hand, 12.50% of businesses that have not seen any changes and the remaining 2.50% with a decrease in sales are dealing with internal challenges, such as a lack of innovation and issues with distribution logistics.

From the perspective of market and product diversification, 53.33% of businesses have reported that improved infrastructure and collaboration opportunities have contributed to the expansion of products and services offered. 31.67% have used these zones to test new markets, resulting in a slight increase in sales, while 12.50% are still struggling to find new market spaces, despite the improved infrastructure. The remaining challenges for these businesses include insufficient logistics and pressures from external competition.

**Table 12. Impact of economic zones on product sales**

<b>How do you assess the impact of economic zones on the sales of products and services provided by businesses?</b>	<b>Business responses</b>	<b>Percentage</b>
No change	15	12.50%
Slight increase	38	31.67%
Significant increase	64	53.33%
Decrease	3	2.50%
<b>Total</b>	<b>120</b>	<b>100%</b>

Source: Data from research, calculations of authors

## **12. Analysis and evaluation of the impact of economic zones on export growth and import substitution**

Economic zones in Kosovo have had a significant impact on increasing exports by diversifying products and improving their quality. This has made Kosovar products more competitive in international markets. Fiscal and customs incentives have also helped reduce production and export costs. Furthermore, these zones have successfully replaced imports by boosting local production, creating local added value, and lowering import costs. These advancements have bolstered the local economy and fostered a more sustainable and diversified economy.

**Figure 4. Impact of economic zones on export growth and import substitution**



Source: Data from research, calculations of authors

**Table 13. Impact of economic zones on export growth and import substitution**

What impact did economic zones have on export growth or import substitution in your municipality?	Business responses	Percentage
None	2	1.67%
Average	47	39.17%
Slight	4	3.33%
Significant	67	55.83%
<b>Total</b>	<b>120</b>	<b>100%</b>

The table above shows the impact of economic zones on export growth and import substitution. Out of the 120 businesses surveyed, 55.83% reported a significant impact, 39.17% reported an average impact, 3.33% reported a slight impact, and 1.67% have not experienced any impact. This indicates that the majority of businesses have greatly benefited from economic zones. Possible indicators for this could be that businesses, by utilizing the ready-made infrastructure of industrial parks, have had the financial means to invest in expanding production capacities, marketing, and establishing partnerships with other businesses within the industrial parks to improve quantity and quality of their products and services.

### 13. Analysis and evaluation of the impact of economic zones at local and central levels

#### Impact at the local level:

1. **Job creation:** Economic zones have played a significant role in creating thousands of jobs for local residents, thereby reducing unemployment rates and improving living standards.
2. **Increased local revenues:** Businesses operating within these zones generate revenue for municipalities through local taxes, rents, and other fees, which are then reinvested in infrastructure and public services.

3. **Infrastructure development:** Investments in local infrastructure, such as roads, water supply, and energy, have not only improved the quality of life for residents but have also made the zone more attractive for new investments.

#### **Impact at the central level:**

1. **Economic growth:** Economic zones contribute to the overall economic growth of Kosovo by boosting exports and replacing imports, which positively impacts the country's GDP.
2. **Attracting foreign investment:** These zones attract foreign investors, bringing in new capital, technology and expertise to help modernize the country's economy.
3. **Economic diversification:** Economic zones help in diversifying the Kosovo economy by promoting the development of different sectors like manufacturing, technology, and food processing, decreasing dependence on specific sectors.

In conclusion, economic zones have a significant positive impact at both the local and central levels, by improving the lives of local residents, increasing revenues, and contributing to the growth and diversification of Kosovo's economy.

## **14. Overview of the administration of industrial and technological parks**

According to the Law on Industrial and Technological Parks, Article 10 outlines the administration form, where:

- The KIESA together with the proposer for the establishment of the industrial and technological park shall administer the park, in cases where the investment is made by the Government, which has not been the case in the past.
- Notwithstanding paragraph 1 of this Article, the municipality or the investor can administer the industrial and technological park, in cases where it finances its construction and operation.
- Responsibilities of the administrator of the industrial and technological park, etc.
- The KIESA performs secretarial services for the Administrator according to paragraph 1 of this Article.

Based on the current situation on the ground, it is noted that all economic zones are administered (managed) by their respective municipalities where they are established, with the exception of the industrial park in Drenas. This park is administered by MIET in cooperation with the municipality of Drenas.

#### **International models**

**Albania:** The Law on Economic Zones aims to establish and operate free economic zones to promote economic development, attract investment and create jobs.

These zones can be general or specialized depending on the economic activities conducted within them.

They are established by decision of the Council of Ministers, based on proposals from the Ministry of Economy and Finance, and can also be suggested by central or local authorities, as well as private investors.

The management of free economic zones can be carried out by private management companies or public authorities, as determined by decision of the Council of Ministers.

**Italy:** The main law governing economic zones is Law No. 91, dated 21.06.2017, which establishes and regulates Special Economic Zones (Zone Economiche Speciali - ZES). This law addresses the establishment, operation, and management of these special zones to attract investment and promote economic development, especially in less developed regions.

The Law on Special Economic Zones aims to establish and operate these zones to promote economic development, attract investment, and create jobs, particularly in the southern regions of the country.

Special Economic Zones are primarily designated in the southern regions of Italy and are focused on economic development and attracting investment.

Special Economic Zones are established by decree of the President of the Republic upon the proposal of the Minister of Territorial Cohesion and the Minister of Economy and Finance, and may be suggested by central or regional authorities.

The management of Special Economic Zones is conducted by a Management Committee, which includes representatives from central, regional, and local government, as well as the private sector.

**Slovenia:** The legislation governing economic zones is based on the Law on Special Economic Zones (Zakon o posebnih gospodarskih območjih - ZPGO), which establishes and regulates the operation of these zones to attract investments and promote economic development, especially in less developed regions.

The Law on Special Economic Zones aims to establish and operate these zones to promote economic development, attract investments, and create jobs in less developed regions of the country.

Special economic zones are focused on the economic development of specific regions, with a particular emphasis on innovation and technology.

Special Economic Zones are established by decision of the Government, based on proposals from the relevant ministry and regional authorities.

The management of Special Economic Zones is conducted by a Management Committee, which includes representatives from central, regional, and local government, as well as the private sector.

**North Macedonia:** The primary law governing economic zones is the Law on Technological Industrial Development Zones (ZTIZ), which aims to create favorable conditions for both foreign and domestic investments, promote economic development, create jobs, and enhance exports.

The Law on Technological Industrial Development Zones aims to establish technological-industrial zones that attract investments, foster technological development, create jobs, and boost exports.

These zones are mainly technological-industrial and focus on the development of technology and industry for export.

The technological-industrial zones are established by decision of the Government, and proposals can be made by the relevant ministries, state agencies, or private investors.

The management of these zones is primarily carried out by public authorities or through private sector partnerships, with a specific emphasis on enhancing infrastructure and providing support services to investors.

## 15. Identification of the status and property area for each Economic Zone

Economic zones are crucial structures for promoting local economic development and attracting foreign investment. In Kosovo, the establishment and management of these zones play a vital role in the industrial and economic growth of the country. This document aims to offer a comprehensive and professional overview of the current status and property area of the existing economic zones in Kosovo, providing essential information for each zone, including accurate data on ownership and the primary activities carried out within them.

Economic Zones in Kosovo:

### *1. Business Park in Drenas*

- **Status:** Declared Economic Zone
- **Ownership:** The property is owned by the municipality of Drenas.
- **Area:** 24 hectares
- **Activity Categories:** Production, processing, services

## *2. Business Park in Mitrovica*

- **Status:** Economic Zone Declared
- **Area:** 3.50 hectares
- **Ownership:** The property is owned by the Municipal Assembly of Mitrovica
- **Activity Categories:** Production, processing, services

## *3. Technological Park in Shtime*

- **Status:** Local Economic Zone
- **Area:** 10.70 hectares
- **Ownership:** The property is owned by the Municipal Assembly of Shtime
- **Activity Categories:** Production, processing, services

## *4. Industrial Park in Mitrovica*

- **Status:** Local Economic Zone
- **Area:** 48 hectares
- **Ownership:** The property is owned by the Municipal Assembly of Mitrovica
- **Activity Categories:** Production, processing, services

## *5. Agro-industrial Zone in Suhareka*

- **Status:** Declared Economic Zone
- **Area:** 28 hectares
- **Ownership:** The property is owned by the Municipal Assembly of Suhareka
- **Activity Categories:** Production, processing, services

## *6. Economic Zone in Qylaga, Lipjan*

- **Status:** Declared Economic Zone
- **Area:** 56 hectares
- **Ownership:** The property is owned by the Municipal Assembly of Lipjan
- **Activity Categories:** Production, processing, services

## *7. Economic Zone in Shiroka, Suhareka*

- **Status:** Declared Economic Zone
- **Area:** 162 hectares
- **Ownership:** The property is owned by the Municipal Assembly of Suhareka
- **Activity Categories:** Production, processing, services

#### *8. Economic Zone in Budrika, Vitia*

- **Status:** Declared Economic Zone
- **Area:** 15.50 hectares
- **Ownership:** The property is owned by the Municipal Assembly of Vitia.
- **Activity Categories:** Production, processing, services

#### *9. Economic Zone in Lumadh, Vushtrri*

- **Status:** Declared Economic Zone
- **Area:** 14.86 hectares
- **Ownership:** The property is owned by the Municipal Assembly of Vushtrri
- **Activity Categories:** Production, processing, services

#### *10. Economic Zone in Opterusha, Rahovec*

- **Status:** Declared Economic Zone
- **Area:** 34.89 hectares
- **Ownership:** The property is owned by the Municipal Assembly.
- **Activity Categories:** Production, processing, services

#### *11. Industrial and Technological Park in Livadica, Podujeva*

- **Status:** Declared Economic Zone
- **Area:** 29 hectares
- **Ownership:** The properties are owned by the Municipality of Podujeva
- **Activity Categories:** Production, processing, services

#### *12. General Park in Drenas*

- **Status:** Declared Economic Zone
- **Area:** 36.50 hectares
- **Ownership:** The properties are registered in the name of the Government of the Republic of Kosovo.
- **Planned activity categories:** Production, processing, services



## 16. SWOT ANALYSIS

A SWOT (Strengths, Weaknesses, Opportunities and Threats) analysis has been conducted based on the data collected from the questionnaire on economic zones. This analysis helps identify internal and external factors that impact the functioning and development of these zones.

