Gangs and Red Tape Deter Kosovo Investors

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Physical threats to businessmen and complex bureaucratic procedures turning Kosovo into black hole for investors.

When Ramazan Hajdini left America after the 1999 war in Kosovo, he intended to return and invest the small fortune he had made from running a chain of restaurants in Chicago.

Several years on, Hajdini is back in America, Kosovo having turned out to be a disappointment in business terms.

Threats to his physical security and the immense amount of red tape he encountered at the hands of local and international and authorities discouraged him from making any further investments.

Hajdini, his wife and two daughters came back to Kosovo in 2000 to take part in a tender for the privatisation of a motel.

"It was clear that I made the best offer but it was still not accepted," he recalled.

Hajdini added that the bidding process was accompanied by open threats, delivered over the telephone, attempting to discourage him from making an offer.

"Just imagine what an unhealthy business environment Kosovo presents if you receive threats just for trying to buy [something]," he said.

Hajdini says if investors like him encounter the same hurdles, Kosovo's struggling economy and its impoverished population stand to lose out.

Apart from physical threats, Hajdini explained that the complex bureaucratic procedures standing in the way of potential investors pose another problem.

He was shocked by what he calls the inefficiency of the local authorities in Pristina, when he applied to rent a piece of land.

"I had to go to their offices for seven days in a row just to lodge the request," he recalled. "But I didn't receive an answer even after two years. You get the sense that nothing functions there and that it is not worthwhile to invest."

While waiting for a license to build some business premises, Hajdini opened an internet café in Pristina and a beauty salon for his wife.

But these small-scale operations were no substitute for the plans he had hatched when he left the US in 2000. After five years in Kosovo, he and his family recently returned to America, leaving the internet café
in the hands of his wife's cousins.

"I will not be even thinking of investing in Kosovo for at least another decade," he told IWPR from Chicago. "I am very disappointed."

Hajdini's experience is not unique. Florin Krasniqi, another Kosovo Albanian expatriate, based in New York, had an equally discouraging time when he tried to invest.

He says it took several years just to sign a deal with the international officials to build a new power station.

According to him, the officials made various attempts to block him from completing his plant, which is expected to start work this September.

"The amount of time and effort it has taken me to get here is more than it would take in any normal country," said Krasniqi. "It would have put off most serious investors."

He agrees that security, or rather, the lack of it, is a key factor deterring potential investors in Kosovo.

The readiness of local mafia gangs to put their threats into action against what they see as business rivals is well documented.

On November 9 last year, a car containing a bomb crashed into a large department store in Ferizaj/Urosevac. No one died in the explosion but the financial loss was huge and the store did not reopen until the end of this February.

Bekim Kuqi, the owner, told IWPR that the attack cost him 5 million euro, "My entire inventory was destroyed along with most of my merchandise.

"The fact that the fire brigade did not come for four hours didn't help. It was a very disappointing experience."

Bujar Dugolli, Kosovo's minister for trade and industry, disputes these claims and maintains Kosovo is safe for businessmen.

"Foreign countries may have a negative image of Kosovo but the reality is that when investors come they see there is peace and security," he said. "We have the rule of law, a large labour force and young people anxious to work."

He said the main problem facing investors was the slow pace with which power is being transferred from the international authorities to the local, elected government.

"The hesitation in transferring powers in the field of economy has helped to create an unfriendly climate for foreign investors," said Dugolli. "They don't know who to talk to in this bureaucratic chaos, where bureaucracy is shared between municipalities, government and the UNMIK [United Nations Mission in Kosovo] administration."
Dugolli blames any excessive bureaucratic hurdles on UNMIK’s procedures, which he says "make serious and interested investors lose patience".

But Kuqi disagrees. "No one will want to invest millions if they know someone out there can throw a bomb at them and destroy everything they invested in," he said.

Kuqi is now convinced he would have done better to invest his millions of euro elsewhere, "If I had invested the 5 million I lost from the bomb explosion anywhere else, I would have been much safer."

Another element adding to the climate of insecurity among potential investors is Kosovo's undefined status.

Dugolli says a final definition of Kosovo's sovereignty is essential for substantial capital investment.

International officials agree with this – in part.

"At the level of perception, the unresolved status of Kosovo can be seen as an added uncertainty factor for potential investors," said Mechthild Henneke, EU Pillar IV spokesperson in Kosovo. But this is simply a matter of perception, she added, "Practically and legally, the unresolved status [of Kosovo] is not an obstacle for investments."

UNMIK official Joachim Ruecker goes so far as to suggest that Kosovo offers a more competitive environment for investments than many other countries in the region.

"It has very low overall taxes, a flexible labor market and new, modern legal and regulatory structures," he said.

But Ismail Kastrati, head of Kosovo's chamber of commerce, disputes this, insisting that the perception of instability is all-important.

Kosovo, he says, continues to be seen as a high-risk environment for world investors, "In the end they [the reasons] are largely linked to Kosovo's undefined status and the instability of regional policies."

Muhamet Mustafa, director of the Institute for Development Research Riinvest and economics professor at the University of Pristina, says the investment situation in Kosovo had both good and bad sides.

"The positive side is that the foreign investors are not discriminated against and have an equal position with local investors in the market," he said. "Also, overall taxes in Kosovo are not that high."

But Mustafa said that both international and local institutions appear more focused on adopting new laws than in applying existing ones.

He pointed out that the government's preference to collect taxes on the border, in what are effectively
customs duties, instead of through sales (via a sales tax or VAT), is also disadvantageous to business.

"The way the taxes are collected is unsuitable for investors, because they have to pay them at the border before they have got any income or started producing," he said.

With many businessmen facing gang threats and others complaining of a complex and unattractive business environment, Kosovo is likely to remain off limits for most serious investors for some years to come.

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