

## The management of investment projects in Kosovo economy

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### Abstract

The project is defined as a realization of an aim or a task in which technology, resources and time limits of finishing related activities are determined.<sup>1</sup>The contemporary management of projects integrates a number of strong concepts which transform the running process of successful resolving of a problem that is related with a cycle which is shaped during the concept and realization of the project. These problems are related with the aspects that determine the efficiency of the project. This is related with the effects, costs, risks and insecurities that accompany the project. Based on the study of reasonableness, key managers approve or refuse the certain project. In case of a positive approval, the next phase is the planning of the project. It includes the evaluation of project's business and its projection during the whole period of exploitation of the project. Afterwards, the plan determines the strategy of project development and evaluation of potential risk. Furthermore, the plan is decomposed into activities that constitute it and the evaluation of resources and time that is needed for realization of activities and their linkage into system diagram. Here the management of the project is presented as a process of problem resolution and it depends grossly on the planning of a project through which likelihood of changes and project failures are reduced before its realization.

**Keywords:** project, management, investment, development, strategies, resources.

### Introduction

The project on its own presents an opportunity to strengthen the leadership and team work, because:

- The individuals are given more responsibilities than they have got on everyday activities
- People learn to adapt better to each other
- Different conflicts between the members of the team are solved during project implementation
- The members of the group get a chance for professional qualification and for gaining skills.
- The group is included in the process of decision taking.
- The decision to invest is made only after discussion and at the same time analyzing several projects for each target<sup>2</sup>.

Projects may be of different kinds and natures, such as:

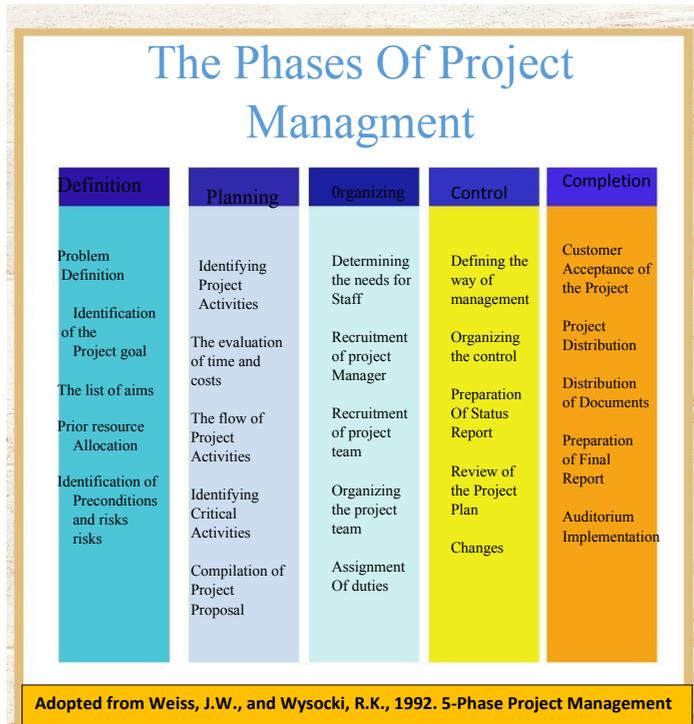
- Projects of scientific researches related to new products, market research
- Projects of technological processes in production, sequel projects, installation projects and similar ones.
- Construction projects: buildings, roads, bridges, energy facilities.

<sup>1</sup> Dr. Elez Osmani, MBA Bledar Striniqi, MBA Dorian Deltina, "Project Management" p. 11.

<sup>2</sup> Dr. Isa Mustafa, "Financial Management", p. 153.

- Projects on personnel (increasing the number of employees, the training projects, etc.)
- Projects on structural organizations, reorganizations, and integrations.<sup>3</sup>

The management of investment projects is a carefully planned and well organized effort for accomplishing a specific task, for example a construction of a building or the implementation of a new computer system. The managing of investment projects includes the development of a project-plan which consists of certain clarified aims



and objectives, describing well the way they are going to be accessed.