**Table 14. SWOT Analysis for Economic Zones**

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>• Developed infrastructure, most economic zones have well-developed infrastructure, including roads, energy and water supply, as well as other necessary connections for businesses.</li> <li>• Strategic position, some economic zones have a favorable strategic position, making them attractive to investors.</li> <li>• Government support, support from government including incentives and facilitations offered to businesses located in these zones.</li> </ul>	<ul style="list-style-type: none"> <li>• Administrative procedures, complex procedures are one of the main obstacles for businesses looking to invest in these zones.</li> <li>• Limited workforce capacities, lack of qualified workforce is another weakness that can impede the efficiency and growth of businesses.</li> <li>• Lack of adequate infrastructure in certain zones, not all economic zones have the same level of infrastructure development.</li> </ul>
Opportunities	Threats
<ul style="list-style-type: none"> <li>• Development of new sectors: there is an opportunity to develop new sectors of the economy, such as information and communication technology (ICT), which can contribute to economic diversification.</li> <li>• Improvement of Technology and Infrastructure, with new investments, there is the potential to improve technology and infrastructure, thus increasing the attractiveness of economic zones.</li> </ul>	<ul style="list-style-type: none"> <li>• Changes in Government Policies and Legislation: unexpected changes in government policies and legislation can create uncertainty for investors and businesses.</li> <li>• Competition from neighboring countries: economic zones may face competition from similar zones in neighboring countries, which may offer more favorable conditions.</li> <li>• Rising energy and raw material costs: rising energy and raw material costs can negatively impact the profitability of businesses located in these zones.</li> </ul>

These are the main elements of the SWOT analysis for the economic zones based on the data collected from the questionnaire. The various recommendations provided by participants, such

as decentralization of management and improvement of the legal framework, are essential to address weaknesses and exploit opportunities.

## **17. Conclusions**

Based on the data analysis, it can be concluded that economic zones in Kosovo offer developed infrastructure and a strategic position, making them attractive to investors and supported by government assistance. The administration of these zones is mainly carried out by the respective municipalities, with the exception of the industrial park in Drenas, which is administered by MIET and the municipality of Drenas. However, some of the main challenges include complex administrative procedures, lack of qualified workforce, and insufficient infrastructure in some zones. Despite these challenges, there is high potential for foreign direct investment and the development of new sectors, which can contribute to improving technology and infrastructure. On the other hand, possible threats include unexpected changes in government policies, competition from neighboring countries, and rising energy and raw material costs, which require continuous attention.

## **18. Recommendations**

To improve the functionality and attractiveness of economic zones in Kosovo, it is recommended to simplify administrative procedures to attract more investors. Creating a clear distinction between different types of economic zones and parks, as well as defining their key characteristics, would make it easier to accurately target potential investors. Allowing companies to use buildings constructed on the zone's land as collateral for loans would provide easier access to funding. Furthermore, investing in education and vocational training would increase the capacity of the skilled (qualified) workforce, while improving infrastructure in underserved areas would enhance their attractiveness.

One key aspect is the expansion of criteria for evaluating land parcel applications. This includes focusing on the quality of investment projects and considering the different types of zones and parks. Another important measure to improve project quality is ensuring that feasibility studies are conducted by independent experts. These studies should include a comprehensive market and risk assessment.

To encourage foreign direct investment, it is recommended to actively promote and offer incentives, as well as allow direct negotiations with strategic investors. It is also important to consider the possibility of establishing industrial parks designated entirely or partially for foreign investors or the diaspora, with special management to ensure a non-discriminatory approach. In this context, having a stable legal and policy framework will increase investor confidence.

Enhancing cooperation between the central government and municipalities will assist in the more effective administration of economic zones, while encouraging the development of new sectors, such as information and communication technology, will diversify the economy and create new opportunities for economic growth. Additionally, it is recommended to review and harmonize rental rates in economic zones, particularly in the Business Park in Drenas, to ensure sustainable competition and stimulate further investments.

### Opportunities for improving the effectiveness of economic zones in Kosovo

In Kosovo, there are numerous opportunities to enhance and maximize the benefits of Economic Zones. To achieve complete success, several important prerequisites must be met. The current performance of Economic Zones in Kosovo demonstrates great potential for growth and development. To realize this potential, it is crucial to adopt a long-term approach, as the effects of zone programs often manifest within five to ten years.

There are four main dimensions that need to be addressed to improve the effectiveness of Economic Zones in Kosovo:

- **Strategic focus:** A coherent strategic framework is needed to define objectives and priorities for target groups and types of zones. The strategy should be in line with Law No. 08/L-209 on Sustainable Investments.
- **Value proposition:** Economic zones should offer attractive conditions for investors, including infrastructure and services tailored to target groups, and allow the use of buildings as collateral for loans, which is now regulated by legislation on industrial and technological parks.
- **Selection processes and criteria:** New zones should be based on comprehensive feasibility studies, respectively in accordance with Administrative Instruction (MIET) No. 05/2024 on the Content of the Feasibility Study for Industrial and Technological Parks, including a healthy market and risk assessment.
- **Institutional model:** The zones should have a management unit that provides infrastructure-related services, business development, and administrative services, and involve the private sector in their development and operation, based on Administrative Instruction (MIET) No. 07/2024 on Setting the Administration and Management Method of Industrial and Technological Parks.

## Chapter II

### Establishment of New Potential Industrial and Technological Parks in Kosovo

#### 1. Introduction

Considering that there is still room for improvement in many economic aspects, such as employment, structural changes in the economic aspects related to the trade balance, and accelerated promotion of investments, the Government of Kosovo, aims to further stimulate the economic development of the country through tax policies combined with other financial policies. The development of industrial and technological parks is a key focus, because after conducting analyses, they offer a good opportunity in:

- Creating a favorable environment for new investments, especially for manufacturing businesses
- Potentially improving the trade balance
- Supporting businesses, especially in underdeveloped areas.

Therefore, tax incentives specifically for industrial and technological parks would be welcome. Currently, under fiscal policies, all business activities in Kosovo are considered part of a single economic zone. Therefore, implementing tax differentiation for industrial and technological parks could be a solution to the economic development issue. This would have a positive impact on certain sectors of the economy, particularly in production.

#### 2. Purpose

The purpose of the study is to identify the current state of municipalities with potential for the development of economic zones, as well as their potential impact on the development of small and medium-sized enterprises. The results of this study, combined with other data collected from primary and secondary sources, will help us determine the need for:

- ✓ Establishing Industrial and Technological Parks,
- ✓ Promoting and encouraging local and central institutions to establish Industrial and Technological Parks,
- ✓ Presenting successful experiences from other countries in the development of Industrial and Technological Parks,
- ✓ The impact of Industrial and Technological Parks on job creation, revenue generation, attracting advanced technologies, concentrating businesses in a specific location, expanding cooperation between businesses, increasing competition, etc.

During the research, professional and scientific literature was utilized, including legislation in Kosovo, practices of countries in the region, and at the global level. Various publications were reviewed in order to analyze the impact of Industrial and Technological Parks on the development of the private sector in Kosovo, as well as the current challenges and issues that businesses face both within and outside the zones.

The material that will be used will primarily rely on primary and secondary data collected from various sources, including studies conducted by the Ministry of Industry, Entrepreneurship and Trade, other research conducted at the national level, surveys with municipalities in Kosovo, surveys with businesses, etc.

### **3. Description of the current state of the seven regions, including municipalities with the potential to establish Industrial and Technological Parks**

The main strategic goals and priorities of every country, including Kosovo, are economic development and sustainable economic growth. The development of the private sector, particularly small and medium-sized enterprises in Kosovo, is a crucial factor for the country's economic development.

The economic development of Kosovo has gone through various challenging development stages. After the post-World War II period, it started within the context and circumstances of a centralized socialist system that was implemented in the former Yugoslavia Federation. At that time, Kosovo was a typical agrarian country with a limited industrial sector, with agriculture contributing to 70% of the income generated, while industrial production accounted for only 30%. The economy structure was underdeveloped and represented by a small number of industrial branches, such as ore and non-ferrous metal processing, wood processing, and coal production.

A significant increase in the number of SMEs established was observed between 1990 and 1993. The establishment of these businesses was not due to favorable conditions, but rather to individuals who were expelled from work and started their own ventures as an alternative for employment for themselves and their families. This trend continued until 1999, when even the few small businesses, which we can freely call family-owned businesses, were nearly wiped out by the war.

Nevertheless, Kosovo is still in a transitional phase where entrepreneurship and the establishment of SMEs are anticipated to have a significant impact on the journey towards a modern free market economy, as well as economic development and growth.

Small and medium-sized enterprises (SMEs) play a crucial economic and social role, due to their contribution to the functioning of the economic network and job creation. Their importance is especially valuable during times of crisis and increasing unemployment. The growth of SMEs can contribute to addressing various challenges related to economic development, effects of inequality, high unemployment rates, demographic growth, and the necessity for structural changes.

The development of small and medium-sized enterprises (SMEs) provides numerous job opportunities that can help lower unemployment rate and address the demographic challenges faced rapidly growing populations. Additionally, the growth of the SME sector can contribute to improve competitiveness and productivity, leading to an increase in the country's income. This growth will also drive the structural transformation of the SME sector, as it is closely linked to innovation and technological advancements. These positive changes will improve economic and political prospects, turning discouraging demographic projections that exacerbate poverty and instability into catalysts that can bring about positive transformation.

The establishment of new enterprises brings new people into the workforce, expands the pool of new taxpayers, and introduces products and services to local, regional and global markets.

“SMEs are a source of employment, competition, economic dynamism, and innovation; they stimulate the entrepreneurial spirit and the diffusion of skills. Because they enjoy a wider geographical presence than big companies, SMEs also contribute to better income distribution”<sup>3</sup>.

Small and medium-sized enterprises are highly adaptable to innovative changes and market adjustments. Therefore, recognizing the significance of SMEs in job creation, reducing dependency, fostering economic growth, and driving innovation, governments should take on the responsibility of promoting the development of SMEs.

