

## Management of the Industrial Park in Kosovo

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### Abstract:

*Industrial parks are an important instrument for promoting businesses and have a special importance in economic development. Results suggest that the construction of an industrial park in the absence of ancillary infrastructure or location advantage does not offer higher success. Location, development and operation of industrial parks are subjects of treatment by state legislation and local administrative decisions. The Government of Kosovo has adopted a law on economic zones and in this law are treated the industrial parks as tools of local and regional economic development. The role of parks is estimated as promoter of development of private sector that results in creating viable, competitive firms, in which workers also take the skills that help them, prepare for the constantly changing demands of the global economy. This article examines the role of the industrial park on the creation of new jobs and generating of incomes, promotion and encouragement of investments, attracting advanced technologies, promoting private investment in productive activities and the expansion and cooperation between businesses. The paper will reflect the effects of fiscal policy, legal framework, credit policies and other factors in the operation and management of industrial parks.*

**Key words:** industrial parks, development, investment, employment, fiscal policies.

### Introduction

Although the study of industrial parks has started several decades ago, there is still no final definition. Various definitions

are given related to industrial parks, but most acceptable definition is the one that considers the industrial park as a large land area, divided into plots and destined for the simultaneous use of several firms, characterized by the joined use of infrastructure and the proximity of the location of firms with each other and are characterized by facilitating of access and standpoint circulation. Being observed by the development dynamics, Industrial Park reflects several development stages, which can be summarized in five main periods:

- In 1900-1930 period, the industrial park appears as a feature of the development of the U.S., in the form of "industrial district ", occupies an area away from the city, constructed, developed, is financed privately and is mainly located near railway lines.

- In 1940-1950 period, industrial park appears developed, managed, and funded by central and local government, aims revitalizing the urban development, marks successes but it is not paid any great attention.

- In 1960-1975 period, industrial park appears as a reality that enjoys attention increasingly large and is spread to the four corners of the U.S. The spread is influenced by a number of factors such as: the development of road networks, increased use of trucks of large tonnage, the growth of car's ownership, rising cost and competition activity in the city center, the commercial interest of businesses to industrial parks, changes in production technology, the development of information appliances with electronic control and automatic machinery methods etc.

- In 1980-1995 period Industrial Park features a different character. His character is not typical industrial but begins to include activities dealing with mixed uses or intensive development of lands.

- In 2000-2013 period the industrial park is showing a character that reflects the orientation and close connection of destination, operation, and the development with its advanced technology, management methods, and the legal framework

and institution.

In the recent years Kosovo has undergone several changes related to the industrial production. Given the success story of industrial parks in developed and developing process countries, in accordance with the latest trends in the industry issue, creation of industrial parks, Kosovo is a country that has taken the first steps in creating the legal framework, but still faces difficulties to meet the needs of industrial parks regarding their success. Concentration of certain types of companies has always attracted investors and has facilitated the development of clusters in order to use the common areas, the use of modern infrastructure, business cooperation etc. Seeing the advantages of grouping the businesses in a given territory of different countries around the world, depending on the specifics of the country, in the legal form they have created free economic zones, industrial parks, technology parks, business parks, etc. as a local and national instrument of economic development. Given the importance of such organization, but also by analyzing the best practices of developed countries, the Kosovo government adopted the law on the economic zones. Subject of treatment by state legislation and administrative decisions are made and local industrial parks that are treated under the law for the economic zones. With the construction, development and financing of the parks will be achieved:

- Promotion and encouragement of investments in Kosovo by providing adequate infrastructure for investors and the development of activities;
- Aid in the overall economic development of Kosovo, especially on the private sector;
- The creation of new jobs and income generation;
- Withdrawal of advanced technologies;
- Concentration of businesses in a particular place;
- Expansion and cooperation between businesses;
- creating conditions for businesses for more easily access connections, transport , electricity supply, water and services in support of business and increasing the competition

in the local business etc.

The industrial park represents the traditional form of planned industrial development that continues to exist with orientation and focus only on attempting to produce and being intended to accommodate manufacturing firms and industries, warehouses and stores. Industrial parks play a positive role in economic development, if they are conceived, created, and conducted in the presence or not of some conditions and a positive or negative role of some factors. It means that parks except are affected by certain conditions and factors (fiscal policies, legal framework, credit policies, etc) these also influence their impact in various forms (opening new jobs, fostering and encouraging investment, attracting new technologies, promote private investment in productive activities etc.) .

### **The role of industrial parks in creation of new job positions**

Like all the transition economies in the region, Kosovo has liberalized its economy and has encouraged the growth of private sector. The creation of industrial parks in Kosovo has impacted in improving conditions for private sector and foreign investors, declare the owners of companies that already operate in such parks. Since the creation of parks in Kosovo has been increased investments in these areas, are consistently set new businesses and as a result it has been increased the number of employees each year by improving the economic situation and providing a better welfare.

