

# Kosovo's economic and investment potential

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# Topics covered in the presentation

- **Kosovo's economic and investment potential**
- **What matters to foreign investors?**
- **The World Bank Group in Kosovo**

# Kosovo's economic and investment potential

# Kosovo's economic performance has been solid and resilient to global crisis



# The economy has the potential to grow more rapidly

- Kosovo's main economic assets are:
  - Natural resources (minerals)
  - Young, growing and low-cost labor force
  - Agriculture land
  - Free market access to the EU and CEFTA (Balkans and Moldova) markets



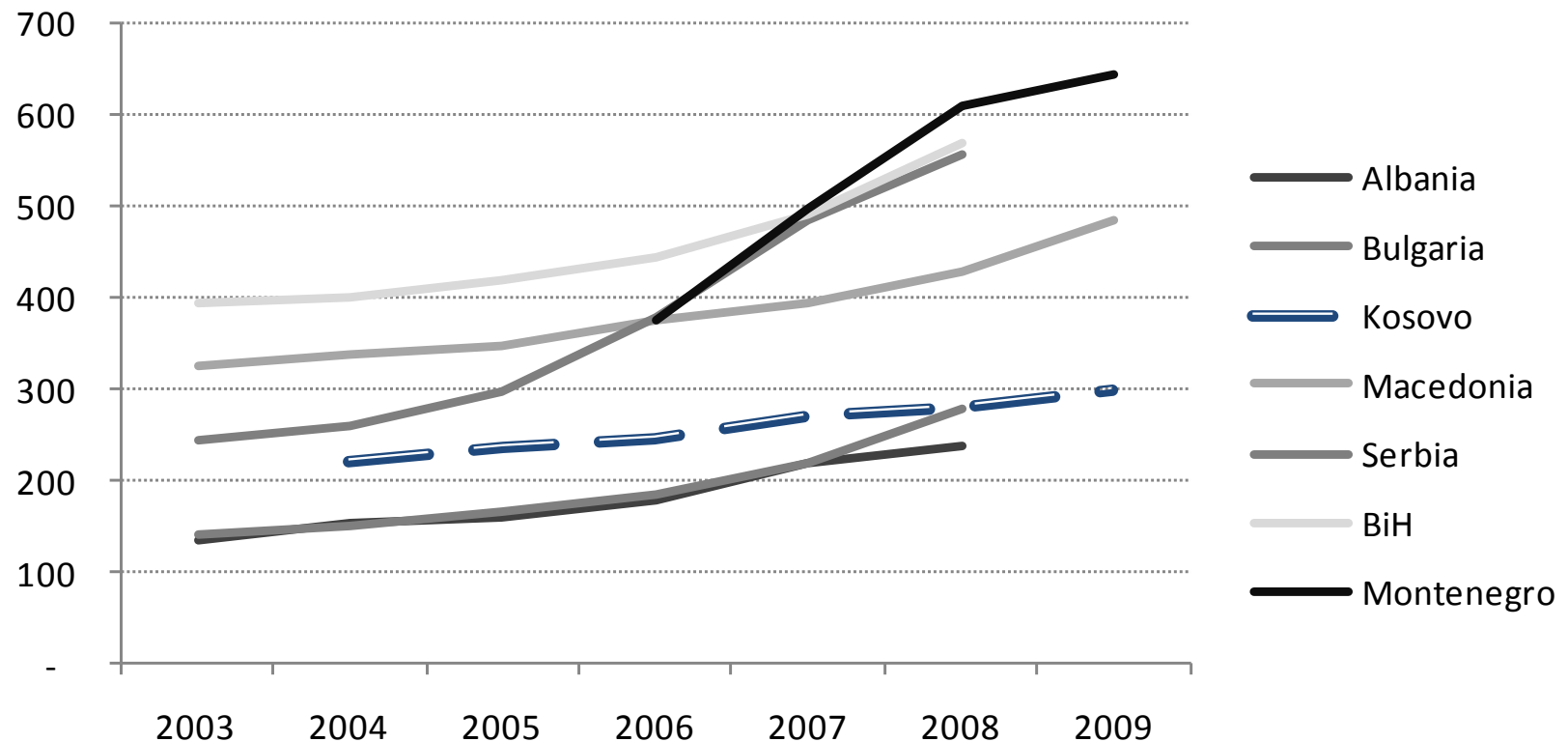
# Natural Resources Are Abundant, but Underutilized

