



2019 SBA Fact Sheet

KOSOVO*

Key points

Past & future SME performance:

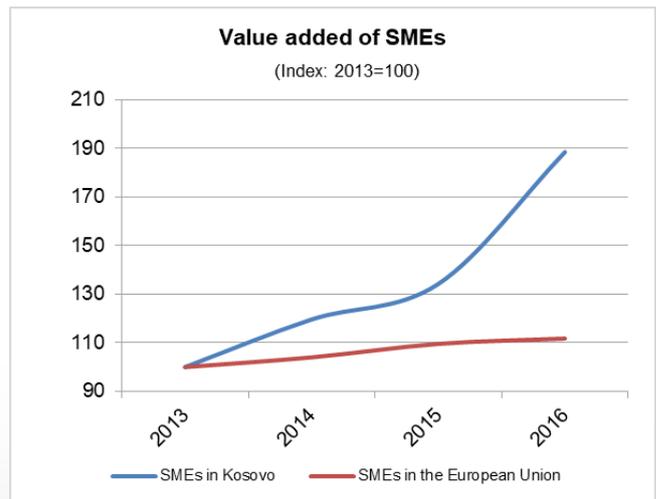
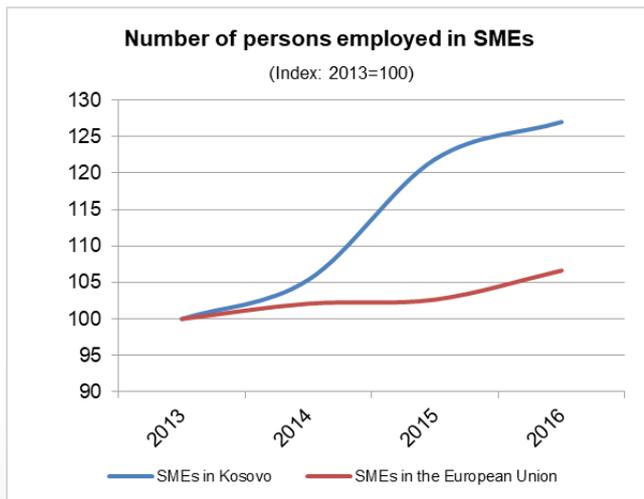
SMEs in Kosovo play an important role in the 'non-financial business economy'. In 2016, they accounted for 99.9 % of all firms. SMEs in Kosovo generated 2016 81.0 % of total value added and accounted for 76.2 % of total employment.

Implementing the Small Business Act for Europe (SBA):

The SBA profile of Kosovo presents a mixed picture. Kosovo's performance is above the EU average in 'responsive administration' and access to finance, while 'second chance' performs in line. Kosovo scores below the EU average in entrepreneurship.

SME policy priorities:

Continued promotion of a sound investment and private sector development framework should remain the focus of SMEs policy-makers in Kosovo. This entails that sufficient national resources are allocated to implement the private sector development strategy as means to avoid overreliance on donors. The Kosovo Investment and Enterprise Support Agency should better tailor business support services in line with SMEs needs and help foster their ability to create new and competitive products and services and integrate in global value chains. Inefficiencies in the judiciary system should be addressed in order to reduce the long delays for businesses in court proceedings. There is a need to invest strongly in human capital, particularly in the development of entrepreneurial skills (with a special focus on women) and adaptation of educational curricula in line with the needs of the private sector. The Kosovo Competition Authority and the State Aid Commission need to operate efficiently in order to ensure a more level playing field for businesses and the independence, timeliness and competence of the complaint-handling system in Public Procurement should be ensured.



About the SBA fact sheets:

The Small Business Act for Europe (SBA) is the EU's flagship policy initiative to support small and medium-sized enterprises (SMEs). It comprises a set of policy measures organised around 10 principles ranging from entrepreneurship and 'responsive administration' to internationalisation. To improve the governance of the SBA, the 2011 review of it called for better monitoring. The SBA fact sheets, published annually, aim to improve the understanding of recent trends and national policies affecting SMEs.

*This designation is without prejudice to positions on status, and is in line with UNSCR 1244/1999 and the ICJ Opinion on the Kosovo declaration of independence.

