

# Diaspora Investment Projects

## Call for Applications

**Contracting authority:** Caritas Switzerland in Kosovo

**Deadline for application submission:**

30 November 2022 at 16:00

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## 1.1 Introduction

There are multiple indicators that show the potential of the Kosovar diaspora to improve the dire economic situation in Kosovo. Remittances for instance constitute the largest financial inflow in the Kosovar economy, and they represent over 12% of the country’s GDP. According to the Kosovo Investment and Enterprise Support Agency (KIESA), Kosovo offers a business environment with high growth potential. KIESA points out that: *“an excellent tax system, abundant natural resources, quick and easy business registration, and transparent laws on foreign investment”* make Kosovo an interesting place for foreign investors.<sup>1</sup> In addition, Kosovo has signed the Stabilisation and Association Agreement with the European Union, it is part of the Central European Free Trade Agreement (CEFTA), and it has signed the Generalized System of Preferences Program with the United States, Japan, and Norway, and a bilateral Free Trade Agreement with Turkey. Using the EURO as its official currency, Kosovo is characterized by a stable monetary policy. Another important element for foreign investments is the low operating cost, with low labour costs, dividend tax of 0%, the corporative tax income is low at 10%, personal income tax is progressive (from 0% to a maximum of 10%), and a liberalized import market. Kosovo’s geographical position is another advantage for ‘doing business’.

Germany, Switzerland and Austria, where Kosovo’s diaspora is mostly concentrated, are ranked as top foreign direct investment sources and top foreign direct investment (FDI) destinations for Kosovo. There were some 382 Million USD FDI in Kosovo during 2020.<sup>2</sup> A lot of investment potentials are seen in sectors such as construction, textile industry, tourism,<sup>3</sup> but also in new and swiftly evolving sectors such as information and communication technology. The wood processing sector includes the production of kitchens, baths, doors, upholstered furniture, and combined wood, metal and glass as a sector with a high potential to attract foreign investments.<sup>4</sup>

This Call remains committed to support even more strongly sustainable projects led by women, to empower women in doing business as well as to increase their professional and managerial capacity for a long-term sustainability of the business.

This call aims at identifying and co-funding of the most innovative and sustainable investment projects by a business partnership modality - by diaspora investors support of production and services, where demanded products are locally produced, while also innovative and sustainable services are eligible like

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<sup>1</sup> KIESA. Reasons to Invest in Kosovo: <https://kiesa.rks-gov.net/page.aspx?id=2,15>

<sup>2</sup> US Department of State, 2021 Investment Climate Statements: Kosovo: <https://www.state.gov/reports/2021-investment-climate-statements/kosovo/>

<sup>3</sup> KIESA. Investment Opportunities Kosovo: <https://www.rks-gov.net/EN/f150/investing-in-kosovo/investment-opportunities>

<sup>4</sup> US Department of Commerce: [Kosovo - Country Commercial Guide](#) 2021.

digital marketing, creative industries, recycling of electrical equipment, geodetic, engineering, architectural services, programming services (software) can be financed.

## 1.2 Objectives of the Call for Proposals

The goal of the Call for Proposals for Diaspora Investment Projects is to foster business partnerships between diaspora businesses or investors and local businesses or to promote the foundation of local representations of diaspora companies. For innovative and sustainable business projects, CACH will offer a non-refundable matching grant. The grant will be provided as a co-financing.

–This Business Partnerships Programme supports projects submitted by enterprises with up to 50% project value which are simultaneously committed to:

- Developmental benefit for Kosovo’s common welfare;
- Diaspora engagement in the economic development of their country of origin, and respective municipalities;
- Entrepreneurial benefit;

The developmental agenda of –this Diaspora Investment Projects Programme should be as follows:

- Added developmental value, e.g. improvement of the living situation of the local population; public institutions are strengthened; new technology introduced and knowledge transferred;
- Mobilisation of additional private funds and investment for measures of relevance to local development;
- Optimised developmental effects of private business relations and investments;
- Strengthened competitiveness, consequently opportunities for typically small and medium-sized locally registered enterprises to participate in the global market;
- Environmentally positive effects;
- Contributions to social inclusion of minority groups;
- Empowerment of women in the local business context.

The entrepreneurial agenda of the Diaspora Business Partnership Programme is reflected in the following:

- European companies’ business success is assured in the long term;
- Investment risk in Kosovo is minimised;
- Parameters for local business engagement improved.

## 1.3 Funding

In order for the business partnerships to benefit from the grant, the following criteria must be fulfilled to be eligible:

- At least 50% of the funding should be provided by the diaspora investor together with the local private business partner.
- CACH grants up to a maximum of 50% of the project cost.
- CACH grants between 20.000 and 53.000 Euros.
- 3<sup>rd</sup> party funding from local municipalities or other entities is appreciated and eligible under the 50% of the own contribution of the applicant. The diaspora shares need to be at least 30% of the total budget.