The development of small and medium-sized enterprises (SMEs) is the driving force behind economic growth. Entrepreneurs bring new ideas to the market, which serve as catalysts for economic development processes. However, a mere desire to succeed is not sufficient! Success can only be achieved through a combination of desire and relentless work ethic, especially if the idea is innovative. Moreover, a successful business idea requires hard work, skills, abilities, and work experience to ensure that the business embodies these attributes, including risk factors and behaviors that influence entrepreneurship. Enterprises, particularly SMEs, are one of the important factors for economic development and employment.

In a global context, small and medium-sized enterprises (SMEs) have the same opportunities as large enterprises to participate in all economic sectors. However, small enterprises tend to show

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<sup>3</sup> Burggraaf W., Floren R., Kunst J. *The Entrepreneur & the Entrepreneurship Cycle*, Netherlands, Van Gorcum, 2008 p. 28-29.

more interest in certain sectors of the economy, particularly in trade and services rather than manufacturing. Additionally, small and medium-sized enterprises (SMEs) are dynamic drivers of development, as they quickly generate new job opportunities, increase the supply of goods and services, promote creativity, boost competition in the economy, and enhance competitive capabilities. Therefore, these enterprises contribute to market dynamism and help facilitate adaptation to new economic and political conditions. Fostering a healthy culture for SME development involves creating work spaces through the establishment of Industrial and Technological Parks, which are also key factors in attracting new enterprises, with a specific focus on manufacturing businesses.

A favorable business climate is essential for attracting foreign direct investment (FDI) and for the development of small and medium-sized enterprises (SMEs). Macroeconomic stability and economic growth play a crucial role in promoting economic development. For corporate investors, the most important indicators of macroeconomic stability are those that directly affect their balance sheets, such as GDP growth, inflation, population growth, and education level, among others. Additionally, the interest rate is also very important for SMEs. Therefore, the opening of a country to foreign trade, foreign investors, and human resources would affect the success and promotion of Kosovo's economic development.

Legislative stability is one of the key elements for creating a political environment that fosters a strong business and investment climate. Constantly changing laws can have a negative impact on investors' ability to predict profits. Moreover, investors also incur additional costs when they have to adjust their business practices, such as in finance, auditing, environmental outputs, and human resources management. Additionally, even when conditions are favorable at a given time, an unstable legislative environment can make investors feel that the risk of worsening conditions is high, potentially leading them to withdraw their investments.

International enterprises prefer to invest in countries with a healthy (favorable) business climate where costs, delays, and risks are minimized. Additionally, small and medium-sized enterprises (SMEs) are more likely to succeed in a business environment that does not burden them with taxes, regulations, excessive procedures, etc.

#### 4. The most developed business sectors in the regions

**Table 15. Enterprises registered by Code/Section of economic activities, municipality, year and period**

2023	Deçan	Gjakova	Glllogoc	Gjilan	Dragash	Istog	Kaçanik	Klina	Fushë Kosova	Kamenica	Mitrovica	Leposaviq	Lipjan
A Agriculture, forestry, and fishing	7	9	4	17	1	23	0	19	4	11	4	3	7
B Mining and Quarrying	0	1	0	2	0	0	0	2	0	0	0	0	1
C Manufacturing	17	58	28	68	8	13	22	17	48	18	37	0	34
D Electricity, gas, steam and air conditioning supply	3	2	0	3	0	2	0	0	1	0	9	0	2
E Water supply, sewerage, waste management and remediation activities	0	1	2	1	0	0	1	1	2	0	2	0	3
F Construction	14	66	51	51	6	26	33	21	51	7	37	1	44
G Wholesale and retail trade; repair of motor vehicles and motorcycles	21	112	51	163	7	27	34	39	133	23	115	10	89
H Transportation and storage	2	4	4	23	0	4	5	5	19	10	9	0	8
I Accommodation and food service activities	10	62	17	79	9	10	13	6	32	7	34	1	24
J Information and communication	1	18	4	22	1	2	2	2	34	2	27	0	9
K Financial and insurance activities	0	2	1	5	0	0	1	2	5	2	0	0	2
L Real estate activities	1	1	2	6	0	0	3	1	9	0	3	0	3
M Professional, scientific and technical activities	5	19	21	69	4	9	10	9	50	8	34	1	25
N Administrative and support service activities	2	24	14	51	1	8	16	7	42	8	20	0	33



O Public administration and defence; compulsory social security	0	0	0	0	0	0	0	0	1	0	0	0	1
P Education	1	4	3	8	0	6	2	4	7	2	6	0	7
Q Human health and social work activities	3	9	4	21	2	3	3	5	18	1	13	0	6
R Arts, entertainment and recreation	3	16	2	10	4	1	3	1	15	1	15	0	4
S Other service activities	4	74	13	57	5	10	9	12	41	6	28	0	18
Total	94	482	221	656	48	144	157	153	512	106	393	16	320

2023	Novobërda	Obiliq	Rahovec	Peja	Podujeva	Prishtina	Prizren	Skenderaj	Shtime	Shtërpce	Suhareka	Ferizaj	Viti
A Agriculture, forestry, and fishing	1	7	13	23	14	41	19	13	5	2	16	29	7
B Mining and Quarrying	1	3	1	2	0	3	2	1	0	0	2	2	0
C Manufacturing	3	21	27	55	20	188	107	17	22	3	47	163	21
D Electricity, gas, steam and air conditioning supply	1	0	0	5	1	57	2	1	0	0	0	6	2
E Water supply, sewerage, waste management and remediation activities	0	1	0	2	1	12	0	0	1	0	1	0	0
F Construction	0	14	25	51	37	216	78	33	17	1	42	95	35
G Wholesale and retail trade; repair of motor vehicles and motorcycles	6	35	35	134	87	752	244	26	30	7	47	282	43
H Transportation and storage	0	4	6	8	13	57	19	3	6	1	4	26	6
I Accommodation and food service activities	3	7	18	66	29	275	108	7	10	8	17	101	22

J Information and communication	1	7	3	17	13	384	38	4	3	1	8	40	8
K Financial and insurance activities	0	3	3	0	3	52	5	2	0	0	2	9	2
L Real estate activities	0	2	0	14	3	108	16	0	0	2	3	11	2
M Professional, scientific and technical activities	2	6	9	50	17	615	75	11	6	3	19	94	4
N Administrative and support service activities	0	7	10	49	26	252	58	10	4	3	18	65	14
O Public administration and defence; compulsory social security	0	0	0	1	0	8	2	0	0	0	0	0	0
P Education	0	1	0	8	3	64	7	3	2	0	4	6	3
Q Human health and social work activities	0	3	0	20	2	96	35	4	2	0	4	22	6
R Arts, entertainment and recreation	0	2	8	7	6	65	25	2	1	1	3	17	2
S Other service activities	0	7	13	31	24	169	72	10	6	0	8	74	11
Total	18	130	171	543	299	3414	912	147	115	32	245	1042	188

2023	Vushtrri	Zubin Potok	Zveqan	Malisheva	Juniku	Mamusha	Hani i Elezit	Graçanica	Ranillug	Partesh	Klllokot	North Mitrovica
A Agriculture, forestry, and fishing	12	3	2	5	6	52	0	15	0	0	1	0
B Mining and Quarrying	0	0	0	2	0	0	0	0	0	0	0	0
C Manufacturing	46	2	1	16	2	12	2	16	1	1	1	1
D Electricity, gas, steam and air conditioning supply	7	0	0	0	0	0	2	0	0	0	0	0

E Water supply, sewerage, waste management and remediation activities	2	0	1	1	1	0	0	1	0	0	0	0
F Construction	49	1	0	53	0	2	4	7	0	0	0	0
G Wholesale and retail trade; repair of motor vehicles and motorcycles	79	2	3	41	0	7	10	52	1	1	4	13
H Transportation and storage	11	0	0	7	0	0	3	7	0	1	0	1
I Accommodation and food service activities	30	0	1	11	0	1	8	27	3	0	2	3
J Information and communication	24	0	0	3	0	1	0	2	0	0	0	3
K Financial and insurance activities	2	0	0	2	0	0	1	0	0	0	0	0
L Real estate activities	0	0	0	0	0	0	0	7	0	0	0	0
M Professional, scientific and technical activities	23	0	0	7	0	0	0	5	0	0	0	1
N Administrative and support service activities	18	0	0	9	3	0	1	7	0	0	1	0
O Public administration and defence; compulsory social security	3	0	0	0	0	0	0	0	0	0	0	0
P Education	4	0	0	2	0	0	0	0	0	0	0	0
Q Human health and social work activities	13	0	0	1	0	0	0	5	0	0	0	0
R Arts, entertainment and recreation	5	0	0	0	0	0	0	1	2	0	0	0
S Other service activities	21	0	0	15	1	2	2	4	0	1	0	3
Total	349	8	8	175	13	77	33	156	7	4	9	25

More details on the KAS link: <https://askapi.rks-gov.net/Custom/80d67107-c129-49dc-b74b-3ac65381e34c.pdf>

## 5. Identifying opportunities to attract foreign and domestic investment

To enhance the promotion of investment opportunities in Kosovo, it is recommended to develop an integrated strategy that highlights the country's advantages as an attractive destination for investors. This includes creating marketing campaigns that showcase Kosovo's strategic geographic position (location), young and dynamic workforce, and low operating costs, utilizing digital platforms and international events to target investors effectively.

Moreover, it is important to emphasize that the government provides support through fiscal incentives and improved infrastructure. Additionally, there are opportunities for the development of key sectors of the economy that have high growth potential.

In addition, it is important to organize direct B2B (business-to-business) meetings with potential investors, actively participate in business fairs, international conferences, and various investment forums. These events offer opportunities for representatives from institutions and the private sector to establish connections and provide detailed information on investment opportunities. Government support through favorable fiscal policies, subsidies, and improved infrastructure should also be highlighted. Additionally, there are opportunities to develop key sectors of the economy with high growth potential, such as information technology, renewable energy, agriculture, and tourism. The combination of these measures will create an attractive environment for foreign and domestic investors, stimulating long-term economic development.