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1. SMEs — basic figures

| Class size | Number of enterprises | | | Number of persons employed | | | Value added | | |
|--------------|-----------------------|----------------|----------------|----------------------------|----------------|----------------|--------------|----------------|----------------|
| | Kosovo | | EU28 | Kosovo | | EU28 | Kosovo | | EU28 |
| | Number | Share | Share | Number | Share | Share | Million € | Share | Share |
| Micro | 34 611 | 93,1 % | 92,8 % | 62 450 | 34,9 % | 29,2 % | 39,9 | 13,2 % | 20,3 % |
| Small | 2 182 | 5,9 % | 6,0 % | 40 727 | 22,8 % | 20,3 % | 61,5 | 20,3 % | 17,6 % |
| Medium-sized | 322 | 0,9 % | 1,0 % | 33 075 | 18,5 % | 17,0 % | 144,1 | 47,5 % | 18,3 % |
| SMEs | 37 115 | 99,9 % | 99,8 % | 136 252 | 76,2 % | 66,5 % | 245,6 | 81,0 % | 56,2 % |
| Large | 52 | 0,1 % | 0,2 % | 42 588 | 23,8 % | 33,5 % | 57,7 | 19,0 % | 43,8 % |
| Total | 37 167 | 100,0 % | 100,0 % | 178 840 | 100,0 % | 100,0 % | 303,3 | 100,0 % | 100,0 % |

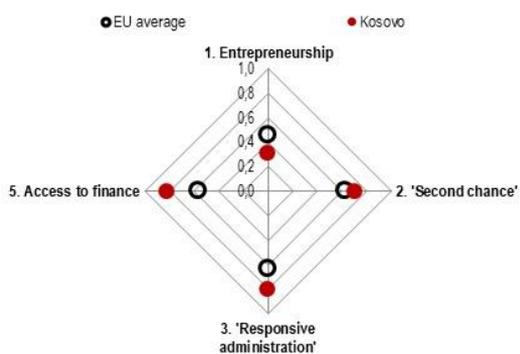
These are data for 2016 provided by the OECD and Eurostat (Structural Business Statistics Database) and were processed by DIW Econ. The EU 28 data cover the 'non-financial business economy', which includes industry, construction, trade, and services (NACE REV. 2 Sections B to J, L, M and N), but not enterprises in agriculture, forestry and fisheries and the largely non-market service sectors such as education and health. Kosovan data include industry, construction, trade, services, agriculture, forestry and fisheries and other services (NACE REV. 2 Sections A to J, L, M, N, and S). Data for micro firms in Kosovo exclude self-employed persons (micro: 1-9 persons employed).

SMEs play a particularly important role in the 'non-financial business economy' of Kosovo, accounting for 99.9 % of all firms in 2016. SMEs in Kosovo generated 81.0 % of total value added. This is significantly higher than the average contribution of SMEs to total value added of the 'non-financial business economy' in the EU, which amounts to 56.2 %. SMEs in Kosovo are also very important for the labour market. They contribute with 76.2 % roughly three out of four to total employment in the Kosovan 'non-financial business economy', exceeding the respective EU share to employment in the 'non-financial business economy' of 66.5 %.

SMEs in the Kosovan 'non-financial business economy' achieved strong growth in 2013-2016. SME value added rose by 88.5 % and SME employment by 27.0 %. This growth was substantially higher than the averages achieved by EU SMEs, which generated increases of only 11.7 % for SME value added and 6.6 % for SME employment during the same period.

Most recently, in 2015-2016, SME value added grew by astonishing 40.5 %, far above the average EU SME rise of 2.0 %. The robust growth of Kosovan SME value added was accompanied by a slight increase of 4.2 % in SME employment and increased productivity of 50.3 %.