The applicant takes the initiative to engage and formalise a business partnership and to submit a project proposal to CACH following the guidelines presented in this document. It is mandatory that the application consists of a partnership agreement between the local business and a diaspora counterpart, or the proof of foundation of a local representation in-country. **Application templates** can be found under the following link:

<https://drive.google.com/drive/folders/1hV9UXD141wVFKQsCReXL3U-ocO166aaH?usp=sharing>

Under the programme, CACH can also support feasibility studies, in case integrated in the proposal.

Co-funding from municipalities is encouraged, and needs to be documented with a letter of commitment or a co-funding contract.

Local Businesses can be mentioned as partners in the application, while also newly registered local representations of companies are eligible.

## 2.1 Qualification of applicants

### Who can apply? Eligibility

1. The diaspora investor / owner / management of the company should have Kosovar citizenship or the ability to demonstrate her/his origin from Kosovo (like the place of birth of him/herself or the parents);
2. The lead applicant (also for consortia) must be registered in Kosovo;
3. One of the applying enterprises must have at least 3 years of operational functioning; Diaspora partners should have also demonstrated at least 3 years of experience in their respective field of the applications;
4. Kosovar enterprises should fulfil the criteria of not having any tax obligations towards the Kosovo institutions at the moment of application;
5. Entities which management has been sentenced under a penal act foreseen by the Kosovo's criminal code or in their country of registration in the past 5 years cannot be considered for this funding opportunity.
6. For consortia: If at least one partner meets the above requirements, the additional partner is entitled to participate in the project financially or with contributions of other monetary value - as a rule - as a formal consortium. For calculation of the funding amount, the contributions made by these partners are also considered their own contributions (according to point 1.3 item).
7. Diaspora enterprises must have headquarters in the European Economic Area (i.e. EU, Norway, Liechtenstein or Iceland) or Switzerland, the US or Canada if they contribute adequate resources of their own (see below);

### Applicants who do not qualify:

Potential applicants may not participate in the Call for Proposals or receive grants if they are in any of the following situations:

- They have gone bankrupt or are in closure, are under administration by courts, have entered into agreements with creditors, have suspended business activities, have been subjected to procedures related to these issues, or are in similar situations arising from procedures defined by legislation or local regulations;
- They, or the persons who have authorization of representation, decision-making or control over them, have been convicted for an offense related to professional conduct by judgment of a competent authority (i.e. when there is no possibility of appeal);
- They are not in accordance with their obligations regarding the payment of contributions or the payment of taxes in accordance with the legal provisions of the country in which they are established;
- They, or the persons who have authorization of representation, decision-making or control over them, have been the subject of a definitive and all-powerful verdict for fraud, corruption,

involvement in a criminal organization, money laundering or any other illegal activity, where such illegal activity is harmful to the financial interests of Kosovo.

## 2.2 Sectors or topics

Enterprises operating in the production and processing of products, as well as in commercial services are eligible to apply. Special interest is given to projects that have the opportunity to replace imports and create exports or that cover the needs and priorities of the local environment.

Excluded are the following sectors:

- Trade only (retail and wholesale),
- Construction,
- Agriculture (any equipment or activity related to the field of agriculture is financed by the MAFRD, except equipment/machinery for the production and processing of products)
- Health

## 2.3 Action / Project Type

### a. Developmental Impact

The project must generate a distinct benefit in development terms. It must be consistent with the Kosovo's development goals and meet its qualitative criteria. The project shall contribute to a wider development of local municipalities ideally. It shall be in line with the regional developmental agenda of the Kosovar Ministry of Regional Development.

Where diaspora enterprises engage in direct partnerships with local business or open a local branch, the local private sector is strengthened – especially as small and medium-sized enterprises are given access to national, regional and international markets. This may involve the further development of supply chains, qualification measures, transfer of technology and know-how, joint marketing measures, optimised production processes or introducing quality, labour and social standards. Diaspora businesses might cooperate as joint ventures or enter into management contracts or franchising agreements.

Also, Diaspora Investment Projects can focus on cooperation with the country's social welfare actors. In these cases, the investing enterprise from abroad contributes to the delivery of services that are actually public by nature. This may include training and refresher programmes for professionals through generally accessible institutions; transfer of knowledge to public decision-makers or multipliers; strengthening the communities or creating advocacy groups; voluntary measures to protect natural resources and the environment; contributing to the health system and local infrastructures or introducing social standards.

