ECONOMIC DEVELOPMENT IN KOSOVO, THE CURRENT SITUATION

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ABSTRACT
The purpose of this research is to understand and analyze the economic development in Kosovo. The research method used in this study is a literature review with a comparative approach. The results of this research indicate that the state of Kosovo, since its establishment as a legal entity, has formulated rules for its optimal functioning and development, with a special focus on the Economic sector. It is not coincidental that a particular emphasis is given to the Economic sector, as a well-developed economy correlates with a advanced nation. First and foremost, the economy is the best reflection of a nation, and through it, one can gauge the financial capacity of a country and the extent to which its workforce is developed. Considering that the economy forms the foundation of a stable and functional state, strategies are devised for its development. This involves analyzing and evaluating all efforts that can influence the country's economic growth. Therefore, the analysis of the economic situation begins at the central level, and then shifts the focus to the local level, determining which cities can contribute more to economic development. Statistical data on the economic conditions at the local level are based on the geographical area and the population of the municipalities. As a result, in terms of population and geographical area, the municipality of Prizren ranks second among municipalities.

Keyword: economic development, local level, city of prizren, businesses.

INTRODUCTION
Local economic development refers to the processes by which local governments, businesses and civil society groups work together to sustainably increase incomes and improve their lives in a well-defined area (Sachs et al., 2019). Local Economic Development (LED) is a participatory process in which local people from all sectors work together to stimulate local commercial activity, realizing a resilient and sustainable economy (Meyer, 2014). This is one way to help create jobs and improve the quality of life for all, including the poor and marginalized. Local economic development encourages the public, private and civil sectors of society to create partnerships and collaboration to find local solutions to shared economic challenges. The LED process aims to empower local participants effectively to leverage business ventures, labor, capital and other local resources to achieve local priorities (e.g. to promote quality jobs, reduce poverty, increased municipal taxes) (Rodríguez-Pose & Wilkie, 2017). Strategy begins with the identification and practical understanding of local advantage and local supply. Interest groups representing different political parties have the obligation to participate in this analysis by asking the questions: To what extent are its weaknesses and shortcomings; Are there threats; Are there external opportunities; What the local population wants and needs. Designing the LED strategy and its implementation requires knowledge of the area, regional economic linkages, including competitive advantages and cooperation. The success of LED
is achieved by encouraging a business environment where markets can operate efficiently within the local context (Shipley & Snyder, 2013). Given that economic development at the local level is important and has an impact on the economic development of the state, it is reasonable to study this topic more broadly, thus researching the businesses that influence economic development in the municipality of Prizren, from the past to the present. Thus, in the content of the paper, I will generally clarify the businesses that I was able to research more closely with the businesses in question. Therefore, that the paper will be a contribution to the science of economics, namely to researchers who deal with research on the economic development of the local level and beyond of the municipality of Prizren.

**METHOD**

In the preparation of this paper, I have used the appropriate scientific methods so that this paper comes out as meaningful as possible and with genuine literature from the field of economics. So initially we used the research method, through which we did a comprehensive research within the topic of this paper. Then we used the comparative method, specifically we compared the economy in Kosovo with the economy of other countries, thus presenting the factors that influence the improvement of the economic situation. Then the historical method in which I presented in short points the history of economic development in Kosovo. And in addition to the aforementioned methods, deductive, inductive, and other methods were also used in the paper, which helped to finalize this paper.