Figure 1. Phases of Project Management

Before starting with project preparation, a basic plan and basic cycles should be made. Through them issues that are to be solved by the project should be collected and treated.

The projects are usually implemented by a limited number of people, which are set to work together for a certain time period. The project manager should be able to set clear and attainable objectives, he/she should speak to people and negotiate business –that is his part of the job.

Every company needs a project manager who focuses on achieving great results. Manager develops aims and objectives, analyzes the market, miscalculations of

<sup>3</sup> Dr. Elez Osmani, MBA Bledar Striniqi, MBA Dorian Deltina, “Project Management” p.12.

economic efficiency; he/she sets the acquirements for the performers, etc. At the same time the review of literature is made. It emphasizes, the reason why is this scientific paper undertaken, and to serve the purpose there has been a comparison between theoretical and empirical literature.<sup>4</sup>

### **The management of investment projects in Kosovo economy**

The process of project management in budget organizations in Kosovo starts with project identification. The first phase is the formulation of a project proposal by a budget organization (OB) completed in the PIP System (A Program for Public Investments). Project application and its physical copy are sent to The Ministry of Finances, actually they are sent to the department of central budget. The projects of budget organizations are analyzed in The Ministry of Finances. Afterwards the draft is sent to the government for the first and the second reading and then the government sends the draft to the forthcoming process of the mission for budget and finances within the parliament. Final process-the draft is sent to the parliament until the approval of the budget.

The planning of the budget for capital investments is made through PIP. It is important that the strategic priorities of the Government, the way they are presented in the "declaration of government priorities of a forthcoming year", issued by the Prime Minister's Office and presented in CASH, should be a base for budget application and for identifying capital projects in the state of Kosovo. All budget organizations should completely justify their budget requests for their projects through PIP System. PIP System offers instructions for evaluation procedures and project planning; capital fund budgeting and project implementation monitoring.

The Agency for Investments and Company Support in Kosovo (KIESA), which functions within the Ministry of Trading and Industry, includes in its activity field (among other things) the promotion of investments. KIESA offers support to local and foreign investors in gathering information about their field of investment in Kosovo. It offers support in the procedures of business registration, offers information about legislations related to Direct Foreign Investment (IHD) extracting specific macro-economic information, as well as offering other necessary services for the realization of their investment.

Kosovo offers a suitable environment for doing business, like: a young and motivated labor power, cheap market and access to European Union market without customs fee, the lowest taxes in the region as well as easy procedures of doing business.

Some of the benefits when investing in Kosovo are:

- Taxes in Kosovo are very low comparing to neighboring countries;
- The tax system is kept very simple;
- New and motivated population, 70% under the age of 35;
- A young and motivated labor power with a strong spirit and strong entrepreneurial skills as well as general knowledge of the most European languages;
- Enviaible natural resources: lignite, zinc, leaden, ferronickel, and fertile soil;
- A modern legal system in accordance with UE.

<sup>4</sup> Dr. Ali Jakupi, "Scientific Research Methods".

## The budget of investment projects

Budget is a plan of actions expressed in quantitative terms. It starts with the objectives that a company wants to achieve. The characteristics of budget are:

- ⊙ They are prepared and aggregated in advance
- ⊙ They cover a certain time period
- ⊙ They are expressed in financial and real/quantitative terms
- ⊙ They are addressed to the whole company or to a part of the company.

The company budget is a reflection of the expected incomes and outcomes of the economic activities over a time period. The budget is drafted for many fields: for marketing, for purchase, production, administration, research and development, capital expenses and finances.

