

The evaluation of Foreign Direct Investments and their impact in the economics of some transition countries: the case of Kosovo

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Abstract

The Foreign Direct Investment is suggested to have a positive impact on the economic growth of many countries, especially in the transition countries such as Kosovo. During the last century, the world has witnessed remarkable growth of FDI because they impact positively the overall strategy for economic and social development. This article will provide a general review of the FDIs and will focus on their economic implication on the developing countries and especially in Kosovo and some other Western Balkan countries. The paper will clarify the main causes of failure of foreign direct investments and will revile the importance of indicators that are mainly of institutional nature.

It is estimated that FDIs impact the economic development of the host country through two main channels: firstly, FDIs increase the domestic capital and increase the efficiency through the improvement of managerial skills, the transfer of new technology or through the bringing of more effective marketing strategies, innovations and best practices, secondly: the effect of FDIs varies much from the specifications of the country in terms of their capacity to absorb the FDIs, the ability to diversify them and their ability to connect the FDIs with the domestic investments.

Keywords: FDI, economic growth, developing countries, Western Balkans, Kosovo.

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Academic Journal of Business, Administration, Law and Social Sciences ISSN 2410-3918 (print)

ISSN 2410-8693 (online)

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