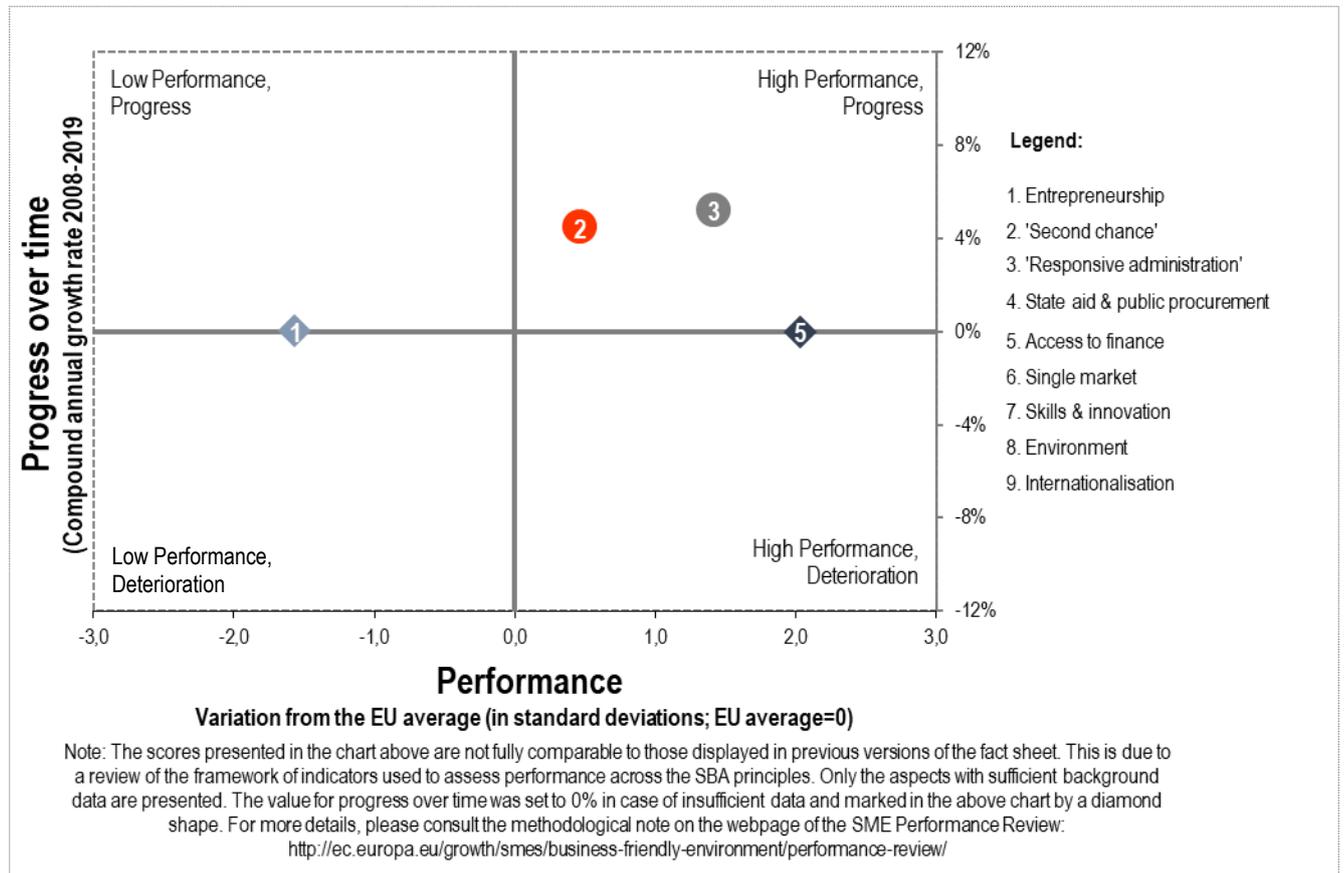
2. SBA profile¹



The SBA profile of Kosovo presents a mixed picture. Kosovo's performance is above the EU average in 'responsive administration' and access to finance, while 'second chance' performs in line. Kosovo scores below the EU average in entrepreneurship.