**RESULTS AND DISCUSSION**

**Economic Development in Kosovo**

Kosovo’s economy since 1999 has been mainly driven by international aid (Lemay-Hébert & Murshed, 2016). The role of the private sector, especially SMEs, has been relatively weak. Despite this, Kosovo is still in the transition phase where entrepreneurship and the creation of small businesses are expected to play an essential role on the way to a modern free market economy and thus also to economic development and growth. For economic development, it is essential that the state institutions themselves deal specifically with this issue, thus forming strategic documents that present an overview of the economy and its development in future periods. In one of the many strategic documents of the central institutions, the Ministry of Trade and Industry presents this general overview of the economy of Kosovo: the main development challenges continue to remain in Kosovo. The most pressing problem is the high official unemployment and related poverty, and the relatively low GDP (€1,795 per capita in 2009). The Government of Kosovo (GK) recognizes the importance of small and medium enterprises (SMEs) for the Economic Development of Kosovo (Mavraj, 2015). More than 99% of enterprises in Kosovo are SMEs. The Ministry of Trade and Industry (MTI) through the SME Support Agency (AMNVM) is the institution responsible for formulating the SME Development Strategy 2012-2016 (SME Strategy). (2012., pp. The strategy formulation process was initiated in December 2010 and will continue until October, in two phases. The first phase until June 2011 resulted in the conclusion of the Strategy for SMEs. In the 2nd phase from June to October 20) The strategy formulation process was initiated in December 2010, divided into two phases. The first phase until June 2011 resulted in the conclusion of the Strategy for SMEs. In the 2nd phase from
June to October 2011, the Implementation Plan was developed and completed. The SME Strategy formulation process has been led by the SME Strategy Working Group (GPS) formed by the Chief Executive Officer of the SME Strategy in January 2011 and the SME Strategy Advisory Group, founded by the Minister of MTI Ms. Technical assistance for the formulation of the Strategy is being offered to MTI and SMEs through the EU-funded project "Supporting SMEs through the Ministry of Trade and Industry" (EU SME). This assistance will continue even in the first year of the implementation of the Strategy for SMEs. The EUSME project has four main components: 1. Improving the Business Climate; 2. Establishment of Public-Private Dialogue and Coordination of Donors; 3. Improving the competitiveness of SMEs in Kosovo; and 4. Public Information Campaign. The support for the preparation of the SME Strategy is within the framework of component 1. The strategy is based on two main pillars "The European Act for Small Businesses (ABV) that Kosovo is committed to implement and the EU Programs for Competitiveness and Innovations (CIP) that Kosovo aspires to participate in in the near future.

Moreover, the SME Strategy Working Group has analyzed and taken into consideration the Government's Vision and Priorities for Economic Development. The SME Strategy identifies the measures (Strategic Goals, Strategic Goals and Objectives) that must be undertaken to advance reforms that will lead to a dynamic SME sector that will create new jobs for Kosovo. The Strategy for SMEs is a sub-sectoral component of the Strategy for the National Development of Kosovo. The strategy for SMEs is cross-sectoral and includes a number of Government Agencies which have responsibility for some parts of its implementation. The successful implementation of the SME Strategy will help alleviate many constraints to economic growth, increase the activity of the private sector, increase internal and external investments and thus be a major contributor to the creation of work.

In 2010, the official unemployment rate reached 47% in rural areas and is even higher (Avdullahi et al., 2022). Approximately 30,000 young people enter the labor market every year. These development problems are recognized in many of Kosovo's strategic development documents and there is an increasing focus on the private sector as a generator for additional economic growth to create more opportunities for sustainable employment. In this regard, effective policies for the development of the private sector will play a very important role in facilitating economic growth, led by exports and investments”. According to KAS, the general rate of unemployment in Kosovo in 2016 was 28%, while among young people it was estimated up to 50% (Mustafa-Topxhiu et al., 2017). The percentage of young people who are not employed, who are not attending school or any training program was 28%. So, of these 50% of the unemployed, 28% of them are not doing anything. And according to the department for work and employment in the Ministry of Labor and Social Welfare, in 2019, within the 12-month period, there was a vacancy for about 60 unemployed registered in the employment offices. According to statistics, every month more than 316 unemployed had to compete for a job.

The current economic situation in Kosovo and in the region

During these eleven years, the economy is characterized by a minimal economic growth insufficient for the country. Any economic growth below the 6 percent quota for our country, which has had many unemployed people, has not been growth, but in fact retrogression. In the absence of jobs, a very large number of citizens reaching the quota of approximately 30 percent of the
population have moved to the West, it should also be noted that there have been very slow reforms of tax policies and often by the presenting institutions. The problems of employers, especially in the manufacturing and processing sector, have not been taken seriously. So problems are treated as individual problems. In fact, the entire economy has gone through problems of the same nature. One of the indicators of the delay in economic development was the problem with electricity. One of the main problems that has slowed down economic development has been the constant lack of electricity and the silence of the institutions towards this phenomenon, which has led to the loss of hundreds of thousands of jobs in the country", thus also mentioning the regression in investment conditions of foreigners. Even though our institutions have presented Kosovo in the public opinion as a paradise for investments, foreign direct investments have decreased from year to year. The biggest misfortune is that there is still no institutional readiness to support production. The real tax policies are announced only in cosmetic form, which are offered only to medium-sized and large firms, while small firms, which are the largest employers in the country, have not been given any room in the exemption of raw materials from taxes. Mentality continues, the country faces great economic uncertainty, which can bring social instability manifested by protests, thefts and unpleasant phenomena of a criminal nature. (https://www.epokaere.com/ekonomia-e-kosoves-gjate-njembedhjete-vjeteve-te-shtetesise/).

