

Influence of economic zones to attract investors

Mr. Vlora PRENAJ

Lecturer, Faculty of Economy, University of Prishtina, Kosova

Prof. Dr. Hysen ISMAJLI

Lecturer, Faculty of Economy, University of Prishtina, Kosova

Mr. Arta HOTI

Lecturer, Faculty of Economy, University of Prishtina, Kosova

Abstract

Economic zones are one of the most effective means in disposition for trade development. Different types of enterprises are in search of space with different features and in various locations.

Special economic zone (SEZ) is a geographic region that is determined and established by economic laws, which are more liberal and they are made with intention to stimulate the foreign investments. The first Special economic zones are established from Government of the people's Republic of China, under Deng Xiaoping in the early 1980's and the most successful SEZ in China was Shenzhen, a small village in a city with 10 million population within 20 years. Economic special zones are established in many places, including Pakistan, Indi, Iran, Jordani, Poloni, Kazakistani, Filipinet, Rusia, dhe Ukraina. North Korea also attempted with no success. In the United States SEZ are referred as "Urban zones for enterprise".

The concept of workspaces, cares for different types of exercise activities of enterprises and includes:

Business Incubator

Industrial Zones,

Industrial Park - Business,

Technologic Park,

Economic Zones and similar.

Types of Economic Zones

In 1959 in Irland was established the first modern economic area. A variety of different structures of zones have evolved and are included under the concept of Economic Zones as:

- *Free Trade Zones (FTZ)* - which can be defined as intensive labor manufacturing center, that include import of raw materials and export products and that are surrounded in duty-free zones, offering warehousing-storage, storage and distribution facilities including trade, transit trade and re-export services¹. The first zone of Free Trade world was established in Shannon, Co Clare, Irland. This zone was effort of Irish Government in promoting employment inside rural zone and was very successful and it's still working till today.

Most of these zones are created in developing countries:

Bangladeshi, Pakistan, Meksika, Costa Rika, Indonezia, El Salvador, China, Filipinet, Malajzia, Honduras, Guatemala, Kenia, dhe Madagaskar. In 1997, 93 contries have raised export processing zones (EPZs) employing 22.5 million people, and five years later in 2003 in 116 EPZs contries are employed 43 milion people. Usually, these zones were set at undeveloped parts of the country, reason was to attract employers and in that way will decrease poverty and unemployment. Often these zones are used from multinational corporations to set up factories to produce goods (such as clothing or shoes).

- *Export Processing Zones (ZPE)* - are industrial estates primarily dedicated for foreign markets. Hibride Export Processing Zones usually have subdivisions in the general zone open to all industries and Economic zones reserved for enterprises regestered with export orientation. They contain all sorts of activities, including tourism and retail, residence and offer a wide range of stimulations and benefits.

¹ http://en.wikipedia.org/wiki/Free_Trade_Zones

Economic zones in the region

Economic Zones in Macedonia

Economic Zones in Serbia

Economic Zones in Montenegro

Economic Zones in Albania

Economic Zones in Macedonia

In one small place, with open economy such as Macedonia, economic zones do not have any role in the concept of economic development. Besides of existence of economic zones in Macedonia, International Monetary Fund (IMF) in new report predict that economy of Macedonia by the end of this year will grow by 1.2%, which would be the lowest growth of all countries of the region².

Danish company, Norwegian, Indo-American, then a business from country and a turkish company which act with several free economic zones, are interested to create free economic zone at Tetova, an area of 97 hectares, the tender was win by turkish company "Iskobir",

In free economic zone in Tetovo expected investments of companies for production of information technology. Government of Macedonia provides construction of several free zones around the country such in Manastir, Prilep, Struga, Kërçovë and Tetovo³. Foreign investments during the first six months for last year have decreased to 7.3 million, compared to the same period of 2009. There are no interes of meny global companies, besides the lack of interest, the next hit for country and economy was cancellation of investments announced by the Korean company "Hajer dhe Trivju", which they mady the investmant plan for technical and computer products in free economic zone "Bunarxhik", announces INA.⁴