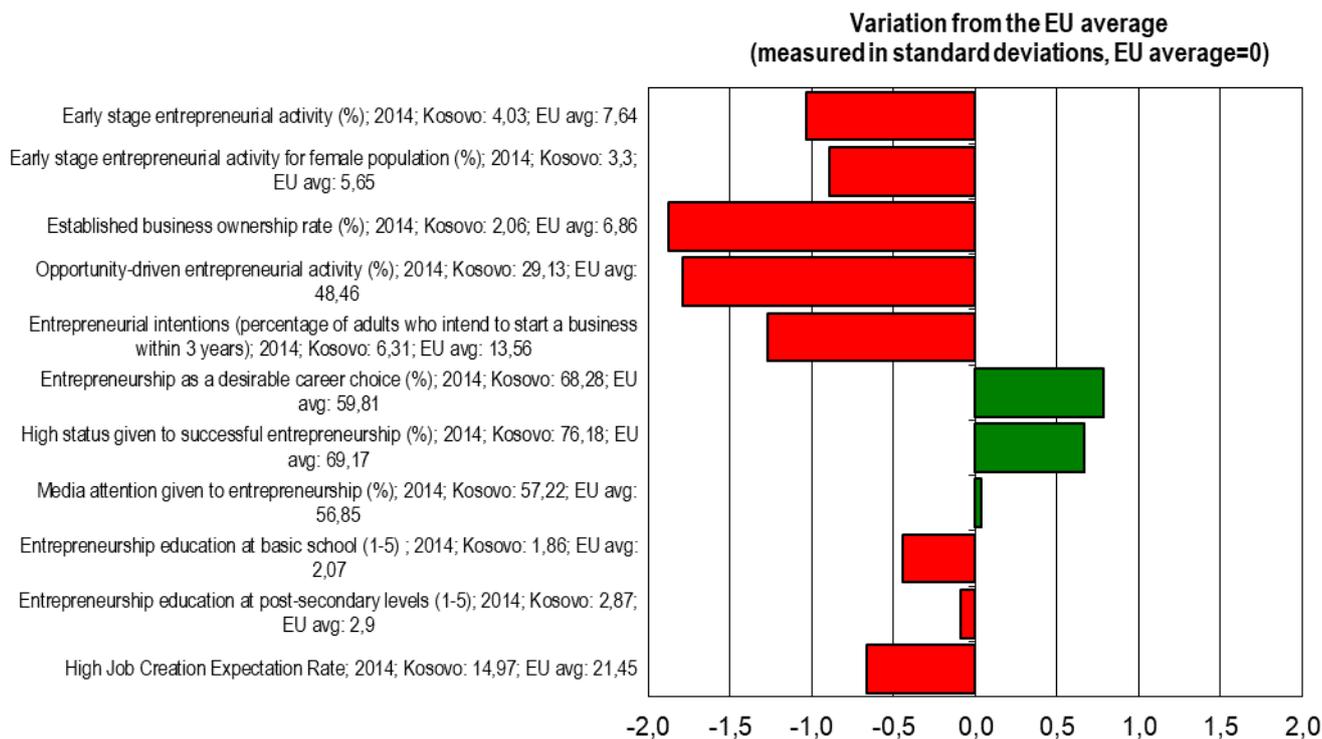
No comparable information is available on state aid & public procurement, single market, skills & innovation, environment and internationalisation. Consequently, analysis on these principles needs to be interpreted with caution.