### b. Entrepreneurial benefit

Enterprises must convincingly demonstrate the cost effectiveness of projects. The economic benefit of the project may be of direct operational advantage or long-term strategic value. Increased competitiveness or better business prospects for the company – a rise in production, for example -, access to new supplier and consumer markets or added profitability might be points in case.

### c. Fair benefit-sharing

Diaspora and local partners should share the benefit or income generated from the project in a fair proportion.

**d. Sustainability**

Entrepreneurial benefits and developmental effects are sustained beyond the formal termination of the supported project.

**e. Additionality**

The project must add value that would not have been created without project assistance. When evaluating projects, it is assured that activities which the eligible enterprise would have undertaken anyway / effects that would have taken place anyway are not supported. Likewise, assistance is not granted to activities which sole purpose is to meet legal obligations.

**f. Neutrality**

Unfair competition vis-à-vis companies not participating in the project – such as obstacles to entry or exit, monopolies or cartels - must be avoided wherever possible.

Proposals for funding must be technically and financially independent. Actions must have a tangible and visible impact on companies and increase employment, increase production capacity, improvement or optimization of product/service development life cycles and diversification of products/services, new distribution and sales channels in Kosovo or international markets, value chain development and the like.

## **2.4 Other project criteria**

Project funding is based on the applicant's creditworthiness and the commercial consistency of the project-related business plan. CACH verifies the applicant's financial standing and the business plan if required.

**a. Other actors / consortia**

The project proposal can also include the local institutions – municipalities, government agencies, non-government organisations, scientific institutes, or companies other than consortia. They can be included as business partners, and which can also offer non-monetary contributions (Non-monetary contributions must be quantifiable in a monetary value). Such partners may include, but not be limited to, Diaspora Business Networks and Associations, Local Economic Chambers, and International Donor Organizations.

**b. Substantial own contributions**

Own contributions may take the form of cash, payments in kind, or services, such as technical expertise, business know-how, technology, or capital, and must amount to at least 50 percent of the project cost. For consortia, eligible own contributions should be provided by both - the applicant and other partners, with the lead applicant surpassing 30 percent of the contribution.

**c. Long-term commitment**

The applicant must engage in a long-term commitment in Kosovo, for example by taking an investor role. It must be ensured that the business commitment continues in an economically sustainable manner



beyond the project term. Therefore, all projects involving non-recurring export or import of goods and services not based on any other local activity of the enterprise are excluded.

**d. Responsibility for implementing the project**

Based on the funding agreement, the applicant assumes responsibility for the entire project, even though subcontracting is permitted for certain non-core tranches of the project. CACH funding contributes to the costs of the business partnership. Consortium members are jointly liable for the performance of the funding contract.

**e. Compliance with legal provisions**

The applicant undertakes to comply with Kosovo's legal system and all international applicable arbitration mechanisms, CACH Code of Conduct, and ethical standards of doing business.

The focus is on respect for international standards concerning human rights, in particular the right to organise and bargain collectively, fair pay and working conditions for all, prohibiting forced labour and child labour, as well as job discrimination on the grounds of race, colour, sex, religion, social class, political opinions, or personal preferences.

## **2.5 Eligibility of Activities**

**The following types of activities in accordance with the objectives of the programme count as eligible expenses, and may be financed under this Call for Proposals:**

- Investments in tangible assets relating to either the purchase of equipment, machinery, production lines, software and the like or/and the improvement of production processes and methods as well as including assets that can help companies to be less dependent on external factors;
- Specialized training related to the aforementioned investments, e.g. training for the use of equipment or new technology (this component cannot exceed 10% of the total value of the project);
- Marketing activities (e.g. participation in fairs, and/or website development, etc.) to promote better or new products and services (this component cannot exceed more than 10% of the total value of the project).

**The following types of action do NOT qualify:**

- Actions related only or mainly to individual sponsorships for participation in workshops, seminars, conferences;
- Actions related only or mainly to individual scholarships for studies or training courses;
- Loan programs;
- Operational tasks and actions that are not related to project implementation;
- Acts that violate nationally and internationally recognized rules and regulations that protect the rights of workers in Kosovo.
- The project must not, either directly or indirectly, support the production or proliferation of weapons or other munitions. Projects aiming at the production or trading in dangerous goods or environmentally harmful substances are also excluded.

- The project must be in line with the objectives and priorities of the Call for Proposals and guarantee the visibility of funding from CACH and MRD.

## 2.6 Eligibility of expenses

Only "eligible costs" can be considered for the grant. Eligible costs must be based on actual expenses and supporting documents.

### Eligible costs are:

- Costs related to the implementation of qualified activities;
- Items listed in the draft of the general budget form;
- Items necessary for the implementation of the project;
- Items identifiable and verifiable, in particular registered in the accounting records of the Beneficiary(s);
- Items reasonable, justified within the requirements of sustainable financial management, especially in relation to economy and efficiency.