Through budget process we provide:

- ⊙ Planning or precognition
- ⊙ Allocation of resources
- ⊙ Time dimensioning and
- ⊙ Realization of objectives

Through precognition, the budget helps the managers to look into the future. Allocation of resources is used to decide how much equipment, how much money or how many workers are needed for each activity field of the company. Time and place (when and where) that are necessary for finishing deeds and actions are predicted through the budget, whereas, the realization of objectives is related with determining the ways of motivating workers to finish their tasks. Investments on the land, productive equipment, buildings, natural resources, researches, product development, labor development, marketing programs, working capital and other resources distribution should be made in harmony with the strategic orientation of the company. Budget can be presented in financial form or through natural indicators.

According to its nature, budget includes:

- Financial budget
- Operating budget
- Non-financial budget

*Financial budgets* specify where from the company will secure the money. The sources of money income into the company and their usage are presented in the budget of cash flow. *The budget of capital expenses* in the specific way presents expenses for purchase of machinery, new equipment, buildings, land, means of transport, etc. Whereas, *the balance sheet budget* shows the way of presenting the company's own and stored resources at the end of the business period.

*Operating budget* presents the financial plan of each organizing unit that is related with future period activities, including incomes and expenses. The revenue budget is the starting point of preparing other budgets. Operating budgets of expenses could be of different kinds, specified by the type of expenses or by the general expenses. The profit budget reflects the difference between revenue and expenditure.

Non-financial budget is presented by physical indicators. The budget of products/services presents the types of products that are of services that are to be completed

in a period expressed by a physical unit. The working time budget specifies the available working hours of employers in a company. The budget of materials and stocks expresses the quantity of raw material, materials and reserves that will be available for regular performance of the activities of the company.<sup>5</sup>

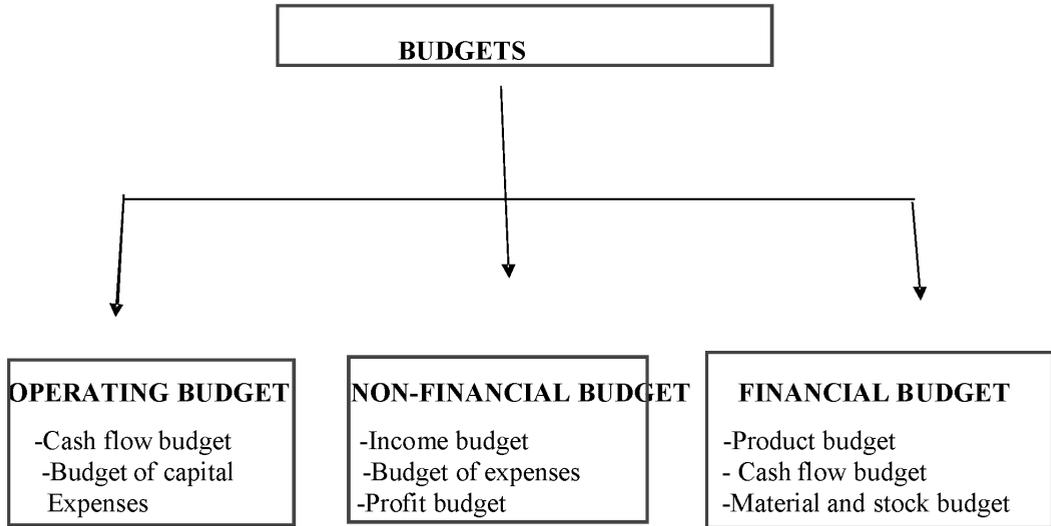


Figure 2; Types of Budgets

### Capital Budgeting

The market for new profitable projects is very lively, but if one of the projects is left unprotected then it is endangered by the competitiveness and it results with the drop of prices and profit. This is why a company should have a systematic strategy for generating capital budgeting of projects.

The process of capital budgeting seeks from the company:

- ⊙ To determine the cost of the project
- ⊙ To estimate the expected cash flow from investing project and the risk of this cash flow
- ⊙ To determine the suitable cost in comparison with cash flow, and
- ⊙ To determine the present value of the expected cash flow.