SBA performance of Kosovo: state of play and development from 2008 to 2019²



3. SBA principles³

3.1 Entrepreneurship

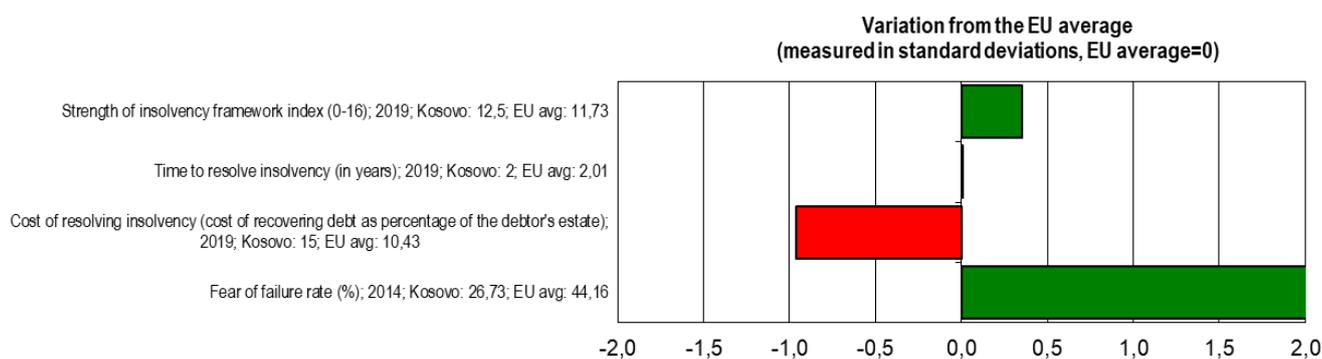


Note: Data bars pointing right show better performance than the EU average and data bars pointing left show weaker performance.

Kosovo performs below the EU average in entrepreneurship. Despite the fact that entrepreneurship is generally considered a desirable career choice and that successful entrepreneurs enjoy a high status in Kosovo, the established business ownership rate

and the opportunity-driven entrepreneurial activity perform significantly below the EU average. The data, however, is not complete and not updated. Consequently, the overall results need to be interpreted with caution.

3.2 'Second chance'