According to the Ministry of Finance (MOF), the real average growth of the Gross Domestic Product (GDP) in Kosovo for the years 2006-2009 was 4.8%. Evidence shows that the government's decision in 2008 to increase the level of public investment by over 120% has been the main driver of economic growth. Also, this shift in resources allocated to public investment proved to be a stimulus for the economy in 2009 and kept the opportunities for generating growth above 4% at a time when most countries in the region are facing economic decline. Due to the relatively low level of integration of Kosovo in the global economy and weak fiscal policies, its economy has been significantly protected from the global economic crisis. The economy grew in 2009 and has continued to grow in 2019. Most economic growth has been driven by government spending, while the foreign trade balance has remained high (EC Kosovo Progress Report 2010).

Based on World Bank reports, most recent economic progress has been based on donor aid and remittances, which cannot be the basis for sustainable economic strategies. (The Government of Kosovo since 2005 has adopted an important number of strategies. Of these strategies) As for the countries of Southeast Europe, they have gone through an economic crisis similar to the countries of the eurozone, and this is the result of the high level of economic integration of this region with the countries of the eurozone (Hassel, 2014). During the crisis years (with the exception of Albania, which has recorded an economic growth of 3.3%), the economies of all the countries of South-Eastern Europe have experienced a decline from the highest growth of 5.8% (Croatia) to the lowest of 0.8% in FYROM. Even the year 2010 did not result in positive growth in the countries of the region, where Croatia, Romania and Montenegro continued with negative GDP growth (IMF 2010). Despite economic growth, the current level of GDP in Kosovo is 4.2 billion euros, which is two times less than Albania and FYROM and three times less than Bosnia and Herzegovina (IMF 2010). Poverty remains a problem in Kosovo. Based on UNDP reports, the unemployment rate in Kosovo is around 43% while 34% of people live in poverty with less than 1.41 euros per day (Terziu & Lushi, 2021). Eighteen percent live in extreme poverty on less than 94 euro cents a day. The number of new entrants to the
labor market is very high compared to the countries of the region. It is estimated that the number of young people entering the labor market each year is such that at least a real economic growth of 7.0% is required just to begin absorbing these new entrants and contribute to reducing the existing large number of the unemployed. According to the EC Progress Report for Kosovo for 2010, despite economic growth, the economy is not creating enough jobs to absorb new arrivals and reduce pressure on the labor market (Terziu & Lushi, 2021). Since a large number of new jobs will be created by SMEs, through the creation of new SMEs and the growth of existing ones, then the successful implementation of the Strategy for SMEs will be the main contributor to the Growth Economic in Kosovo. Due to the unfavorable environment for business and the lack of creative entrepreneurial culture, Kosovo lacks fast-growing innovative firms, which are the main contributors to job creation in developed Western economies (Terziu & Lushi, 2021).

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

Local economic development is about the well-being of a country, a locality (Malizia et al., 2020). As distinguished from "economic development" in general, local economic development focuses on particular contexts, which vary spatially. 'Context' refers to the constellation of endogenous behaviors and formal and informal institutions that have evolved in a country and interact with exogenous currents that may be social, cultural, economic, political, ecological. Approaches to local economic development vary substantially and are context specific. "Local" has different meanings in relation to the wider context in which places are conceived. "Economic development" also has different meanings; so the nature of "well-being" is interpreted differently, in relation to the theoretical perspectives of researchers. Therefore, 'local development' and 'economic development' are treated separately, and approaches to local development as a field of study are elaborated later. Local economic development (LED) is seen as one of the most important ways to reduce poverty. Local economic development should aim to create jobs by making the local economy grow (Amin, 2017). This means that more businesses and factories should start in the municipality area. As part of RDPs, key stakeholders in a municipality must come together to reach agreements and make decisions to grow the economy and create income opportunities for more people, especially the poor. The national government makes policy and provides funding, research and other support for local economic development. Municipalities decide on LED strategies and the process of achieving a LED strategy should be part of the integrated development planning (IDP) process. LED strategies should be based on the general vision described in the IDP and should take into account the result of the analysis done to identify problems and prioritize development projects. It should also look at things like integrating our living and working areas, building development corridors between areas and supporting the economy with good public transport.