At the same time industrial parks have made to reflect more on assistance and the support of the government that should give especially in terms of encouraging and developing the investment in our country, creating real and tangible incentives for all investors in particular those who invest in economic areas.

Increasing the number of employees was preceded by the

use of efficient programs promoting the employment, contribution and educational reforms which adapt its product, the pupil / student with the employment market. State institutions have been prioritized and will have in the future the growth of the budget for the education, training, qualification and the adaptation of the skills of the unemployed with the market demands, thus giving support the social groups.

### **The role of industrial parks on encouraging the investments**

Encouraging of foreign investment as an instrument with an important contribution in economic growth is supported by institutions with program built on clear and measurable objectives. Given this, we can say that it is build legal infrastructure that gives way the creations of industrial parks as a driving factor of local investment as well as foreign direct investment. The creation of economic zones, business parks, industrial parks etc.. has become the address of different investors. Now, have started to function several economic areas which are labeled depending on the mode of operation and types of businesses which are doing business in these areas. Among them is the park / industrial zone in Ferizaj which was established by the decision of the municipal assembly in 2003. In this area are located all the companies that had applied in the first phase , which have been the main driver to promote and encourage the region's businesses to compete in the establishment of businesses in the economic zones that extend to the territory of Kosovo . The number of investors who are interested in investing is increasing every day, as it is increasing the number of industrial parks.

### **The role of industrial parks to attract new technologies and encouraging private investment in productive activities**

Industrial parks of the period 2000-2013 appear as a reality that enjoy more and more attention and are spread not only in Kosovo but also in the region. Growth is influenced by the development of road networks, technological changes, and the development of control appliances with electronic information and over all the interest of businesses to industrial parks. Noting that the activities carried out mainly industrial parks character oriented and focus only on attempting to produce and being destined to accommodate businesses and manufacturing industries, warehouses and stores on park / industrial area in Ferizaj all businesses have the manufacturing character . All businesses firstly began work and on this case have installed manufacturing machinery belonging advanced technologies. Representatives of businesses besides that have brought machinery in the industrial part, they have also brought experience gained from developed countries and through that they have installed high working culture. There is a good cooperation between them as manufactured products can be part of any final product.

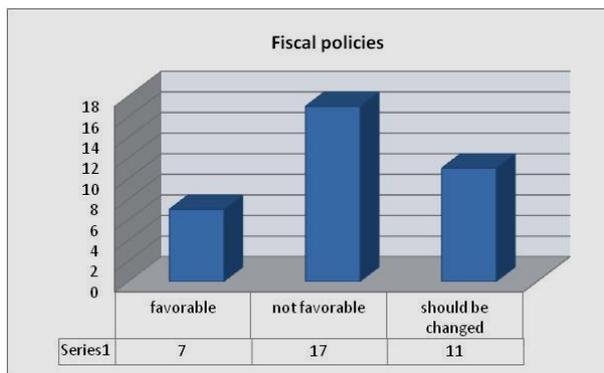
### **The impact of fiscal policy on the development of industrial parks**

Fiscal policy is known as a formulation process of taxes and public spending in order to generate incremental economic cycles and economic dispersion set with high employment and protected from inflationary cycles. So with the fiscal policy term we mean the way the government chooses to spend its budget in order to supply the citizens with public goods and services - often referred to as "expenses ". These goods and services include public infrastructure, education, health, public safety, judiciary etc. Government attempts to find the best methods to finance these expenditures through various types of taxes such as VAT, customs duties, personal income tax, the taxes on corporate income, contributions for social security, etc. During the implementation of tax policies, actors attempt to secure low

tax charge and equal treatment for both businesses and for citizens. Fiscal policy objectives vary and may include:

- Allocation of public revenues (taxes),
- Macroeconomic stability,
- Promotion on economic growth
- Redistribution of incomes

Government programs that affect on economic development should be designed in a way to support private sector activity by providing a platform in favor of economic growth and employment. To determine - had a clearer picture of the challenges of industrial parks, has been developed a survey - interview with a random sample of 35 persons (employees in businesses within the park). The aim of the study was to obtain the opinions of representatives of the business community about the activities of industrial parks in Kosovo. Answers to questions that had to do with fiscal policy, reflected in the diagram shown in Figure 1.