- Kosovo's soil has abundant deposits of lignite (over 10 billion tons), but also ferronickel, lead, zinc, magnetite, and other ores
- The lead-zinc mine Trepca, the largest in the former Yugoslavia, is sitting idle. So are the magnesia production companies and other mines
- **The ferro-nickel company was restarted with foreign capital in 2005: today it employs 1,000 workers and accounts for about half of Kosovo's exports**



# Kosovo has among the lowest labor costs in the region, which could attract export-oriented labor-intensive investment

Average monthly wage, in EUR



# The agriculture sector offers great investment opportunities

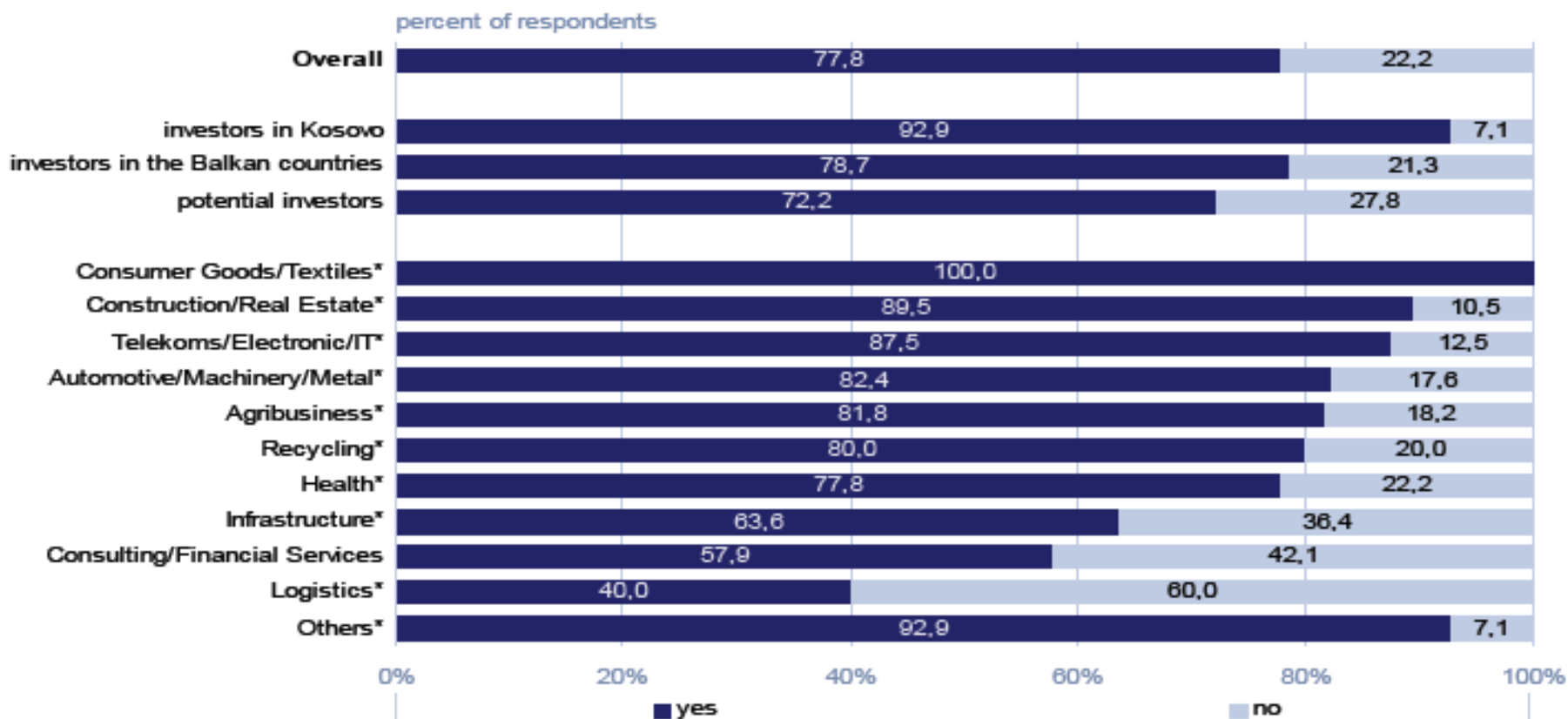
- The decline in the sector over the past two decades implies substantial unused capacity
- The abundant low-cost rural labor force, which is currently unemployed, is an opportunity for investment in the sector
- Kosovo has free market access (for most agriculture products) to the European and regional markets
- Sub-sectoral analysis shows comparative advantage to be in high-value fruits and vegetables





