

## 2021 SME FACT SHEET

# KOSOVO\*

### Brief introduction

- The COVID-19 pandemic, combined with the policy decisions taken in response to it, badly affected Kosovo's economy. In 2020, GDP, total employment and value added dropped sharply.
- The *wholesale and retail trade, transportation and storage and accommodation and food services* sectors were particularly affected, with value added declining by an estimated 16.2% in total. The *information and communication* sector, in contrast, performed strongly in 2020, with value added growing by an estimated 10.5%.
- Small and medium-sized enterprises (SMEs) play a particularly important role in Kosovo's 'non-financial business economy'. In 2020, they generated 80.4% of employment, outperforming the EU average of 65.2%. SMEs in Kosovo employed an average of 6.0 people in 2016, significantly more than the EU average of 3.7 people

### SME DEVELOPMENT 2019-2020



The value added data are provisional estimates produced by DIW Econ, based on data from Eurostat. Due to data constraints, the estimates refer to firms of any size in the non-financial business economy. As SMEs account for the vast majority of value added generated in Kosovo, the estimates can be considered representative of their performance. The GDP growth rate is based on forecasts produced by the World Bank data.

	ENTERPRISES		PERSONS EMPLOYED	
	NUMBER	SHARE	NUMBER	SHARE
<b>SMEs</b> (0 -249 persons employed)	27 537	99.8%	166 205	80.4%
<b>LARGE ENTERPRISES</b> (250+ persons employed)	57	0.2%	40 422	19.6%

Data for 2020. The data are based on data provided by the Kosovo Agency of Statistics.

## SME-RELATED STRENGTHS AND CHALLENGES

### KEY STRENGTHS

- According to the World Bank's Doing Business report (2019), tax compliance procedures and effective tax rates are more competitive in Kosovo than the EU average. Indeed, the tax system in Kosovo has comparatively few legal requirements for tax reporting compared to other EU countries.

### KEY CHALLENGES

- As reported by the World Bank, Kosovo lags behind the EU average in providing access to finance for SMEs. Moreover, investments by business angels, private equity and other non-traditional forms of financing are very limited.
- As reported by the Kosovo Agency of Statistics, the trend in the number of new business registrations per year has remained flat in recent years, with some 2 400 new business registrations per quarter since 2013.
- As reported by official sources, Kosovo's export performance lags some way behind other economies – in 2020, it had EUR 475 million in exports compared to EUR 3.29 billion in imports.

## OTHER KEY SME-RELATED BRIEF INSIGHTS



### IMPACT OF COVID-19 CRISIS ON SMEs

- Due to the COVID-19 crisis, 95% of SMEs in Kosovo have seen a decline in revenue, as reported by Access, a local non-governmental organisation.
- Only 1% of SMEs have started adapting their businesses and digitalising (e-commerce).
- As reported by the World Bank, 39% of firms in Kosovo that responded closed completely due to the pandemic, 31% worked at a reduced capacity, and 14% reduced the number of working hours. The smallest firms – those with fewer than 10 employees – were even more affected, and were most likely to be closed completely. Among the firms with fewer than 10 employees, 54.4% of respondents mentioned that they closed completely, 29.2% reported a reduced workforce, while 0.4% reported an increase in staff.



### START-UP ENVIRONMENT

Government support to start-ups consists mainly of an annual grant for micro-, small and medium-sized enterprises issued by the Ministry for Trade and Industry.



### GREEN TRANSITION OF SMEs

SMEs in Kosovo can benefit from programmes such as the Green Economy Financing Facility by the European Bank for Reconstruction and Development, the Green for Growth Fund Credit Line or the Kosovo Sustainable Energy Projects (KOSEP).



### DIGITALISATION OF SMEs

Two main programmes – both funded by blended EU and World Bank initiatives – support the adoption of digital technologies by SMEs in Kosovo.



### MARKET ACCESS

As Kosovo is not a member of the World Trade Organization, it is unable to benefit from trade facilitation services and procedures. It also does not have an ISO code or other international trade, internet domain and communication codes. This makes it more difficult to export services, particularly in terms of information and communications technology.

\* This designation is without prejudice to positions on status, and is in line with UNSCR 1244/1999 and the International Court of Justice's Opinion on the Kosovo declaration of independence. The SME Performance Review monitors SME-related developments across the EU. For more information, please see: [https://ec.europa.eu/growth/smes/sme-strategy/performance-review\\_en](https://ec.europa.eu/growth/smes/sme-strategy/performance-review_en)