Companies encounter many difficulties when they decide about investing programs, including:

- ⊙ Prediction of future conditions of business (when the payment is made)
- ⊙ Determining whether the project will have sufficient profit
- ⊙ Calculating the project's risk

<sup>5</sup> Dr. Isa Mustafa, "The financial management", p. 158.

© Updating future payments to current values<sup>6</sup>.

A good capital budgeting acquires undertaking a number of steps during the decision making process:

1. Tracking and exploring investment opportunities
2. Data collection
3. Evaluation and decision making and reevaluation and adjustment.

Tracking of new investment opportunities is one of the most important steps, even though this activity does not attract much attention. Sony Cooperation activity is mentioned as a characteristic example related to this activity. Sony recruits students from the best technical universities in Japan. High marks are not the criteria. They seek for individuals who are trackers, optimistic, the ones that want to come up with something new and that have diverse interests. The employers have the freedom of moving around the company without asking for permission from the supervisor. The principle is: if you have an idea, move along with it. The main aim is to give birth to a new project.

Data collection includes technical data and market research. The probability of increase or decrease in demand of products should be evaluated based on statistical analysis. After data collection and data evaluation the final decision is made. The monitoring of the results of the projects against a made decision and foreseeing the new opportunities for the project development are of the special importance.

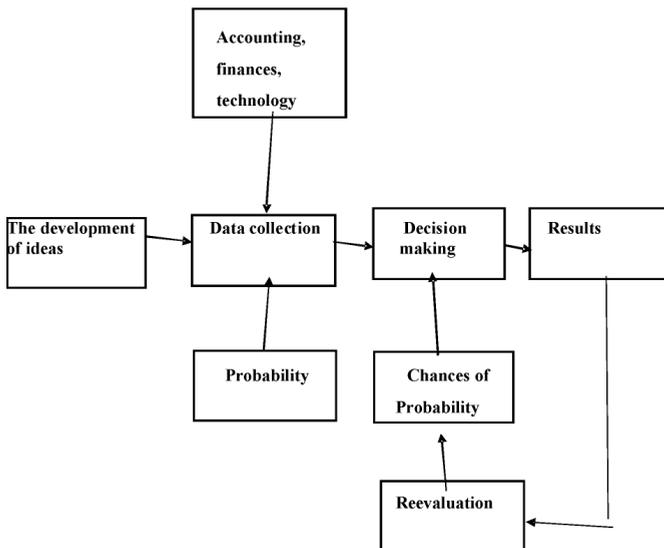


Figure 3: The procedures of capital budgeting<sup>1</sup>

**Figure 3: The procedures of capital budgeting<sup>7</sup>**

<sup>6</sup> Dr. Isa Mustafa, "Financial Management", p. 159.

<sup>7</sup> Dr. Isa Mustafa, "Financial Management", p. 160.

## Conclusions

The management of projects is a unique, complex sequence of related activities that has got a certain goal or aim, and it must be completed in a time set by budget and specifications. It is a special way of development and an important form of realization of aims defined in the development plans of the country, region, company, etc.

Investments have a special and specific importance for Kosovo, having in mind the conditions in which economic development must be realized. The need for investments can be noticed by the environmental pressure through competition for the better quality of products and services, and acceptable prices. The process of system investment is a result of its elements' interaction. These interactions are a result of directing/managing of this system, in fact of its regulating system. The investment process presents in reality the cycle of a project.

The management of investment projects in Kosovo could incorporate:

1. The primary objectives of the project like: specification, time, and costs should be in the acquired level in order for the project to be successful.
2. The state should create conditions for attracting investments in Kosovo, and it should hire experts for leading the projects.
3. Development policy of investment system includes the state's goals for economic development and macro-economic policy.
4. The project's budget is an important factor that has a big impact on the project. Our country is in a great need to attract investments from foreign countries, that is why we need a stable panel. Through investment project management the developing strategy is materialized. The managing of project includes the whole process of identification, conception, realization, and implementation, and in the very end its operating. This will enable the perception of its structure and the most efficient way of its functioning through successful management.

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