# Most of Kosovo's trade goes to the EU and the Balkans. Kosovo's integration in the regional market is perceived very positively by investors

*Do you see Kosovo as part of a regional market both in terms of consumers and as being part of a regional supply chain?*



Infrastructure is another important sector both for attracting investment and stimulating economic activity

- **Several large investments in the pipeline:** new power plant and rehabilitation of existing one, privatization of electricity distribution, developing hydro-power plant (350 MW), highway to Albania, privatization of PTK, airport (expansion) concession
- These investments are expected to generate of US\$ 3 billion of investments



# And there is further potential for investment

- Other potential infrastructure projects include:
  - Addition electricity generation capacity (up to US\$ 2.7 billion)
  - Natural gas transmission and distribution (US\$ 350 million)
  - Energy efficiency projects (US\$ 140 million)
  - District heating in Pristina (US\$ 35 million)
  - Expansion of road to Macedonia/Greece
  - Railway development

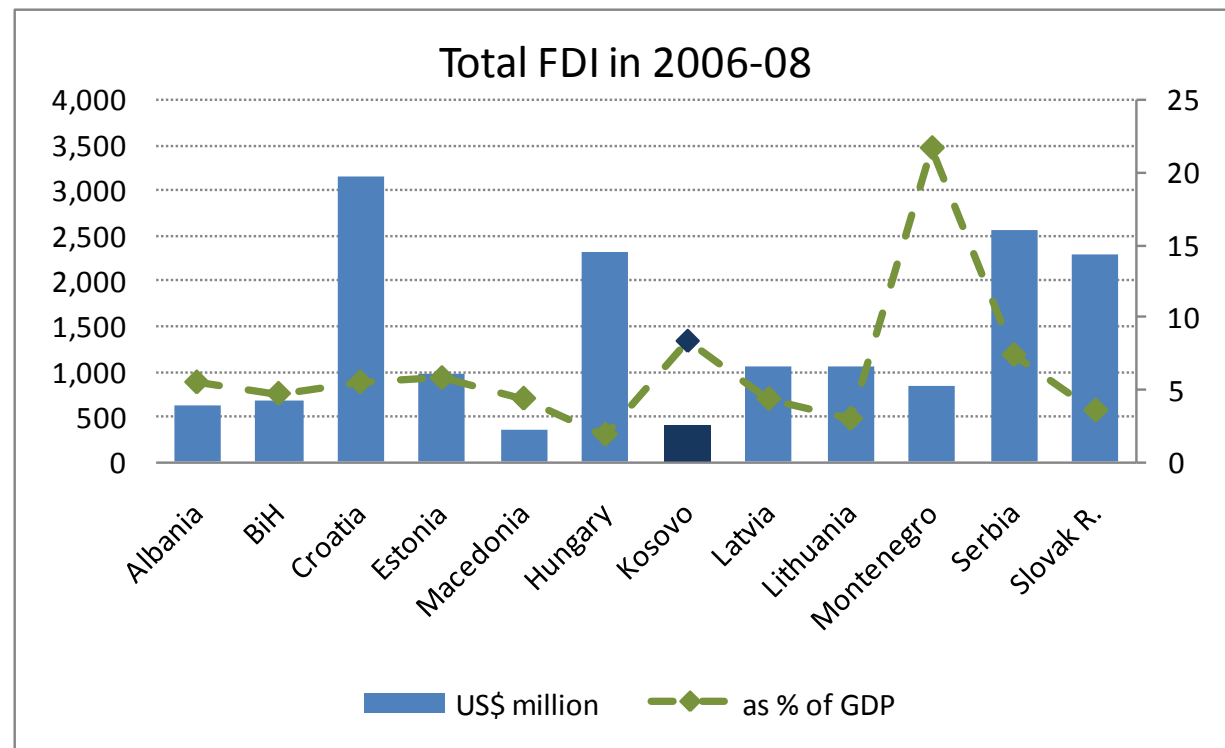


What matters to foreign investors?