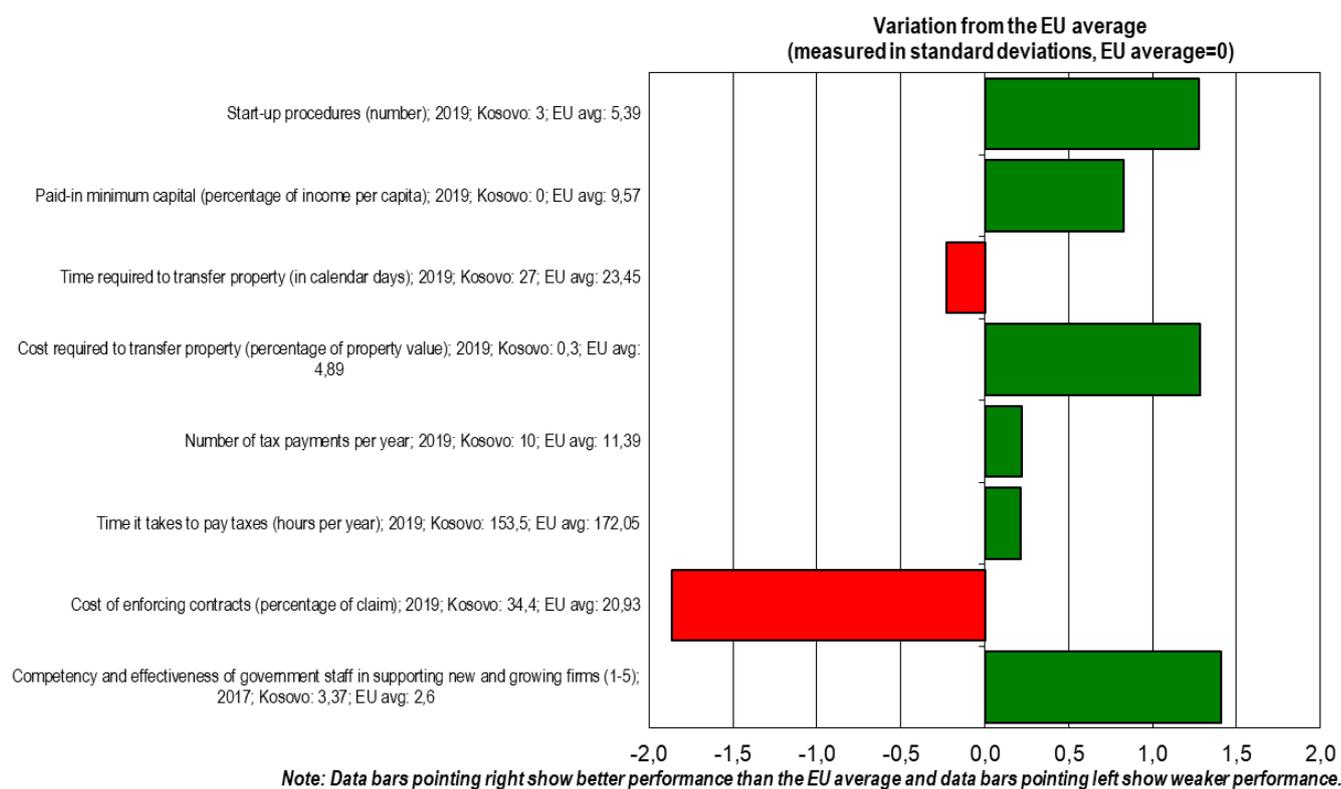


Note: Data bars pointing right show better performance than the EU average and data bars pointing left show weaker performance.

‘Second chance’ refers to ensuring that honest entrepreneurs who have gone bankrupt get a second chance quickly. Kosovo performs in line with the EU average in ‘second chance’. The cost

for resolving insolvency is less than 5 percentage points higher than the EU average. On the other hand, fear of failure is significantly better than the EU average.

3.3 ‘Think Small First’ and ‘Responsive administration’



The ‘think small first’ principle is meant to be a guiding principle for all policy- and law-making activities. It requires policymakers to consider SME interests at the early stages of the policy-making process. The principle also calls for newly designed legislation, administrative rules and procedures to be made simple and easy to apply. ‘Responsive administration’ refers to public administration being responsive to the needs of SMEs.

Kosovo performs above the EU average – with most indicators scoring above or in line with the EU average. The number of

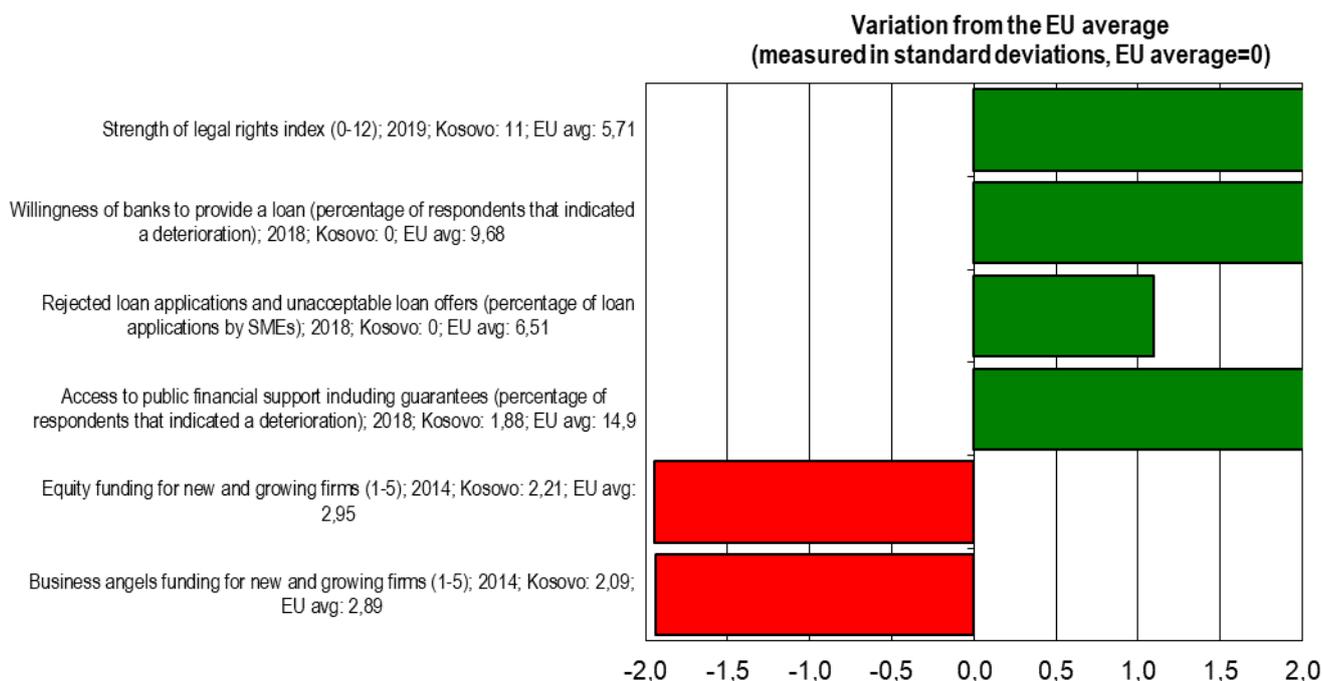
start-up procedures is set at just three and there is no paid-in minimum capital needed. Furthermore, the cost required to transfer property is substantially lower than the EU average. Government staff is also considered competent and effective in supporting new and growing firms and the number of tax payments a year has dropped from 32 to 10 since 2016. The cost of enforcing contracts, however, is 13 percentage points higher than the EU average.