## 6. Identifying cooperation opportunities between Industrial and Technological Parks and stakeholders

**Table 16. Benefits from the development of the municipality or region**

<b>What benefits do you believe these parks will bring to the development of your municipality or region?</b>	<b>Municipality responses</b>	<b>Percentage</b>
Economic Development	14	40%
Employment	14	40%
Foreign/International Investment	4	11.43%
Other benefits to the municipality	3	8.57%
<b>Total</b>	<b>35</b>	<b>100%</b>

Source: Data from research, calculations of authors

Regarding the benefits, only 14 of 40% of businesses believe that these parks will bring about economic development. Similarly, 14 of 40% mentioned job creation and foreign international investment, while 4 or approximately 11% think there will be other benefits for the municipality.

**Figure 5. Type of property**



Source: Data from research, calculations of authors

Based on the data presented in the figure, we can clearly see a division in the types of properties available for establishing Industrial and Technological Parks in the surveyed municipalities.

Municipalities that have municipal properties available for these parks include Klina, Obiliq, Skenderaj, Deçan, Dragash, Kaçanik, Ferizaj, Graçanica, Klllokot, Novobërda, Ranilug, Malisheva and Prishtina. Municipal properties make up 65% of the total properties identified, making it the largest and most readily available category for this purpose.

In addition to municipal properties, Skenderaj and Klina also have socially-owned properties that could be used for the establishment of industrial and technological parks.

Kaçanik and Ranilug, in addition to municipal property, also have private properties available for the construction of parks.

Meanwhile, Prizren, Hani i Elezit and Gjilan have public properties that make up 15% of the total identified properties. This type of property also offers great opportunities for the establishment of industrial and technological parks.

## 7. Identification of the workforce by region

**Table 17. Labor market classification for the population of Kosovo, 2023**

Category	Men	Women	Total
Estimated total population (for 2023)	875,784	886,436	<b>1,762,220</b>
Children (age 0-14)	201,136	187,095	<b>388,231</b>
Elderly (age 65+)	98,359	103,867	<b>202,226</b>
Working age population (15-64)	576,289	595,474	<b>1,171,763</b>
Labor force (active persons)	333,019	144,331	<b>477,350</b>
Inactive persons	243,270	451,143	<b>694,413</b>
Youth labor force (15-24 years)	41,974	21,691	<b>63,665</b>
Employed	307,509	117,990	<b>425,499</b>
Unemployed	25,510	26,341	<b>51,851</b>
Employed youth (15-24 years)	35,923	16,746	<b>52,669</b>
Unemployed youth (15-24 years)	6,051	4,945	<b>10,996</b>

Source KAS: <https://askapi.rks-gov.net/Custom/d8b6019c-eccf-419f-a5b0-9fb7df247ce3.pdf>

**Table 18. Labor force and labor force participation rate by gender and age group**

Kosova	Men	Women	Total
<b>Labor force (in thousands)</b>			
15-19	6608	2388	8996
20-24	35366	19302	54668
25-29	43311	22315	65626
30-34	41018	21076	62094
35-39	42203	16294	58497
40-44	37212	18447	55659
45-49	38650	16527	55177
50-54	35686	13306	48992
55-59	30625	8670	39295
60-64	22340	6006	28346
<b>Total 15-64</b>	<b>333019</b>	<b>144331</b>	<b>477350</b>
<b>Labor force participation rate (%)</b>			

15-19	9.8	3.6	6.7
20-24	44.4	26	35.5
25-29	67.9	36.7	52.7
30-34	70.6	37.0	54.0
35-39	79.1	30.4	54.70
40-44	72	31.9	50.8
45-49	69.7	25.8	46.2
50-54	68.7	21.6	43.2
55-59	60.5	16	37.5
60-64	50.3	13.1	31.4
<b>Total 15-64</b>	<b>57.8</b>	<b>24.2</b>	<b>40.7</b>

Source KAS: <https://askapi.rks-gov.net/Custom/d8b6019c-eccf-419f-a5b0-9fb7df247ce3.pdf>

**Table 19. Identification of the workforce by region**

Region	Working age population (15-64 years)	Labor force (active persons)	Employed	Unemployed	Inactive persons
Prishtina	374,652	165,124	146,157	18,967	209,528
Mitrovica	171,075	67,510	58,299	9,211	103,565
Peja	148,954	58,702	52,432	6,270	90,252
Prizren	236,851	87,935	78,234	9,701	148,916
Ferizaj	173,449	65,384	58,245	7,139	108,065
Gjilan	155,469	57,844	51,039	6,805	97,625
Gjakova	122,726	47,760	41,634	6,126	74,966

Source: Data from research, calculations of authors

This data describes the distribution of the workforce (labor force) in different regions of Kosovo, including the number of employed and unemployed persons, as well as those who are inactive.

**Table 20. Existing infrastructure**

<b>What infrastructure currently exists in municipalities for the development of industrial and technological parks?</b>	<b>Municipalities responses</b>	<b>Percentage</b>
Functional infrastructure (includes roads, energy, water, sewage)	8	47.06%
Non-functional infrastructure (lacks roads, energy, water, sewage)	9	52.94%
<b>Total</b>	<b>17</b>	<b>100%</b>

Out of the 17 municipalities that have the potential to establish Industrial and Technological Parks, they were also asked about their current infrastructure. Of these, 8 municipalities have functional infrastructure that includes roads, energy, water, and sewage. These municipalities are Klina, Prizren, Skenderaj, Deçan, Graçanica, Klokot, Malisheva and Prishtina.

On the other hand, 9 municipalities that do not have functional infrastructure are Obiliq, Dragash, Kaçanik, Ferizaj, Junik, Hani i Elezit, Gjilan, Novobërda and Ranillug.

**Table 21. Estimated cost for park construction**

<b>What is the estimated cost to construct the park?</b>	<b>Municipalities responses</b>	<b>Percentage</b>
100 thousand to 1 million Euros	3	17.65%
1.5 million to 3 million Euros	10	58.82%
3.5 million to 5 million Euros	4	23.53%
<b>Total</b>	<b>17</b>	<b>100%</b>

The table above presents the estimated cost required to construct the Technological Industrial Park, based on the responses received from 17 municipalities with potential to establish these parks.

Out of the 17 municipalities surveyed, 3 of them, or 17.65%, stated that the cost could vary from 100 thousand euros to 1 million euros, 19 of them stated it could vary from 1.5 million euros to 3 million euros, while the rest stated that the cost could vary between 3.5 million euros to 5 million euros.



**Figure 6. The most suitable business sectors to be placed within Industrial or Technological parks**

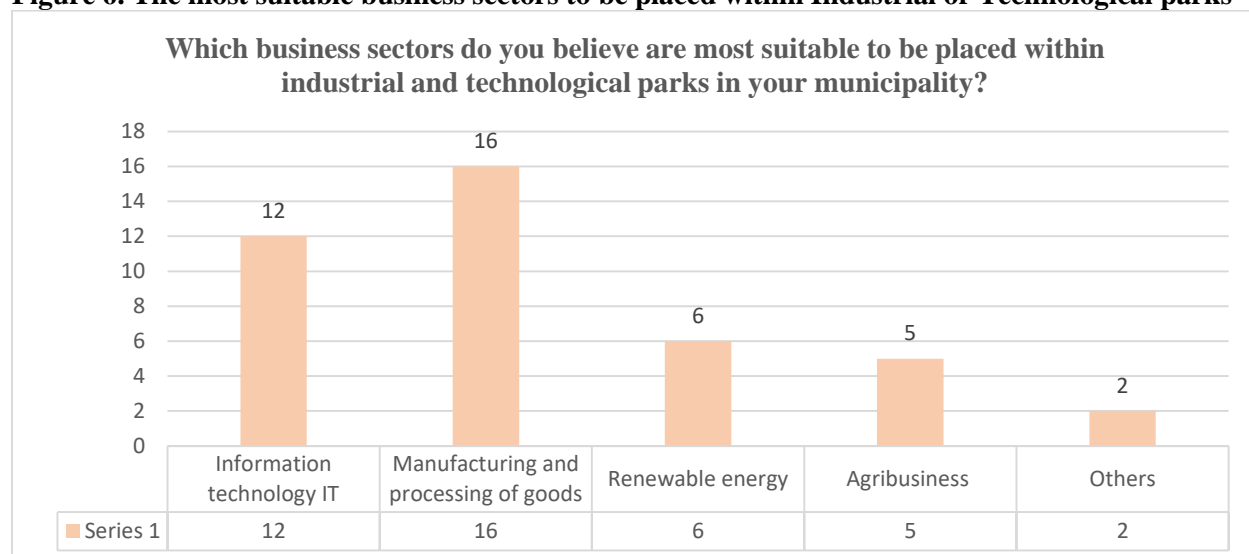
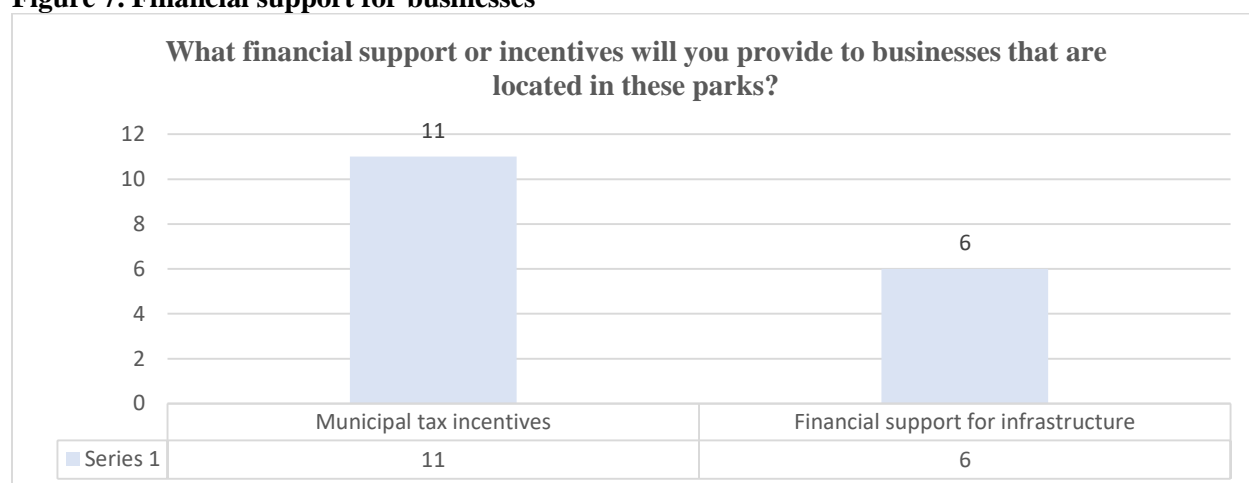


Figure 6 shows the percentage of business sectors that are considered most suitable to be located in industrial and technological parks within the municipality, with the potential to establish such parks:

- **Manufacturing and processing of goods (39.02%):** This sector has the highest percentage, indicating that it is a priority for the economic development of the municipality. It offers significant opportunities for employment and economic growth.
- **Information Technology (IT) (29.27%):** With a substantial percentage, this sector reflects a strong interest in innovation and technological development. Investing in IT can lead to the creation of startups and improve business processes.
- **Renewable energy (14.63%):** This sector demonstrates an interest in sustainability and the use of renewable resources, which can help reduce environmental impact and increase energy efficiency.
- **Agribusiness (12.20%):** This sector is vital for rural development and food security, providing opportunities for innovation in agriculture and food processing.
- **Others (4.88%):** A small percentage indicates the diversity of interests and the potential for development in various sectors.