### The following costs do not qualify:

- Debts and debt coverage fees; Debt interests;
- Provisions for losses and potential future liabilities;
- Income taxes;
- Expenses declared by the beneficiary and covered by any other action or work program;
- Purchase of land, construction or repair of establishments/structures (including storage establishments or similar establishments/structures);
- Foreign exchange losses;
- Loans to third parties;
- Fines, financial penalties and court costs;
- Depreciation expenses, which should normally be part of the way in which profits are divided;
- Bank fees, guarantee costs and similar fees;
- Costs of items or equipment used;
- Wages/Salaries and benefits of the project staff;
- Raw material costs;
- Other operational expenses (rent, electricity, water, etc.)
- Transportation costs; Transport vehicles;
- Office inventory (tables, chairs and cabinets, excluding those that are specifically related to the activity).

If the ineligible costs exceed 20% of the project value, the application is rejected

A realistic budget must be presented. The Evaluation Committee has the powers to handle and research the price on the market related to the prices presented in the proposal. If the Evaluation Committee finds that the prices offered in the bid and budget are not realistic, it can correct them as well as disqualify the application for lack of correctness.

### 3.1 Method of application

Applicants are invited to submit their application via email to [kosovo@caritas.ch](mailto:kosovo@caritas.ch) and in Cc [lsekiraqa@caritas.ch](mailto:lsekiraqa@caritas.ch)

The application must be made by the persons who intend to start the business and not by other persons on their behalf;

Applications can be completed in Albanian, English or Serbian.

Application Package to be filled in:

1. Application form (Annex 1)
2. Budget form (Annex 2)
3. Applicant's declaration (Annex 3), which is also taken as the declaration under oath for the authenticity of the documentation.

Applicants who can be potential beneficiaries of the grant during the application must have the following documents and send them via email.

**Other additional documents (for applicant):**

4. Business registration certificate with all supporting documents/information according to the requirements of the legislation in force in the Republic of Kosovo, the certificate must be issued by ARBK according to the unique identification number; In addition, the registration of the diaspora business.
5. Tax certificate valid on the day of application; with which it is certified that the applicant has no current unpaid tax debts or other tax obligations, or is in an agreement for debt repayment with TAK (can be issued online from TAK's website);
6. The list of workers for the last fiscal year (2021), issued by TAK (can be obtained online from TAK's website).
7. Gross income to be certified by the Tax Administration of Kosovo for the year 2021 of lead applicant; In addition, income statement / annual report of the diaspora business.
8. Criminal Record Sheet of the manager of the Lead Applicant;

Note: The documents listed above must be clearly visible in PDF format.

**Physical or handwritten applications will not be accepted.**

## 3.2 Evaluation

Only the COMPLETE applications will go through for evaluation. Thus, it is crucial that these documents contain ALL relevant information about the action.

The evaluation of Applications will include an "administrative check" to ensure that applicants have met the eligibility criteria. The technical evaluation process will consider above mentioned criteria

In cases where there is a mismatch of budget values in the project, confusion in the description of the project and errors in the use of the formats defined in the call for proposals, the project will be disqualified.

CACH will not bear any cost associated with the preparation of an application.

Decisions on the granting of co-funding are made by CACH upon consultation and selection with a commission of experts. Decisions are exclusively based on this Guideline depending on available budgetary resources. There is no legal title to receiving funding. The commission of experts comprises representatives from CACH, MRD, KIESA and Diaspora Networks/Associations.

Beneficiaries (owners of businesses that received grants) from the Program for Balanced Regional Development (PZHRB) 2020, Program for Economic Recovery (PRE MASA 8) 2020, Program for Balanced Regional Development (PZHRB) 2021 and Program for Economic Recovery (PRE MASA 15) 2021 do not have the right to apply for this call.

### 3.2.1 Application deadline

The deadline for applications is 30 November 2022, at 16:00 CET to be submitted via email to [kosovo@caritas.ch](mailto:kosovo@caritas.ch) and in Cc [lsekiraga@caritas.ch](mailto:lsekiraga@caritas.ch). After this deadline, the system closes, physical or mail applications are not accepted.

### 3.2.2 Further information on the application

CACH will organize an information session. Written requests for clarification can be sent to [kosovo@caritas.ch](mailto:kosovo@caritas.ch) and in Cc [lsekiraga@caritas.ch](mailto:lsekiraga@caritas.ch) no later than 20 October 2022 by 16:00.

### 3.2.3 Complaints

Applicants can address their complaints via email to [kosovo@caritas.ch](mailto:kosovo@caritas.ch), in Cc [lsekiraga@caritas.ch](mailto:lsekiraga@caritas.ch), no later than 10 December 2022 by 16:00.