The principle of subsidiarity in the EU The principle of subsidiarity is a powerful principle that enables municipalities to act and regulate areas in which the central or regional government does not act and where goals can be better achieved by acting at the municipal level. (Shih: Ligjin nr 03/L-49. Për vetëqeverisjen Lokale në Kosovë. Prishtinë) Article 15 of the Law on Local Self-Government in Kosovo states that "Municipalities exercise their powers according to the principle of subsidiarity" (Hajdari et al., 2021). Article 17 of the same law specifies that municipalities "have full and exclusive powers, in terms of local interest, respecting the standards defined in the applicable legislation, in the following areas" a) local economic development; h) provision of public preschool, primary and secondary education, including registration and licensing of educational institutions, employment, payment of salaries and training of instructors and education administrators; s) any issue that has not been expressly excluded from their competence, or that has not been assigned to another authority. Article 30 of the same law further stipulates that "municipalities have the right to conclude cooperation agreements with foreign local self-government bodies in all areas of autonomous municipal competences and extended competences, with the exception of those in paragraph 2 of Article 40 of this law." Regarding finances, Law No. 03/L-49 marks the competences of the local government in generating revenues that make the municipality self-sustainable. Among the powers, the following powers of the municipality for taxes and payments are noted:

a) Tax for the Business Activity Permit - the municipality, by municipal regulation, may establish an annual fee which must be paid by registered business organizations to obtain or maintain such a
business activity permit. Such a regulation may also establish a register of different taxes which are assigned to different categories of business activities. Any such tax for business activity must be assessed only on the basis of the rules established by municipal regulations.

b) Tax for the Permit for Professional Services - the municipality, with municipal regulations, can set an annual tax that must be paid to obtain or keep such a permit for the exercise of professional business activity. Such a regulation may also establish a register of different taxes which are assigned to different categories of professional services. As we will see below from the literature section, these competencies are essential in the design of economic policies that can lead to economic development and new jobs.

The goals of local economic development

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

The purpose of local economic development (LED) is to build the economic capacity of a local area to improve its economic future and the quality of life for all. It is a process through which public, business and non-governmental sector partners work collectively to create better conditions for economic growth and employment generation (Malizia et al., 2020). While "economic development" is often confused with economic growth or industrial development, it is generally accepted to be a proactive collaborative process within which multiple efforts exist that collectively serve to improve economic progress and the quality of life as such, economic development can and often does involve a range of stakeholders, governmental, non-governmental, community and private sector organisations, focused on a range of outcomes such as new business start-ups, greater sector diversification, job creation, increased productivity, increased sustainable, improving the quality of life, etc. LED refers to the process in which local government, or any agency, authority or organization on behalf of local government, undertakes to improve the ability of a community to provide economic progress in a quantitative and qualitative manner. The success of a community today depends on its ability to adapt to the dynamic local, national and international market economy. (Economic Development Reference Guide)

Strategically planned LED is increasingly used by communities to strengthen the local economic capacity of an area, improve the investment climate and increase the productivity and competitiveness of local businesses, entrepreneurs and workers. The ability of communities to improve quality of life, create new economic opportunities and fight poverty depends on their ability to understand LED processes and act strategically in the ever-changing and ever-changing market economy, and more competitive. (www.ilo.org) Each community has a unique set of local conditions that increase or decrease their potential for local economic development, and it is these conditions that determine an area’s relative advantage in its ability to attract, generate and retain investment. The economic, social and physical attributes of a community will guide the design and approach to
implementing a local economic development strategy. To build a strong local economy, good practice confirms that each community should undertake a collaborative process to understand the nature and structure of the local economy and conduct an analysis of the area's strengths, weaknesses, opportunities and threats. This will serve to highlight the key issues and opportunities facing the local economy. But much more interesting is the political perspective of Local Economic Development: definitely more than "economic development at the local level"; it is a special way or type of economic development and different from other forms or types of economic development. To understand its specific character, I will present four scenarios: The first scenario is called "development from above": The main actor here is the state, working from the top down from the central government to the regional and local authorities. In this scenario, local actors, people, enterprises as well as authorities expect decisions and resources coming from above, because they believe that the state is either primarily responsible for all kinds of development or only has the power to do so. This attitude is often found in societies with centralized governments, not only in authoritarian regimes, but also in strong welfare states. This scenario is usually associated with a high degree of dependency and arbitrary measures. And finally, it no longer works, if the state gets into political or economic problems.

**Why are local governments important to economic development?**

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

The premise of government involvement in LED implies that economic development as a government activity must include an effort to encourage private investment in a given jurisdiction for the purposes of creating or retaining jobs, expanding the tax base, and increasing the level of welfare. general economic being (Porter, 2015). Local government played a key role in their position as a leader in development. They can respond efficiently to the needs and challenges facing citizens, including economic development. Their leadership can thus ensure inclusiveness and sustainability of community wealth.

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

**Businesses that affect economic development**

Businesses influence the economic development of the country, based on the businesses that are more developed in the respective state (Aparicio et al., 2016). Thus, in the state of Kosovo, the businesses that influence economic development are:

1. Sole proprietorship: In sole proprietorship, the owner has unlimited liability for all debts of the company. The company has a formal name or includes the owner's legal last name and includes the abbreviation "B.I."
2. Collective company: In the collective company, all partners are liable without limitation and jointly for the debts of the company. The Official Name of the General Partnership must include the words "General Partner" or the abbreviation "O.P.".