**Figure 7. Financial support for businesses**



Out of the 17 municipalities surveyed regarding financial support or incentives offered to businesses settled within these parks, the data shows that:

- **Municipal tax incentives:** 64.71% of municipalities offer municipal tax incentives to encourage businesses to settle in industrial and technological parks.
- **Financial support for infrastructure:** 35.29% of municipalities offer financial support for the development of necessary infrastructure for these businesses.

**Table 22. Strategies for attracting investments**

What strategies will you use to attract investment in potential areas for the establishment of industrial and technological parks?	Municipality responses	Percentage
Promotion through international fairs and conferences	16	38.10%
Cooperation with government agencies and international organizations	8	19.05%
Providing initiative packages for investors	6	14.29%
Creating a favorable business environment with improved infrastructure and support services	12	28.57%
<b>Total</b>	<b>42</b>	<b>100%</b>

Based on the data collected at the municipal level for attracting investments in industrial and technological parks, we have identified four main categories:

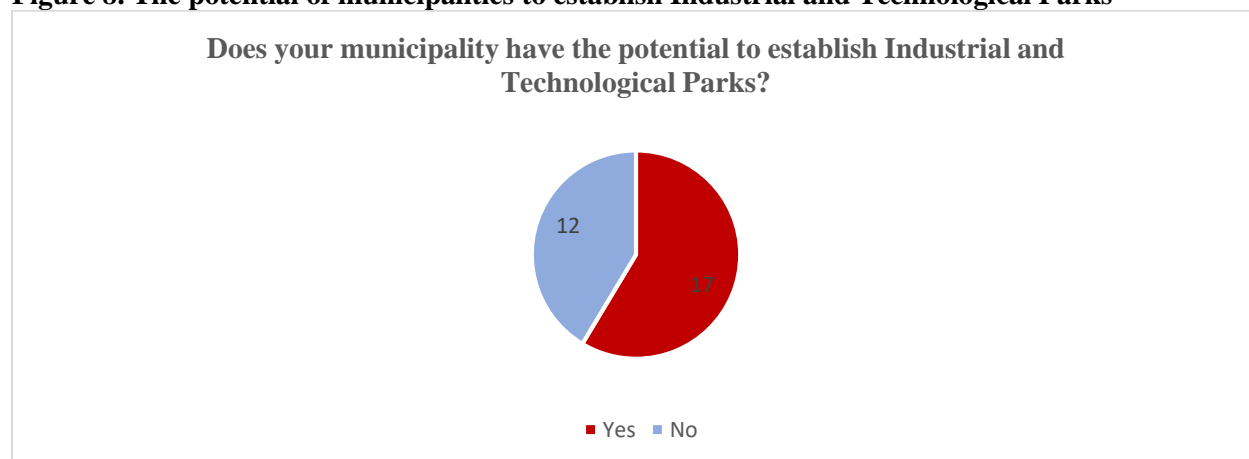
1. **Promotion through international fairs and conferences (38.10%):** This strategy has the highest percentage, indicating a commitment to promoting development areas through international activities.
2. **Creating a favorable business environment (28.57%):** Improving infrastructure and support services is essential for attracting investors and creating optimal conditions for development.
3. **Cooperation with government agencies and international organizations (19.05%):** This cooperation provides technical, financial, and promotional support, helping to address challenges and accelerate development.
4. **Providing initiative packages for investors (14.29%):** Financial incentives and tax breaks are included in the packages that encourage investments in these areas.

## 5. Research from meetings with municipal representatives

Out of the 29 municipalities surveyed for their potential in establishing Industrial and Technological Parks, 17 of them have the potential to such parks. These municipalities include: Klina, Prizren, Obiliq, Skenderaj, Deçan, Dragash, Kaçanik, Ferizaj, Junik, Hani i Elezit, Gjilan, Graçanica, Klllokot, Novobërda, Ranilug, Malisheva and Prishtina.

Some of the reasons why municipalities have high economic potential include their abundant natural resources, strategic geographical position, and well-developed infrastructure. Additionally, they can offer tourist attractions and access to a skilled workforce. Innovation and the use of technology also play a significant role in increasing the economic opportunities of a municipality.

**Figure 8. The potential of municipalities to establish Industrial and Technological Parks**



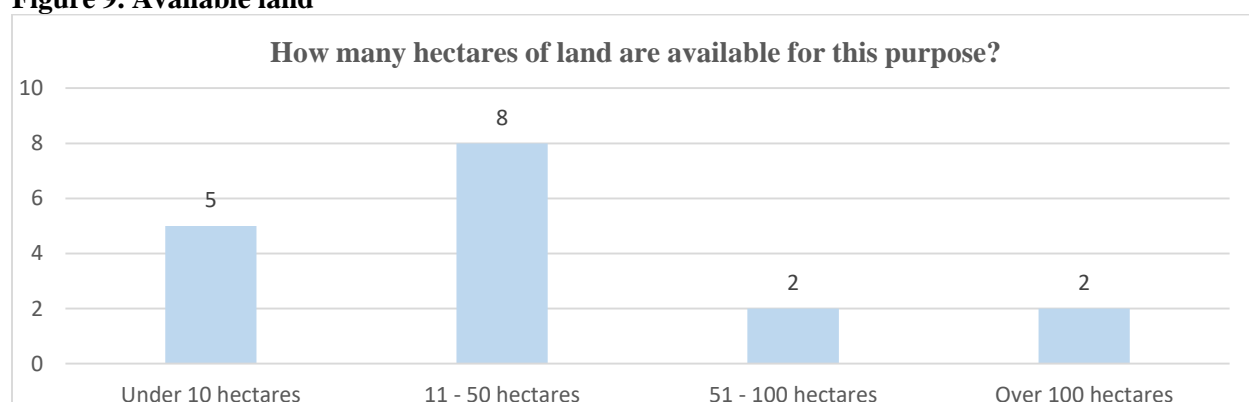
Source: Data from research, calculations of authors

According to research data, we have identified 12 municipalities that do not have the potential to establish Industrial and Technological Parks. These municipalities include Peja, Gjakova,

Mamusha, Fushë Kosova, Istog, Kamenica, Partesh, Zvecan, Shterpce, Leposaviq, Zubin Potok and North Mitrovica.

Municipalities lacking the potential to establish Industrial and Technological Parks often face various challenges such as a lack of budget and insufficient space (properties) for the establishment of such parks. Additionally, other obstacles include underdeveloped infrastructure, a high demographic burden, difficulty in attracting investments, a shortage of qualified human resources, and environmental factors limiting land use. These factors collectively hinder the development of industrial and technological parks within these municipalities.

**Figure 9. Available land**



Source: Data from research, calculations of authors

Out of the 17 municipalities that have the potential to establish Industrial and Technological Parks, Junik, Hani i Elezit, Killokot, Novoberda and Ranillug have less than 10 hectares available for this purpose.

Obiliq, Deçan, Dragash, Kaçanik, Ferizaj, Graçanica, Malisheva and Prishtina have between 11-50 hectares of land available. Prizren and Skenderaj have 51-100 hectares, while Klina and Gjilan have over 100 hectares of land available for the establishment of Industrial and Technological Parks.

## 8. Research from interviews conducted with potential businesses to be located in Industrial and Technological parks

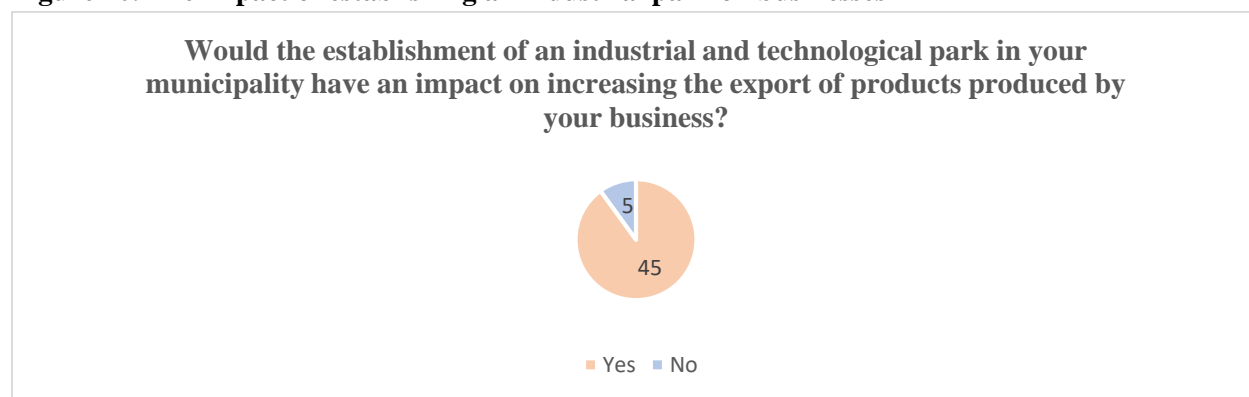
The following section of this study presents data gathered from interviews conducted with a total of 50 potential businesses that are planning to be located in Industrial and Technological Parks in municipalities such as Prishtina, Dragash, Ferizaj, Fushë Kosova, Gjakova, Gjilan, Kamenica, Lipjan, Malisheva, Peja, Prizren, Rahovec and Vitia.