# Tapping into Kosovo's economic potential

- For the size of its economy, Kosovo attracted substantial foreign investment (10% of GDP in 2006-08). FDI slowed in 2009, partly as a result of the global crisis

- FDI has come mostly from privatization
- Sustaining high FDI will require a shift to greenfield investment

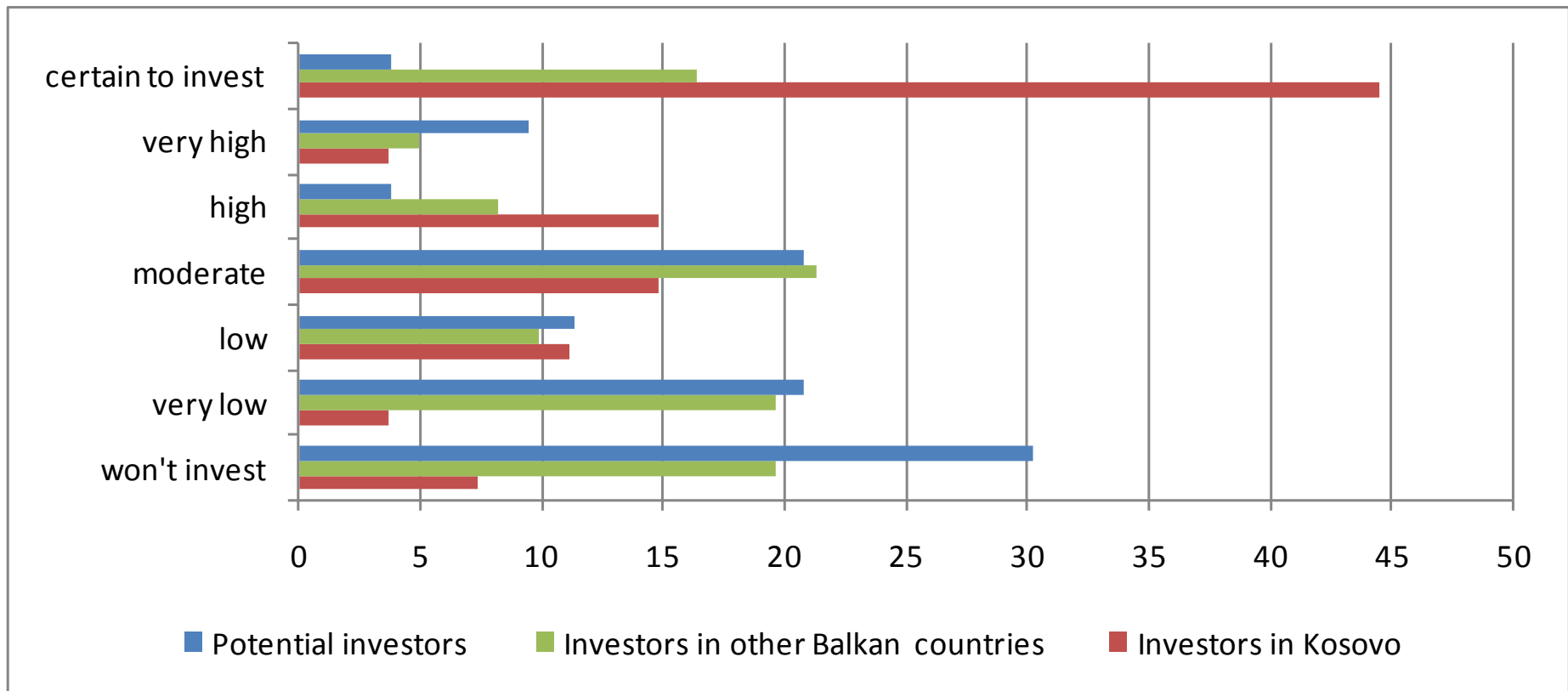


# Kosovo's comparative advantages for FDI, exports, and growth

- The tax system is simple and has low rates,
- Labor market rigidities are very low
- Wages are lower than in the wider region
- Free market access, and close proximity, to EU and CEFTA (Balkans) markets

# The strong interest of foreign investors confirms these advantages

Existing investors are very keen to expand their business in Kosovo



# What else matters to foreign investors?

- Simple and transparent business regulations
- Efficient and predictable legal system, and property right security
- Reliable electricity supply
- Good infrastructure
- Stable macroeconomic environment
- Political stability (and security)