Economic Zones in Serbia

By the law for free trade economic zones in Serbi is allowed in these types of zones to perform different types of activities, such as manufacturing goods, operations of credit work, goods and storage, banking operations and financial transactions, reinsurance activities, tourism and all other services, as well as any other economic activity that is not harmful to the environment. Pirot free zone, started to work in april 1998, based on the decision of the Federal Government from 1996/8/8, within the Pirot free zone location, about 17 hectares with an option to extend it in 50 acres⁵.

Economic Zones in Montenegro

Montenegro has approved the law on the creation or establishment of economic Free Trade zones in 2004⁶. This law regulates the establishment of free zone and offers free warehouses for their management and

conditions for business activities, and conditions for termination of operations in the area and warehouses.⁷

The law allows the free movement of goods, capitals and work in free trade zones and offers some benefits for investors together, with exemption from taxes, consuns and other duties. Goods and services entering into free trade zones are exempt from VAT. Currently, there is only a free trade zone, establishment by state within Port of Bar, which is part of customs territory.⁸

Economic Zones in Albania

"Economic Zones" is a new concept that aims primarily to encourage investment. Every legal person (albanin or foreign) with a project business can propose the creation of an area, the development of the area of business practice within the area, given that certain conditions are met. **Economic Zones in Albania⁹:**

- **Industrial Park in Vlora** - with an area of: 125 Ha, the investments: 20,819,797.00 € and employment: 18.586 jobs.
 - **Industrial Park in Koplikut** – with an area of: 61 Ha, the investments: 18,510,539.27 €.
 - Developer: Industrial and Commercial Zone Koplik and employment: 16,734 jobs.
 - Activity: Industrial production, agro-processing, trade, export-import.
 - **Industrial Park in Shëngjin** – with an area of: 3,2 Ha the investments: 17,054,152.00 €
 - Activity: Industrial production, agro-processing, trading activities, import-export.
 - Employment: 3,000 jobs.
 - **Industrial Park in Spitallë** – with an area of: 850 Ha.
 - Aktiviteti: Industrial production, agro-processing, trade and goods.
 - **Industrial Park in Elbasan** – with an area of: 254.7 Ha,
 - Activity: Industrial, commercial activities and services.
 - **Industrial Park in Shkodër** – with an area of: 137 Ha,
 - Activity: Industrial production, food services, trade, import-export.
 - **Parku industrial i Lezhës** – with an area of: 54.3 Ha,
 - Activity: Industrial production, agro-processing, trade, import-export.
- and services¹⁰.

Economic Zone in Kosova - Legislation

According to the economic zones 03/L-129, the term "Economic Zone" means a geographic area in state territory, which has a special economic status, created for purposes of promotion and business development.

² <http://faq.macedonia.org/economy/law.on.free.econ.zones.html>

⁴ <http://www.fez.gov.mk/law.asp>

³ <http://www.fez.gov.mk/law.asp>

⁴ <http://www.albinfo.ch/ch-ballkani/aktuale/shkupzonat-ekonomike-pa-investitor%C3%AB-%C3%AB-huaj-33844>

⁵ <http://www.freezonepirot.com/english/indpark.htm>

⁶ <http://www.mipa.co.me/page.php?id=32>

⁷ <http://www.mipa.co.me/userfiles/old/pdf/zakoni/Law%20on%20Free%20Trade%20Zones.pdf>

⁸ http://www.rciproject.com/other6_files/SEEINV~B.PDF

⁹ http://www.albinvest.gov.al/index.php?option=com_content&view=category&layout=blog&id=52&Itemid=98&lang=sq

¹⁰ http://www.albinvest.gov.al/index.php?option=com_content&view=category&layout=blog&id=52&Itemid=98&lang=sq

Creation of economic zones in the Republic of Kosovo is to:

- Promote and encourage investments in Kosova, by offering adequate infrastructure for investors for development activities.
- Assist in the general economic development in Kosova, especially in the privat sector.
- Opening new jobs and creating income generation.
- The withdrawal of advanced technologies
- Business concentration in a set country
- Expansion of cooperation between businesses;
- Creating conditions for business for easier access with regard, transport, power supply, water and services to support business.
- Increased competition in local business.