These interviews were conducted using a questionnaire that primarily consisted of demographic questions about the businesses, as well as other questions aimed at extracting detailed information about the main reasons that interest them in being located in industrial parks related to the business sector, job creation, etc. The data gathered from the questionnaires is also included in this study.

### **Business sectors, assessment of current and potential investment sectors within industrial parks**

We conducted a study to identify potential businesses that could be located in industrial and technological parks. A total of 50 businesses were interviewed, all of whom expressed interest in establishing themselves within these parks. The main reasons these businesses are interested in setting up in an industrial park include: access to improved infrastructure (electricity, roads, water, sewage, fencing), tax incentives, financial support or business facilitation, better access to suppliers and markets, and the lack of space that these businesses currently have.

**Figure 10. The impact of establishing an industrial park on businesses**



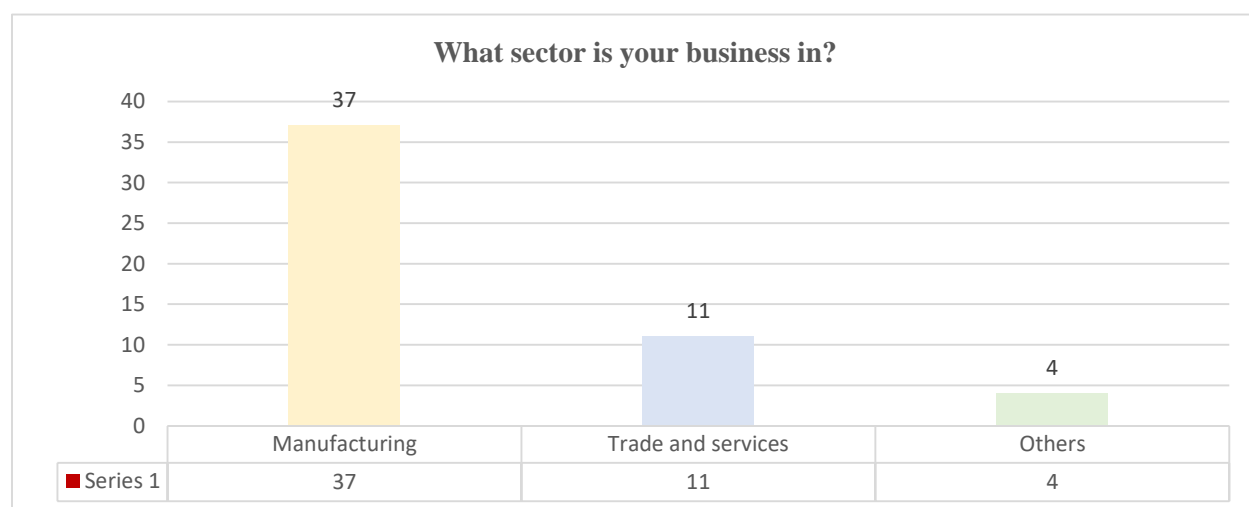
Source: Data from research, calculations of authors

Based on the data collected, it appears that establishing an industrial and technological park in your municipality would significantly boost the export of products manufactured by businesses. Specifically, 90% of respondents (45 out of 50) believe it would have a positive impact on exports, while only 10% (5 out of 50) do not see this as feasible.

**Table 23. Business sector**

What sector is your business in?	Manufacturing and processing of goods	Trade and services	Information technology (IT)	Renewable energy	Total	Percentage
Prishtina	6	7	1	1	15	30%
Dragash	2	0	0	0	2	4%
Ferizaj	8	0	0	0	8	16%
Fushë Kosova	3	0	0	0	3	6%
Gjakova	1	0	0	0	1	2%
Gjilan	6	0	0	0	6	12%
Kamenica	1	2	0	0	3	6%
Lipjan	1	0	0	0	1	2%
Malisheva	2	0	0	0	2	4%
Peja	2	0	0	0	2	4%
Prizren	4	1	0	0	5	10%
Rahovec	1	0	0	0	1	2%
Vitja	0	1	0	0	1	2%
<b>Total</b>	<b>37</b>	<b>11</b>	<b>1</b>	<b>1</b>	<b>50</b>	<b>100%</b>

**Figure 11. Sector of potential businesses to be located in Industrial and Technological Parks**



Source: Data from research, calculations of authors

Based on the data collected, businesses are primarily concentrated in the manufacturing and processing sector accounting for 74% of the total (37 out of 50). The trade and services sector represent 22% (11 out of 50), while the information technology (IT) and renewable energy sectors each make up 2% (1 out of 50). This sectoral composition indicates a dominance of the manufacturing industry, especially in municipalities such as Ferizaj and Prishtina, emphasizing the importance of developing Industrial and Technology Parks to support this key sector for the economy.

**Table 24. Land area requirements**

<b>Municipalities</b>	<b>Number of businesses</b>	<b>Requirements regarding the necessary land area</b>
Prishtina	15	49 hectares
Dragash	2	9 hectares
Ferizaj	8	22 hectares and 80 ares
Fushë Kosova	3	80 ares
Gjakova	1	2 hectares
Gjilan	6	11 hectares
Kamenica	3	7 hectares
Lipjan	1	40 are
Malisheva	2	1 hectare and 20 ares
Pejë	2	60 ares
Prizren	5	4 hectares and 40 ares
Rahovec	1	60 ares
Vitia	1	30 ares
<b>Total</b>	<b>50</b>	<b>109 hectares and 10 ares</b>

Source: Data from research, calculations of authors

Based on the data collected, the municipalities with the largest number of businesses requiring large land areas are Prishtina and Ferizaj. Prishtina has 15 businesses requiring 49 hectares, while Ferizaj has 8 businesses requiring 22 hectares and 80 ares. In total, the land area requirements reach 109 hectares and 10 ares for 50 businesses across all municipalities. This indicates a significant need for land, especially in the more developed municipalities, emphasizing the importance of careful industrial space planning to meet the demands of different business sectors.

**Table 25. Jobs that will be created**

<b>How many jobs will you create if you locate in the Industrial Park?</b>	<b>Number of businesses</b>	<b>Percentage</b>	<b>Anticipated number of workers</b>	<b>Percentage</b>
11-20 workers	14	28%	172	23.34%
21-50 workers	12	24%	274	37.18%
Less than 10 workers	22	44%	84	11.40%
More than 101 workers	2	4%	207	28.09%
<b>Total</b>	<b>50</b>	<b>100%</b>	<b>737</b>	<b>100%</b>

Source: Data from research, calculations of authors

Based on the data collected, it is evident that the majority of businesses located in an Industrial and Technological Park plan to create fewer than 10 jobs (44%). 28% of businesses aim to create 11-20 jobs, while 24% plan to create 21-50 jobs. Only 4% of businesses anticipate creating more than 101 jobs. This indicates that industrial parks can have a significant impact on job creation, especially for small and medium-sized businesses.

The total anticipated number of workers is 737. Of these, 274 workers or 37.18% come from businesses with 21-50 employees, and 207 workers or 28.09% come from businesses with more than 101 workers. Additionally, 172 workers or 23.34% are from businesses with 11-20 workers, while businesses with fewer than 10 workers contribute 84 workers or 11.40% to the total.

Based on the responses collected, planned investments for Industrial and Technological Parks vary significantly. The majority of investors are planning to invest over 1 million Euros, some up to 3-5 million Euros, and others aiming for more modest investments ranging from 200,000-Euros to 500,000 Euros. Some investors still do not have a clear assessment, while others express willingness to invest but without specifying an amount. This diversity indicates a great interest and considerable potential for the development of these parks. However, a well-organized structure is needed to support and effectively channel these investments.



## 9. Identification of potential environmental risks

Kosovo is facing numerous environmental risks that could have a negative impact on its rich and diverse flora and fauna. One of these risks is industrial pollution, which can lead to air, soil and water pollution, putting natural habitats at risk and harming the health of local ecosystems. Deforestation caused by urban expansion and intensive agriculture can result in the loss of biodiversity, posing a threat to endemic species of flora and fauna. The overexploitation of natural resources, such as uncontrolled hunting and the collection of rare plants, also poses a risk to the survival of endangered species. Climate change may bring about more extreme weather conditions, such as droughts and floods, which could further harm natural ecosystems. To safeguard the environment and biodiversity, it is crucial to implement sustainable policies and practices that shield Kosovo's flora and fauna from these risks.

The construction of industrial and technological parks does not have a negative impact on the environment, as the activities conducted within them must comply with legislation. Additionally, the construction phases do not harm the environment. The only potential environmental impact could come from industrial wastewaters discharged by businesses located within the parks, so treatment plants should be constructed to treat this wastewater.

Policies aimed at protecting flora and fauna are measures implemented by states and international organizations to safeguard and conserve natural ecosystems, endangered species and biodiversity.

These policies aim to prevent environmental degradation and the extinction of species through laws, regulations, and various initiatives. Some main aspects of these policies include:

1. Legislation to protect endangered species: many countries have laws that prohibit hunting, fishing, or trading of endangered species. These laws often include penalties for violations.
2. Establishment of protected areas: nature reserves, national parks, and other protected areas are created to preserve natural habitats and protect endangered species from human activities.
3. Regulation of land and natural resource: policies that limit deforestation, overgrazing and pollution are essential for habitat protection and to prevent the loss of biodiversity.
4. Measures for the restoration of ecosystems: projects for the regeneration of degraded forests, rivers, and wetlands are a key part of policies for the protection of flora and fauna.
5. Public education and awareness: educating communities, and promoting sustainable practices are essential for the long-term success of these policies.
6. International cooperation: international agreements such as the Convention on Biological Diversity and the Convention on International Trade in Endangered Species (CITES) play a significant role in the global protection of flora and fauna.

These policies are critical for maintaining ecological balance and ensuring that future generations inherit a healthy and sustainable environment.

## **10. Identifying and evaluating friendly characteristics**

Identifying and evaluating friendly characteristics involves analyzing and assessing aspects that contribute to a sustainable and attractive environment for economic development. These characteristics include environmental sustainability by adhering to local and international standards, promoting a circular economy to reduce waste and optimize resource utilization, integrating innovative and green technologies, and establishing modern and supportive infrastructure. Furthermore, it is crucial to assess the social and economic impact of industrial and technological parks by creating jobs, improving the quality of life for surrounding communities, and promoting collaboration between research institutions, universities, and industry to foster innovation and development.