3. Limited partnership: In the limited partnership, except for "unlimited" partners (partners who are liable without limitation and jointly for the company's debts), limited partners or those partners who are responsible for the company's obligations up to the limit of the value of contributions theirs. The Official Name of the Limited Company must include the words "Limited Company" or the abbreviation "O.K.".

4. Limited liability companies: Limited liability companies are those companies that are established by one or several founders, who are responsible for all debts and other obligations with all assets. The Official Name of the Limited Liability Company must include the words "Limited Liability Company" or the abbreviation "SH.P.K".

5. Joint-stock companies: Joint-stock companies are those companies whose capital is divided into shares and whose shareholders are responsible for all debts and other obligations with all its assets and property. The company can be established and have one or several shareholders. The Official Name of the Joint Stock Company must include the words "Stock Company" or the abbreviation "SH.A". The initial capital of this company is at least 10,000 euros.

6. Foreign commercial company: The foreign company is a commercial company and from the moment of registration it is considered a branch in Kosovo that does not have the identity of a legal entity. After the registration, he enjoys all the rights and obligations defined on the basis of the law in force. The Official Name of the Foreign Trade Company Branch in Kosovo must include the full name of the Foreign Trade Company with the suffix "Branch in Kosovo" or the abbreviation "D.K".

7. Representative Office of the Foreign Trade Company: The Official Name of the Representative Office of the Foreign Trade Company in Kosovo must include the full name of the Foreign Trade Company with the suffix "Representative Office in Kosovo" or the abbreviation "Z.P.K".

8. Social enterprises: Social enterprise means the legal entity that most of the assets and capital are socially owned. These enterprises until privatization are monitored and registered by the Kosovo Privatization Agency according to Law No. 06/L-016 for Commercial Companies.

9. Public enterprises: A public enterprise is an enterprise that performs activities of general interest, which is established by the state. The public enterprise is monitored by the Government and organized as a Joint Stock Company in accordance with the law in force for commercial companies. All ownership interests in a public enterprise will be represented by shares and all such shares must be registered.

10. Agricultural cooperatives: An agricultural cooperative is a commercial company established by natural or legal persons, who must all be farmers who contribute their private property to the share capital. The cooperative of farmers is founded by at least five (5) farmers, who are signatories of the obligations. The cooperative will not be created without capital, nor will it exist without capital. The capital is divided into shares of equal value with a minimum value of €10. The director cannot be a member of the cooperative. All this is found in Law No. 2003/9 for Agricultural Cooperatives as well as Law No. 03/L-004 on the Amendment and Supplement to the Law on Agricultural Cooperatives No. 2003/9.
Individual business
- 93,129 90,00 2, General company 3,383 3,20 3, Limited company 90 0,08 4, Limited liability company 6,170 5,80 5, Joint stock company 368 0,35 6, Foreign ownership 67104. Public enterprises 12 0.01 9, Agricultural cooperatives, etc.

CONCLUSION
In order to have a strong and efficient local government, it is important to pay attention to local economic development, so in the long term, only those municipalities that can generate local economic development will be able to provide the wide range of services, and can also improve the performance of their administration. Due to financial deficiencies, currently, most municipalities in Kosovo find it difficult to offer a wide range of quality services. This situation is partly a consequence of the lack of local economic development that is closely related to the unfavorable business climate, problems with the rule of law and corruption, as well as general economic preconditions. The content of the paper generally contains the economic development at the local level and that in the municipality of Prizren. To develop in the economy, we must consider the factors that affect economic development and growth and we must invest in these factors as well as form strategies to develop more of those types of businesses. This means that the municipal level does not have policies for the promotion of some economic and business activities that fit the local context and that can benefit from the right preconditions for business. For example, not all municipalities can generate local economic growth from tourism, but those that have such potential can develop clear policies that will increase their income, reduce the level of unemployment and also generate with the intensification of economic activities. Thus, during the content of the paper, the businesses that fundamentally affect the economic growth of the municipality of Prizren have been mentioned, but it does not mean that e.g. Tourism will affect the economic development of other municipalities as well as in the municipality of Prizren, since the municipality of Prizren, based on statistics, is considered the municipality most visited by tourists and for this reason, tourism and hotel businesses should be looked at and developed more in this municipality. Therefore, in general, during the content of the paper, it was determined in more detail that there was economic development from businesses, either from tourism, agriculture or from other businesses developed in the city of Prizren.
REFERENCES

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