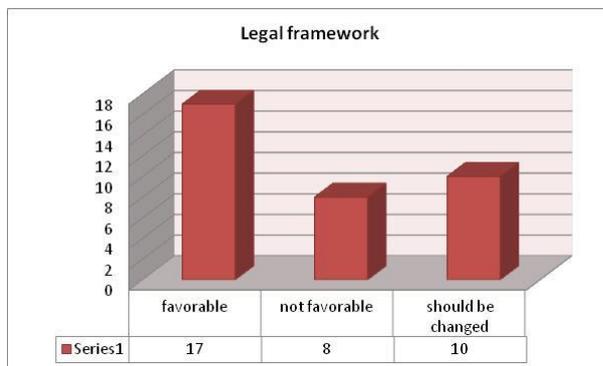


**Figure 1. Attitudes regarding fiscal policies**

## **The legal framework**

The existing legal framework affecting business activity results in an unsatisfactory quality thus it affects negatively the attraction of foreign investment and discourages the domestic investment. Non-quality regulatory framework has sparked a

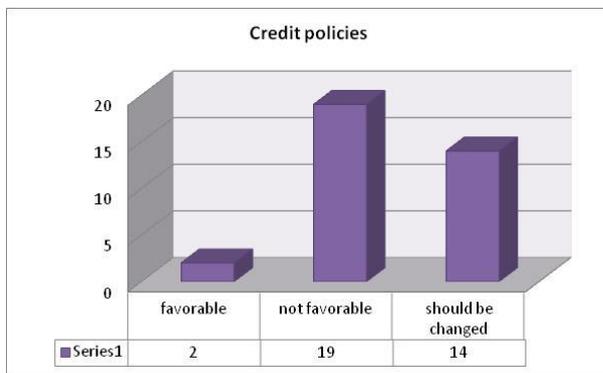
high degree of informality in Kosovo's economy. Undertaken initiatives have been fragmented, lacking inter- ministerial coordination and lack of sufficient capacities for their implementation and monitoring. Kosovo's government had targeted to support small and medium enterprises, has adopted a law on economic zones and a variety of administrative guidelines that support these types of businesses, but the ultimate goal should be the creation of a functional and sustainable development and ongoing management of regulatory reform, systematic monitoring of all of its components and defining new measures needed in order to improve the business climate. The creation of institutions and procedures that would ensure a friendly environment, transparent and efficient for the businesses, will open the way to the creation, operation and financing of industrial parks as the main pillar of the modern economy are now small and medium enterprises (SMEs). In the European Union about 99 % of all enterprises are SMEs and they employ about 65 million people. These enterprises are the core of the innovation and the base of the economic development of a country. Same as the fiscal policy, part of the analysis of the questionnaire has been the legal framework as influencing factor on the development of industrial parks. Answers to questions that had to do with the legal framework are reflected in the diagram shown in Figure2.



**Figure 2. Attitudes regarding legal framework**

## Credit policies

Although there are prerequisites for economic development , Kosovo is considered as a non favorable business place due to unfavorable credit policies, tax burdens , barriers that in the past these have led to the bankruptcy of some businesses , but have also been discouraging for new businesses . Experts estimate that the creation of a favorable climate for business development could be created only if there are created the preconditions for such a thing ,such as ;tax breaks and bank loan rates , which currently are not favorable . Despite the need for loans to businesses for capital investments, loans that offer commercial banks in Kosovo, have high interest rates, which range from 12 to 18 percent, which are the highest in the region. Credit policy in Kosovo have created not favorable situation for the development of businesses and the economy, not only the experts of the economy declare but also business representatives of Kosovo. In the questionnaires, the answers to the questions that had to do with the credit policy are reflected in the diagram shown in Figure 3.



**Figure 3 Attitudes regarding credit policies**

## Conclusions and recommendations

Contemporary concept for the creation of industrial parks

primarily determines economic development and through economic development creates a higher standard of living. Industrial parks have shown success in the Western world, but the same expectation has Kosovo because has slowly begun to fulfill the necessary conditions in supporting industrial parks. Kosovo government except the legal infrastructure is developing strategies to eliminate various barriers and adjusting policies to support industrial parks. Industrial parks can contribute to industrial development in the context of an overall development strategy. Kosovo has the opportunity to take lessons from the historical evolution of industrial parks, by their strategic evolution and their success stories. Contrary to the current commitments, Kosovo has still some way to go in meeting the conditions for the creation, operation and financing of industrial parks, as an instrument of economic development. The main issues that deserve attention in the context of the recommendations are:

- Location of industrial parks to be in accordance with the economic structure of the region and its development opportunities,
- Availability of industrial facilities to be sufficient since it is a prerequisite in efforts to attract and expand investment
- In countries less attractive, local authorities take the responsibilities for the creation of the industrial park projects,
- Build comprehensive criteria and consistent principles on which is based the new fiscal policies in Kosovo,
- To broaden the tax base besides reviewing the tax burden so that these loads are in harmony with skills of the taxpayers groups to meet their tax obligations ,
- To be done the fiscal decentralization,
- To carry out the reduction of the fiscal burden and to facilitate business,
- Improving operational and managerial capacities within the tax administration, increase fiscal discipline and transparency,
- Central Bank to create a strategy for a credit policy ,

which will define interest rates for certain areas , the review of which will be beneficial for the overall economic development of Kosovo .

-To be given importance the marketing and promotion of industrial parks.

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