Friendly and innovative characteristics that encompass the circular economy include several key aspects:

1. **Community Involvement:** developing projects that engage the community and create sustainable relationships between businesses and local residents. This helps in creating an economy that benefits everyone.
2. **Innovation and Technology:** utilizing new technologies to enhance resource efficiency, reduce waste, and produce products that can be reused or recycled. This involves creating sustainable materials and utilizing renewable resources.
3. **Waste Reduction:** a circular economy strives to minimize waste and optimize the utilization of current resources. This may entail designing products with a lengthy lifespan that are easily reusable or recyclable.
4. **Resource Efficiency:** optimizing resource use by reducing the consumption of raw materials and improving the use of energy and water.
5. **Creation of Social and Environmental Value:** a circular economy aims to create value for society and the environment by reducing pollution, improving quality of life, and supporting sustainable development.
6. **Development of Sustainable Business Models:** companies that embrace the circular economy often develop new business models that are economically sustainable and incorporate practices of repair, reuse, and recycling as integral parts of their strategy.
7. **Education and Awareness:** educating people and raising awareness about the benefits of the circular economy to foster a culture of responsibility towards the environment and resources. These characteristics are fundamental to creating an economic system that is

sustainable, ethical and environmentally friendly, promoting a greener and fairer future for all.

## 11. SWOT ANALYSIS

**Table 26. SWOT analysis for potential municipalities for the establishment of Industrial and Technological Parks**

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>Expanding infrastructure: Many municipalities have started investing in improving their infrastructure, with the potential for further expansion.</li> <li>Attractive investment locations: Some municipalities are strategically positioned providing easy access to domestic and regional markets.</li> <li>Development-friendly policies: Municipalities receive support from the local government to establish new economic zones.</li> </ul>	<ul style="list-style-type: none"> <li>Lack of local administrative capacity: Municipalities struggle to establish appropriate administrative structures to effectively manage industrial and technological parks.</li> <li>Low level of qualifications among local workers: Remote municipalities require increased investment in education and training for the workforce.</li> </ul>
Opportunities	Threats
<ul style="list-style-type: none"> <li>High potential for new projects: Municipalities can focus on developing new sectors like technology, agriculture, or tourism, utilizing natural resources and competitive advantages.</li> <li>Development of New Sectors: There is an opportunity to develop new sectors of the economy, such as information and communication technology (ICT), which can contribute to economic diversification.</li> <li>Improvement of Technology and Infrastructure: With new investments, there is potential to enhance technology and infrastructure, thereby increasing the attractiveness of municipalities.</li> </ul>	<ul style="list-style-type: none"> <li>Unstable policies: Unexpected government decisions or a lack of sustainable support for municipalities can hinder the development of zones.</li> <li>Facing competition from the region: Municipalities will need to offer favorable conditions to compete with other regional offers</li> </ul>

## **12. Conclusions**

Based on the data analysis from the survey and the Law on Industrial and Technological Parks, it can be concluded that economic zones in Kosovo have a well-developed infrastructure and strategic positioning that make them attractive to investors, supported by government assistance. The administration of the parks is mainly carried out by the respective municipalities, with the exception of the industrial park in Drenas, which is managed by MIET and the municipality of Drenas. However, some of the main challenges include complex administrative procedures, lack of qualified workforce, and insufficient infrastructure in certain zones. The potential for foreign direct investment and the development of new sectors are important opportunities that can be utilized to improve technology and infrastructure, addressing weaknesses and increasing the attractiveness of economic zones. Unexpected changes in government policies, competition from neighboring countries, and rising energy and raw material costs remain potential threats that require continuous attention.

## **13. Recommendations**

To enhance the functionality and attractiveness of industrial and technological parks in Kosovo, it is recommended to simplify administrative procedures to attract more investors, invest in education and vocational training to improve the skills of the qualified workforce, improve infrastructure in underdeveloped areas, encourage foreign direct investment through incentives (such as simplified property offerings, workforce identification, connecting with local businesses, simplified administrative procedures for doing business, etc.), actively promote, ensure a stable legal and policy framework to boost investor confidence, strengthen collaboration between the central government and municipalities for efficient administration, and promote the development of new sectors like information and communication technology, to diversify the economy and create new opportunities for economic growth.

## Chapter III

### Legislation of economic zones in Kosovo

#### 1. Analysis of legislation of local and international industrial and technological parks

Law No. 08/L-208 on Industrial and Technological Parks aims to regulate the establishment, administration, management, promotion, exploitation and monitoring of industrial parks and technological parks, including business incubators in the Republic of Kosovo.

The objectives of the industrial and technological park are to provide suitable infrastructure for the development of economic activities and aims to support responsible and sustainable investments, promote production and processing activities, innovation, employment, training, encourage the development of an innovative ecosystem, cooperation between business companies, increase competitiveness, support exports, etc.

Based on the law in question, we have the following types of parks:

- General park - a park with or without pre-built industrial facilities, generally intended for economic activities;
- Specialized park - a park with or without pre-built industrial facilities, intended for specific industries and related activities;
- Park for innovation and technology - a park intended for activities related to innovation, higher education institutions and vocational education and training, advanced technology and development of prototypes in function of economic activities.

The industrial and technological park is established by a decision of the Government after the recommendation of the Ministry.

The establishment of an industrial and technological park can be proposed by:

- Ministry;
- AIE – Agency for Investments and Exports;
- Municipalities;
- Local and international trade companies registered in the Republic of Kosovo; or
- Local and international business associations registered in the Republic of Kosovo.

Industrial and technological parks can be established, built and administered through public private partnerships in accordance with the relevant law.

The management of an industrial and technological park may be carried out by: public authority, business organizations, non-governmental organizations, public-private partnerships. The manager is selected by the administrator of the industrial park through an open call or upon request. The selection is made transparently.

Monitoring is carried out by monitoring bodies for industrial and technological parks, including business incubators established by the Ministry. The bodies monitor the implementation of policies in the industrial and technological park or business incubator.

## 2. Comparing the Economic Zone Legislation between Kosovo and Albania

The legislation governing economic zones, industrial and technological parks in Kosovo is comprehensive and designed to enhance economic development by facilitating investment, fostering innovation, and generating employment opportunities. To draw a comparison, we can analyze the economic zone legislation in another country, such as Albania, which also has similar legislation but with some notable distinctions.

### LEGISLATION ON ECONOMIC ZONES IN ALBANIA

The main law regulating economic zones in Albania is Law No. 9789, dated 19.07.2007, “On the Establishment and Functioning of Economic Zones”. This law governs the establishment, functioning, and management of free economic zones, which are designated areas where investors can benefit from a range of fiscal and administrative incentives.

#### General Comparison

#### Purpose and Scope

**Kosova:** The Law on Industrial and Technological Parks aims to regulate the establishment, administration, management, promotion, exploitation and monitoring of industrial parks and technological parks, including business incubators.

**Albania:** The Law on Economic Zones aims to establish and operate free economic zones to promote economic development, attract investment, and create jobs.

#### Types of Zones

- **Kosova:** Parks can be general, specialized, or focused on innovation and technology.
- **Albania:** Zones can be general or specialized depending on the type of economic activities conducted within them.

#### Establishment

- **Kosova:** Parks are established by a decision of the Government following recommendations from the Ministry and can be proposed by the ministry, the Agency for Investments and Exports, municipalities, trade companies, or business associations.

- **Albania:** Economic zones are established by a decision of the Council of Ministers upon proposal from the Ministry of Economy and Finance, and may be proposed by central or local authorities, as well as private investors.

## **Management**

- **Kosova:** Management can be carried out by public authorities, business organizations, non-governmental organizations, or through public-private partnerships.
- **Albania:** Management of free economic zones can be carried out by private management companies or public authorities, based on the decision of the Council of Ministers.

## **Similarities:**

Both countries have detailed legislation aimed at promoting investments and developing the economic sector through the establishment of special zones.

Both laws support the creation of infrastructure and provide incentives to attract investments.

## **Differences:**

**Proposals and Establishment Structure:** In Kosova, the process is more detailed regarding the involvement of multiple institutions and the criteria for establishing parks.

**Fiscal Incentives:** Albania places greater emphasis on specifying the fiscal and administrative incentives offered to investors in economic zones.

**Monitoring and Management:** Kosova has a clearer and more detailed structure for monitoring parks, which includes the establishment of monitoring bodies and reporting on park activities.

## **Conclusion**

The economic zone laws of Kosova and Albania have many similar goals of promoting economic development and attracting investment. However, there is a different approach in the specific details of implementation, management, and fiscal incentives. Kosova has a more detailed structure, while Albania places greater emphasis on providing fiscal and administrative incentives for investors.



### 3. Comparing the Economic Zone Legislation between Kosovo and Italy

The legislation governing economic zones, industrial and technological parks in Kosovo is comprehensive and designed to enhance economic development by facilitating investment, fostering innovation, and generating employment opportunities. To draw a comparison, we can analyze the economic zone legislation in another country, such as Italy, which also has similar legislation but with some notable distinctions.

#### LEGISLATION ON ECONOMIC ZONES IN ITALY

The main law governing economic zones in Italy is Law No. 91, dated 21.06.2017, which establishes and regulates Special Economic Zones (Zone Economiche Speciali - ZES). This law addresses the establishment, operation, and management of these special zones to attract investment and promote economic development, especially in less developed regions.

##### Purpose and Scope

- **Kosova:** The Law on Industrial and Technological Parks aims to regulate the establishment, administration, management, promotion, exploitation and monitoring of industrial parks and technological parks, including business incubators.
- **Italy:** The Law on Special Economic Zones aims to establish and operate these zones to promote economic development, attract investment and create jobs, particularly in the southern regions of the country.

##### Types of zones

**Kosova:** Parks can be general, specialized, or focused on innovation and technology.

- **Italy:** Special Economic Zones are primarily designated in the southern regions of Italy and are focused on economic development and attracting investment.

##### Establishment

**Kosova:** Parks are established by a decision of the Government following recommendations from the Ministry and can be proposed by the ministry, the Agency for Investments and Exports, municipalities, trade companies, or business associations.

- **Italy:** Special Economic Zones are established by decree of the President of the Republic upon the proposal of the Minister of Territorial Cohesion and the Minister of Economy and Finance, and may be suggested by central or regional authorities.