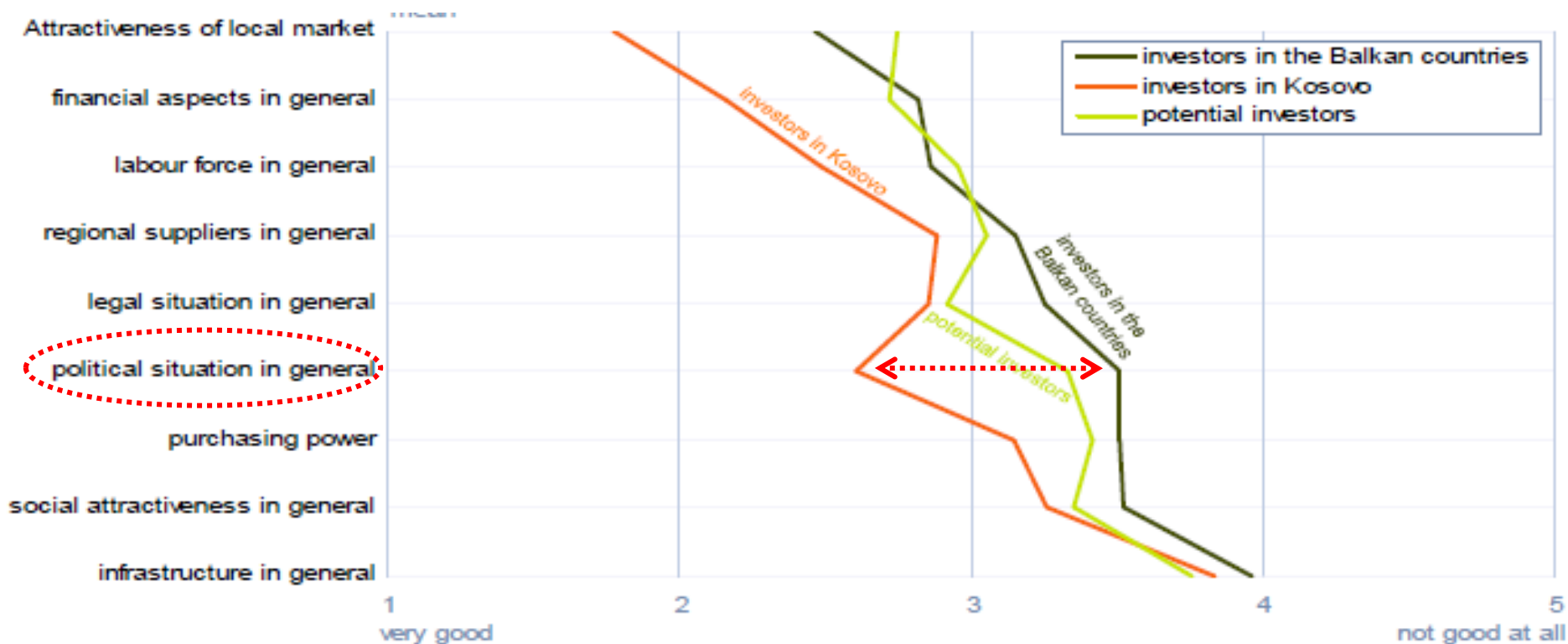


# Improving Kosovo's attractiveness

- Simplifying business registration and licensing
- Strengthening “rule of law” through depolitization of courts, fight against corruption, better transparency
- Expanding cadastre coverage and easing property registration
- Investing in energy sector and improving the governance/efficiency in the sector
- Developing and maintaining main infrastructure lines
- Maintaining sound fiscal policies and improving the quality/targeting of public expenditures (implementing IMF program)



In addition, Kosovo should address its “image problem”: foreign investors are more informed about opportunities in other Balkan countries and have a weaker perception of Kosovo than deserved



# The World Bank Group's support to Kosovo

# The World Bank supports Kosovo's development

- Kosovo joined the World Bank Group, and the IMF, in June 2009
- The World Bank has financed projects of over \$150 million (grants) over the last decade
- Focus has been on rebuilding schools, improving water and waste management, promoting youth, strengthening the capacity of the public administration
- Projects in the pipeline will strengthen property rights, business regulations and promote investment in agriculture and industry



# World Bank and other donors are assisting the Government in the reforms

- The World Bank financed the establishment of one-stop-shops for business registration
- A World Bank project will help expand the cadastre coverage and strengthen property rights
- Energy sector has benefited from several World Bank (and other donors') projects
- The EU, the World Bank and other donors are providing grant funds to the Kosovo budget (to help finance the large needs of the new state)



# IFC sees potential for investment

- IFC is keen to invest in agriculture / food-processing firms (projects already in pipeline)
- On infrastructure, IFC is a lead advisor to the Government on two PPPs (power distribution privatization and solid waste management)
- In addition, IFC has co-invested with foreign investors in manufacturing and mining capacities
- Also is providing credit lines, through commercial banks, for SMEs and trade finance (including for agri-firms)



**Thank you for your time.**

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