3.4 State aid & public procurement

There is a lack of available data regarding the indicators related to this principle. Therefore, it is not possible to draw any general

conclusions on Kosovo’s performance for state aid & public procurement vis-à-vis the EU.

3.5 Access to finance

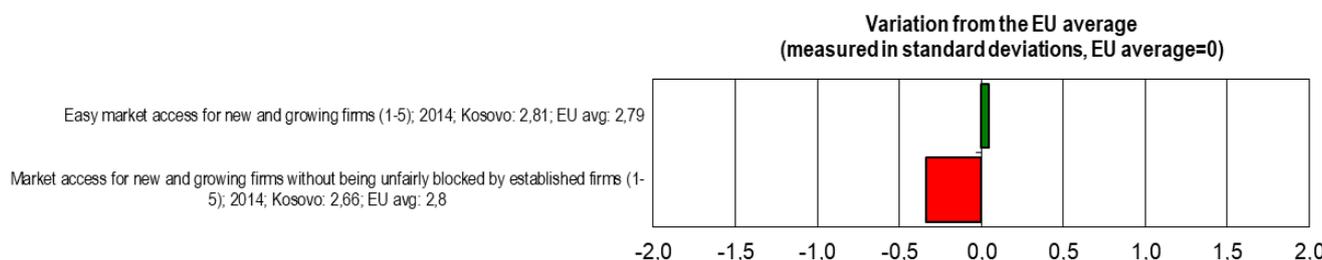


Note: Data bars pointing right show better performance than the EU average and data bars pointing left show weaker performance.

Kosovo performs above the EU average in access to finance. Indicators present a mixed performance and suggest that traditional finance and public financial support are easily accessible. By contrast, the availability of equity funding and

business angels is scarce. The data, however, is not complete. Consequently, the overall results need to be interpreted with caution.

3.6 Single market

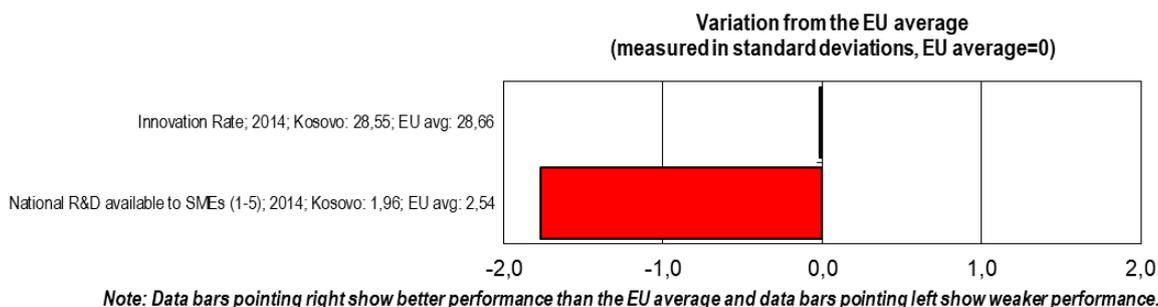


Note: Data bars pointing right show better performance than the EU average and data bars pointing left show weaker performance.

As Kosovo is not an EU Member State, there is little or no relevant comparable data regarding this principle on most indicators. Market access for new and growing firms is in line

with the EU average. The data, however, is not complete. Consequently, the overall results need to be interpreted with caution.

3.7 Skills & innovation



There is little or no comparable data on most indicators for skills & innovation. The national R&D available to SMEs is significantly worse than the EU average, while the innovation rate is in line.