By administrative guidance No.2009/23 for procedure for application also the criteria that must fulfill initiator for making decisions to create the Economic Zone.

Procedure for application:

- Initiator for creation of economic zones Agency submits written request for equipment with decision for establish economic zones.
- Request attached:
 1. Incorporation articles (registration, status, etc);
 2. Rationale (elaboration/feasibility study) for creation of economic zones;
 3. Proof on ownership of Economic Zones - copy of plan and poseduese list, which can not be older than six month.;
 4. Regulatory urban plan with accompanying infrastructure.;
 5. Consent from the relevant institutions;
 - 5.1. Ministry of Agricultural, Forestry and Rural Development;
 - 5.2. Ministry of Environment and Spatial Planning;
 - 5.3. Ministry of Energy and Mining;
 - 5.4. Independent Commission for Mines and Minerals;
 - 5.5. Municipal Assembly;
 - 5.6. Ministry of Culture, Youth and Sports - Cultural Heritage;
 - 5.7. Ministry of Transport and Post - Communications.
 6. Source of funding and financial support;
 7. Duration of operation of economic zones;
 8. Conditions and other criteria contained in section 4, 5 and 7 of law for Economic Zones;
 9. Plan for sewage treatment;
 10. Plan for watter supply;
 11. Sheet for application fee.

After application procedures are performed, reviewed the application where the request is received within 90 days of the application review and respond to the applicant for completion, rejection or further processing of the application:

- In case of deficiencies in the documentacion, an initiator is given within 30 days for their completion.
- Refuses demand if is contrary with provisions set in law and bylaws for the creation of Economic Zones.
- According to law for Economic Zones gives consent prior for request and proceeding subject further.

Criteria for equipment with decision - assessment of the application for decision to creating Economic Zones, based on these criteria:

- Economic importance and priority of zone.
- Investment value.
- Types of activity to be exercised in zone.
- Building the modern infrastrukture.
- The level of employment.
- Social environment - the impact of the surrounding area.
- Surface areas.
- Capacity utilization of existing zones in favor of preserving agricultural land.
- Time of operation the zone.
- Public partner - privat.
- Other specific indicators that are considered valid.

Procedures Control of economic zones

Procedures Control of economic zones by administrative guidance. No. 2009/23.

- Agency for Small and Medium Enterprise is obliged to:
 - Perform oversight of the conditions of the decision
 - To control documents, evidence and information and ask from managing developer/operator and user to prepare copies and document required.
 - To request copies of the original authenticity of documents, evidence and information received from the managing developer / operator, with signature and stamp;
 - To make a regular monitoring of Economic Zones through all development phases.
 - To supervise the maintenance of physical infrastructure for efficient operation of economic zone including: object, water supply, electricity, telecommunications, roads, sewage, parking, heat and gas.
 - The bully the developer for any repairs to damaged.
 - To compile the report for control and monitor conducted in Economic Zone¹¹.
- If the agency during a controlling ang monitoring finds that are not respected the decision issued for the creation of Economic Zone, than the developer is given a period of 60 days to avoid irregularities.
- If after 60 days determined that the developer has not remedied the irregularities, then Agency initiates procedure for change of decision conform law for Economic Zones.
- If the event that the developer has committed a breach of law, bylaws or rules of the area, then it shall be done according to the law of economic zones.
- If irregularities are encountered to the user and if they after 60 days developer has not avoided, then Agency orders developer that inside 24 hours to make prohibition of user activity, otherwise considered irregularities developer.