## Management

- **Kosova:** Management can be carried out by public authorities, business organizations, non-governmental organizations, or through public-private partnerships.
- **Italy:** The management of Special Economic Zones is conducted by a Management Committee, which includes representatives from central, regional, and local government, as well as the private sector.

## Similarities:

- Both countries have detailed legislation aimed at promoting investments and developing the economic sector through the establishment of special zones.
- Both laws support the creation of infrastructure and provide incentives to attract investments.

## Differences:

- **Proposals and Establishment Structure:** In Kosova, the process is more detailed regarding the involvement of multiple institutions and the criteria for establishing parks. In Italy, the emphasis is more focused on coordination between different levels of government and the private sector.
- **Fiscal Incentives:** Italy places greater emphasis on specifying the fiscal and administrative incentives offered to investors in special economic zones.
- **Monitoring and Management:** Kosova has a clearer and more detailed structure for monitoring parks, which includes the establishment of monitoring bodies and reporting on park activities. Italy utilizes a Management Committee for the management and monitoring of areas.

## Conclusion

The economic zone laws of Kosovo and Italy have many similar goals of promoting economic development and attracting investment. However, there is a different approach in the specific details of implementation, management, and fiscal incentives. Kosova has a more detailed structure, while Italy places greater emphasis on providing fiscal and administrative incentives for investors.

## 4. Comparing the Economic Zone Legislation between Kosovo and Slovenia

### LEGISLATION ON ECONOMIC ZONES IN SLOVENIA

In Slovenia, the legislation governing economic zones is based on the Law on Special Economic Zones (Zakon o posebnih gospodarskih območjih - ZPGO), which establishes and regulates the operation of these zones to attract investments and promote economic development, especially in less developed regions.

- **Kosova:** The Law on Industrial and Technological Parks aims to regulate the establishment, administration, management, promotion, exploitation and monitoring of industrial parks and technological parks, including business incubators.
- **Slovenia:** The Law on Special Economic Zones aims to establish and operate these zones to promote economic development, attract investments, and create jobs in less developed regions of the country.

#### Types of zones

- **Kosova:** Parks can be general, specialized, or focused on innovation and technology.
- **Slovenia:** Special economic zones are focused on the economic development of specific regions, with a particular emphasis on innovation and technology.

#### Establishment

- **Kosova:** Parks are established by a decision of the Government following recommendations from the Ministry and can be proposed by the ministry, the Agency for Investments and Exports, municipalities, trade companies, or business associations.
- **Slovenia:** Special Economic Zones are established by decision of the Government, based on proposals from the relevant ministry and regional authorities.

#### Management

- **Kosova:** Management can be carried out by public authorities, business organizations, non-governmental organizations, or through public-private partnerships.
- **Slovenia:** The management of Special Economic Zones is conducted by a Management Committee, which includes representatives from central, regional, and local government, as well as the private sector.

#### Similarities:

- Both countries have detailed legislation aimed at promoting investments and developing the economic sector through the establishment of special zones.

- Both laws support the creation of infrastructure and provide incentives to attract investments.

### Differences:

- **Proposals and Establishment Structure:** In Kosova, the process is more detailed regarding the involvement of multiple institutions and the criteria for establishing parks. In Slovenia, the emphasis is more focused on coordination between different levels of government and the private sector.
- **Fiscal Incentives:** Slovenia places greater emphasis on specifying the fiscal and administrative incentives offered to investors in special economic zones.
- **Monitoring and Management:** Kosova has a clearer and more detailed structure for monitoring parks, which includes the establishment of monitoring bodies and reporting on park activities. Slovenia utilizes a Management Committee for the management and monitoring of area.

### Conclusion

The economic zone laws of Kosovo and Slovenia have many similar goals of promoting economic development and attracting investment. However, there is a different approach in the specific details of implementation, management, and fiscal incentives. Kosova has a more detailed structure, while Slovenia places greater emphasis on providing fiscal and administrative incentives for investors.

## 5. Legislation on economic zones in North Macedonia

In North Macedonia, the primary law governing economic zones is the Law on Technological Industrial Development Zones (ZTIZ), which aims to create favorable conditions for both foreign and domestic investments, promote economic development, create jobs, and enhance exports.

### General Comparison

- **Kosova:** The Law on Industrial and Technological Parks aims to regulate the establishment, administration, management, promotion, exploitation and monitoring of industrial parks and technological parks, including business incubators.
- **North Macedonia:** The Law on Technological Industrial Development Zones aims to establish technological-industrial zones that attract investments, foster technological development, create jobs, and boost exports.

### Types of zones

- **Kosova:** Parks can be general, specialized, or focused on innovation and technology.

- **North Macedonia:** These zones are mainly technological-industrial and focus on the development of technology and industry for export.

## **Establishment**

- **Kosova:** Parks are established by a decision of the Government following recommendations from the Ministry and can be proposed by the ministry, the Agency for Investments and Exports, municipalities, trade companies, or business associations.
- **North Macedonia:** The technological-industrial zones are established by decision of the Government, and proposals can be made by the relevant ministries, state agencies, or private investors.

## **Management**

- **Kosova:** Management can be carried out by public authorities, business organizations, non-governmental organizations, or through public-private partnerships.
- **North Macedonia:** The management of these zones is primarily carried out by public authorities or through private sector partnerships, with a specific emphasis on enhancing infrastructure and providing support services to investors.

## **Similarities:**

- Both countries have detailed legislation aimed at promoting investments and developing the economic sector through the establishment of special technological-industrial zones.
- Both laws support the creation of infrastructure and provide incentives to attract investments, ensuring support for investors.

## **Differences:**

- **Focus of Zones:** North Macedonia focuses on technology and industry for export, while Kosovo offers a wider variety of park types, including innovation and technology.
- **Establishment Structure:** The establishment process in Kosovo is more inclusive, and involves multiple institutions in decision-making, while in North Macedonia, the process is more straightforward and investor-oriented.
- **Facilities and Incentives:** North Macedonia provides a number of specific facilities/incentives for investors in technological-industrial zones, which are more oriented towards encouraging technological development and improving exports.

## **Conclusion**

The economic zone laws of Kosova and North Macedonia have similar goals of attracting investment and promoting economic development. However, differences in their approaches

reflect the specific priorities of each country. Kosova offers a broader and more detailed structure, while North Macedonia is more focused on technology and the export industry.

## **6. Key stakeholders**

The key stakeholders involved in the development of economic zones in Kosovo include the Government of Kosovo (MIET and KIESA) for policy-making and investment support, foreign and local investors seeking to exploit competitive advantages, municipalities and local communities for implementing economic projects, financial institutions for securing funds, international organizations and donors for technical and financial support, the business community and trade associations for representing private sector interests, universities and research institutions for skills development and innovation, as well as NGOs and civil society for environmental and social issues. These stakeholders work together to ensure sustainable and inclusive economic development.

## 7. Conclusions

The Law on Industrial and Technological Parks establishes a crucial legal framework for the development and operation of industrial and technological parks aimed at attracting investments and boosting economic activity. The fiscal and administrative advantages (incentives) offered in these zones are attractive to both local and international investors, thus contributing to the growth of the private sector and the creation of jobs.

## 8. Recommendations

1. **Review and enhance legal conditions:** Emphasizing the need for a periodic review of the law on economic zones to ensure that the conditions and incentives offered remain competitive at both regional and global levels.
2. **Greater focus on infrastructure:** Investing in infrastructure, such as roads, energy and communications will make economic zones more attractive to investors and better integrate them into the local economy.
3. **Promotion and marketing of industrial and technological parks:** A clear and effective promotion and marketing strategy is necessary to raise awareness and interest among potential investors in Kosovo's economic zones.
4. **Improving public-private cooperation:** Strengthening cooperation between the public and private sectors is essential to ensure a coordinated and effective management approach in economic zones.

These recommendations are aimed at improving conditions and increasing the success of industrial and technological parks in Kosovo in the future.

## 9. Annex 1. Decisions on the establishment of economic zones

### **Business Park in Drenas - Decision**

<https://kiesa.rks-gov.net/desk/inc/media/8E2AE57B-1DC7-4466-9DFC-35541BDD6704.pdf>

### **Business Park in Mitrovica - Decision**

<https://kiesa.rks-gov.net/desk/inc/media/2B50B634-CF68-4C2B-B8C9-6659B9837AB6.pdf>

### **Technological Park in Shtime - Consent**

<https://kiesa.rks-gov.net/desk/inc/media/753667A3-B814-4A91-9D2C-8989FDBA13FA.pdf>

### **Industrial Park in Mitrovica - Consent**

<https://kiesa.rks-gov.net/desk/inc/media/245369B3-BF97-469A-9EFB-C46537BE0CE7.pdf>

### **Agro-Industrial Zone in Samadroxha - Suahereka - Decision**

<https://kiesa.rks-gov.net/desk/inc/media/B818C558-FC0A-4247-866C-BE1796633C63.pdf>

### **Industrial Park in Lipjan - Decision**

<https://kiesa.rks-gov.net/desk/inc/media/A7AD7B4A-841E-4172-8DA3-E8C7BBAF831B.pdf>

### **Industrial Park in Shiroka - Decision**

<https://kiesa.rks-gov.net/desk/inc/media/7A773E89-5E44-4C7C-9D41-157737E8C7D5.pdf>

### **Industrial Park in Vitia - Decision**

<https://kiesa.rks-gov.net/desk/inc/media/57D6D976-34A5-4E0D-BA3D-1509510B405E.pdf>

### **Industrial Park in Vushtrri - Decision**

<https://kiesa.rks-gov.net/desk/inc/media/E0FE95E6-25AB-4E55-8494-09EA7A52DB40.pdf>

### **Economic Zone in Opterusha - Decision**

<https://kiesa.rks-gov.net/desk/inc/media/49878E8D-3100-4AAE-A6D0-484E6FD822BE.pdf>

### **General Park in the Municipality of Podujeva - Decision**

<https://kiesa.rks-gov.net/desk/inc/media/F4318FBE-B9CF-46EA-B332-FC340E61BF7C.pdf>

### **General Park in the Municipality of Drenas - Decision**

<https://kiesa.rks-gov.net/desk/inc/media/7BC1511D-2A42-48DF-8AFE-0C4062877B19.pdf>