The data, however, is not complete. Consequently, the overall results need to be interpreted with caution.

3.8 Environment

There is a lack of available data regarding the indicators related to this principle. Therefore, it is not possible to draw any general

conclusions on Kosovo's performance for environment vis-à-vis the EU.

3.9 Internationalisation

There is a lack of available data regarding the indicators related to this principle. Therefore, it is not possible to draw any general

conclusions on Kosovo's performance internationalisation vis-à-vis the EU.

4. Interesting initiative

Below is an example of an initiative from Kosovo to show what governments can do to support SMEs.

The Kosovo Credit Guarantee Fund supporting access to finance for local businesses

The Kosovo Credit Guarantee Fund (KCGF) is a local, independent, sustainable credit guarantee facility issuing portfolio loan guarantees to financial institutions to cover up to 50% of the risk for loans to micro, small, and medium enterprises (MSMEs). Through guaranteeing of the loan portfolio for Partner Banks, KCGF managed to help in facilitating access to finance for MSMEs, and become an important partner in the financial intermediation process in Kosovo's economy.

By guaranteeing the credit portfolios of financial institutions, KCGF has supported entrepreneurship development, domestic production and services that generates added value as well as supported the creation of new jobs in Kosovo. Since its establishment, KCGF has guaranteed credits for an equivalent of 110 million-euro loans issued by Partner Financial Institutions. This has allowed 2,560 MSMEs receive loans on advantageous conditions which has led to the creation of 3,740 new jobs¹.

KCGF cooperates with financial institutions (banks, MFIs, IBJFs), with donors, with the Government of Kosovo, with Central Bank of Kosovo and with the SME Community. KCGF has signed guarantee agreements with almost all banks in Kosovo enabling partner financial institutions to obtain collateral security or transfer part of credit risk as a result of insufficient collateral for loans issued to MSMEs.

The KCGF was established in January 2016 under the Law on the Establishment of the Kosovo Credit Guarantee Fund initiated by the Ministry of Trade and Industry.

¹ Information as of March 2019

Important remarks

The European Commission produces the SBA fact sheets, which combine the latest available statistical and policy information. Produced annually, they help to organise the available information to facilitate SME policy assessments and monitor SBA implementation. They take stock and record progress. They are not an assessment of national policies. Rather, they should be regarded as an additional source of information to improve evidence-based policy-making. They do not and cannot reflect all measures the government has taken over the reference period. This SBA fact sheet is not related to other SBA assessments carried out with a different methodology.

SME Performance Review:

https://ec.europa.eu/neighbourhood-enlargement/policy/policy-highlights/sme-performance-review_en

Small Business Act:

http://ec.europa.eu/growth/smes/business-friendly-environment/small-business-act/index_en.htm

Entrepreneurship and SMEs:

<https://ec.europa.eu/growth/smes>

Endnotes

¹ The 2019 SBA fact sheets benefited substantially from input from the European Commission's Joint Research Centre (JRC) in Ispra, Italy. The JRC made major improvements to the methodological approach, statistical work on the dataset and the visual presentation of the data.

² The quadrant chart combines two sets of information. Firstly, it shows current performance based on data for the latest available years. This information is plotted along the X-axis measured in standard deviations of the simple, non-weighted arithmetical average for the EU. Secondly, it shows progress over time, i.e. the average annual growth rates from 2008 to 2019. These are measured against the individual indicators which make up the SBA area averages. Hence, the location of a particular SBA area average in any of the four quadrants provides information not only about where the country is located in this SBA area relative to the EU average at a given point in time, but also about the extent of progress made between 2008 and 2019. All SBA principles, with the exception of the 'think small first' principle for which there is not enough statistical data available, are calculated as composite indicators following the OECD/JRC Handbook guide. A detailed methodology can be consulted at: <http://ec.europa.eu/growth/smes/business-friendly-environment/performance-review/>

³ The policy measures presented in this SBA fact sheet are only a selection of the measures the government took in 2018 and the first quarter of 2019. Only those measures were selected which are expected to have the highest impact in the SBA area in question.