¹¹ Udhëzimi Administrativ Nr. 2009/23

- Agency notifies competent institution for encountered irregularities and require their intervention, if it's not directly authorized to take appropriate measures.

Business Park

Business parks are a component of the program of work space and means building a physical infrastructure, complete and ready to conduct business activities. Business parks are divided into certain plots, depending on the zone or from activity that is exercised¹².

In Business Park are:

1. Business Park – Drenas

The park extends an area of 24 hectar divided in plots of various sizes (from 1000 m² to in 1200 m²). Business Park will create perspective for employment up to 1000 workers. 40% whom will be from the periphery. Industrial Park in Drenas located in the village Koreticë near the freeway Prishtinë – Pejë.

2. Business Park – Mitrovicë

The park extends in the north-easten town of Mitrovica, 500 m from railway station and 1 km from highway that connects Kosova with Serbia and include an area of 3.5 ha, which have benefited 22 businesses. From 22 selected businesses only 2 businesses have not started building their Commercial businesses.

3. Dutch industrial park – Zinkunie – Prizren

The park is located in transit street in Prizren and has an area of 12 ha. Where are 30 parcels, with associated infrastructure. The main activities ZINKUNIE is trade and processing of metals such is: zinc, copper, lead, etc producing gutters, pipes, ornaments, roofs and facades mostly from zinc.

4. Technological Park - Skenderaj

Technologic Park in Skenderaj is located in cadastral zone in Klina e Poshtme. Has a total area of 19.63 ha, based on the project is divided into 33 plots which are destined to perform industrial activities.

5. Technological Park – Shtime

Includes an area of 10.70 ha and it is Shtime Assambly Municipal assets. Is planed to bild 15 small and medium businesses mostly manufacturing businesses and in which are projected to be employed about 600 workers.

6. Business Park – Vushtri

Business Park in Vushtri, extends in the location of Lumëmadh in Municipality Vushtri. There is an area of 14.86 ha. divided into 22 parcela.

Business Incubators

Business Incubator (IB) is a facility that provides low-cost space in terms of business support and development services for new businesses established and developing for a time period.

Project implementation began in 2004 and since them have established four business incubator:

➤ Business Incubator in Gjilan

The location of object which is destination for Business Incubator in Gjilan, is at entrance of town at road axis Prishtinë-Gjilan. The space for this incubator covers an area of 1000m². Business Incubator has a potential of 16 workspaces.

➤ Business Incubator in Deçan

Business Incubator in Deçan located in the center of the city. The space for these incubator covers an area of 830 m². This area is divided into 17 workspaces, 15 of them are dedicated for businesses, one for incubator manager and one as a space for delivering training. So far in this incubator are located 15 businesses.

➤ Business Incubator in Shtime

Business Incubator in Shtime, extends in suburban part of town Shtime and has an area of 529 m². Incubator object in Shtime contains 15 spaces.

➤ Business Incubator in Drenas

Business Incubator in Drenas, located in Business Park in Drenas and has an area of 1450m². Incubator object in Drenas has an area of 1500 m² with 18 work spaces.

CONCLUSION

Economic zones have an impact on attracting Investors, the reason are:

- **Accumulation of many businesses in a space** - all businesses gather in one place.
- **Easier contacts with economic operator** - economic zones have positive impact on attracting investors for the contact business - business is more connected and are great opportunities for expansion of activity.
- **Most appropriate infrastructure for business** - economic zones have ready physical infrastructure like: roads, sewerage, electricity network and many other things and investors does not need immediately start the business to invest large amounts on infrastructure.
- **Duration of lease contracts** - rents are low compared with rents outside economic zones. In addition investments in these areas recognized and can be transferred to any other business and acquisition opportunities that property after the expiration of the contract.
- **Exemption from taxes** - other impact is that there are businesses who are released from many taxes, in some cases are released from all administrative taxes.

¹² <http://www.sme-ks.org/?cid=1,154>