



REPUBLIC OF KOSOVO
MINISTRY OF INDUSTRY,
ENTREPRENEURSHIP AND TRADE

VALUE CHAIN STUDY FOR THE TEXTILE, CLOTHING AND LEATHER SECTORS

Pristina, 2021



FUNDED BY:



REPUBLIKA E KOSOVËS
MINISTRIA E INDUSTRIË,
NDËRMARRËSISË DHE TREGTISË

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COMMENT: This study was funded by the Ministry of Industry, Entrepreneurship and Trade, the views expressed in this report are those of the D&D authors and do not necessarily reflect the views of the Ministry of Industry, Entrepreneurship and Trade. The report was compiled based on data from the survey with micro, small and medium enterprises in the textile, clothing and leather sector, and their functions in the value chain. The sample presented provides a rough overview of the dynamics of market trends and the value chain, but does not claim to represent the entirety of this sector accurately.

List of Abbreviations

VET	Vocational Education and Training
KAS	Kosovo Agency of Statistics
TAK	Tax Administration of Kosovo
EU	European Union
CEFTA	Central European Free Trade Agreement
KC	Kosovo Customs
EFTA	European Free Trade Agreement in Switzerland, Norway, Iceland and Liechtenstein
IMF	International Monetary Fund
KIESA	Kosovo Investment and Enterprise Support Agency
MoF	Ministry of Finance
MIET	Ministry of Industry, Entrepreneurship and Trade
MSPI	Ministry of Spatial Planning and Infrastructure
SME	Small and Medium Enterprises
OAK	Chamber of Doing Business in Kosovo
OEK	Kosovo Chamber of Commerce
PE	Polyethylene
PP	Polypropylene
KAMA	Kosovo Apparel Marketing Association
UNIDO	United Nations Industrial Development Organization
WIEGO	Women in Informal Employment: Globalizing and Organizing

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EXECUTIVE SUMMARY

Products manufactured in the Textile, Apparel and Leather sectors, in the micro context, are essential and necessary products for everyday life, while in the macro context, are of particular importance for the economic and social development, especially in developing countries. Products manufactured in the Textile, Apparel and Leather sectors are an entry point into global supply chains and export markets.

The Textile, Apparel and Leather industry works on three main principles, namely in the design, manufacturing and distribution of various materials. A wide range of processes are used to produce a variety of finished and semi-finished product lines. In recent years, however, there has been considerable pressure on the impact of manufacturing and disposal of these products in the environment. Rising consumer preference for sustainable products is forcing Textile, Apparel and Leather enterprises to focus on restructuring their business and investing in manufacturing practices aimed at sustainable products and practices with a positive impact on the environment.

To enable further development and to ensure that sectors remain competitive, there is a growing interest in better understanding these sectors and related value chains. Consequently, D&D supported by the Ministry of Industry, Entrepreneurship and Trade (MIET), conducted a Value Chain study to better understand the structure of the Textile, Apparel and Leather sectors, to identify key barriers, current trends, and orient the 3 sectors in general. Findings from this study are based on (81) interviews conducted with SMEs, which constitute a comprehensive sample of this industry, and (9) interviews conducted with relevant actors who support this industry.

In our country, in sectors of Textile, Apparel and Leather currently operate about 540 enterprises, which have 2,373 formal employees, a number that marks an increase compared to the previous two years, as in 2018 there were 390 active enterprises with 2,104 employees, while in 2019 there were 350 active enterprises with 1,864 employees in all 3 sectors.

The same enterprises reach an annual turnover of over EUR 31.84 million, despite the pandemic situation that we are going through. The regions where these enterprises are more concentrated are Prishtina, Ferizaj, Prizren and Gjakova, while their products are mainly exported to the EU and CEFTA countries.

Through this study, in addition to the capacity of these sectors for further development, as mentioned above, the challenges or limitations of these sectors to operate further with their activities have been identified. Among them are: professional training of employees in manufacturing, obstacles in export processes, lack of supply with raw materials in Kosovo (without the need to import), lack of industrial zones in all municipalities of the Republic of Kosovo, and pandemic caused by Covid-19.

INTRODUCTION

The Textile, Apparel and Leather sectors are of particular socio-economic importance across the globe, although concerns have been raised on the impact of these sectors on the environment due to rapid fashion trends and social pressure about the appearance.

The textile and apparel industry, worldwide, generates around 20 million jobs in the formal sector, and at least triple in the informal sector, the largest number of them in developing countries, UNIDO¹ WIEGO² Castaneda-Navarrete et al³. Annual turnover, globally, reaches USD 1.46 trillion, while Textile, Apparel and Leather industries in Europe are an important part of the economy and cultural heritage. Within these sectors are registered about 200,000 enterprises, generating an annual turnover of over EUR 200 billion, and employing almost 2 million people, according to the data for 2019⁴. They represent a very broad value chain, making the EU a world leader in creativity, and a pioneer in industrial innovation.

Europe is among the main markets of Apparel and Textile exporters, where 21.3% of the global Apparel imports value (2019) is imported from the EU, of which, 71.7% of the value is made up of six countries, namely Germany, France, Great Britain, Spain, Netherlands and Italy.

However, the social pressure is increasing in relation to the environment, and this poses an obvious challenge for the Textile, Apparel and Leather sectors, given the increase in trends, such as "Fast Fashion", where the demand for continuous provision of new styles at very low prices has led to large increases in the quantity of apparel manufactured and disposed. To address the environmental impact, in March 2020, the European Commission has adopted a new Action Plan, which includes the EU textile strategy aimed at stimulating innovation and promoting reuse within sectors. On the other hand, industrial developments and the impact of technology will continue to have a dramatic impact on the textile and leather industry, whether in terms of machinery automation, digitalization, artificial intelligence or other advanced technological forms.

This Value Chain report is of particular importance in relation to the sectors of Textile, Apparel and Leather, as it is the first for these sectors and aims to support the competitiveness of the sectors. Through this report, the missing links, gaps and limitations of the Value Chain will be identified. The findings can also be used to design new strategies and future policies for these sectors.

¹ United Nations Industrial Development Organization (2020). *Monthly Index of Industrial Production at the 2-digit level of ISIC*.

² Women in Informal Employment: Globalizing and Organizing (2020). *Home-based workers face a new kind of isolation*.

³ Castaneda-Navarrete J., et al. 2020, *Covid-19's impact on global value chains, as seen in the apparel industry*.

⁴ EFC, COTAGE, EURATEX, INDUSTRYALL-EUROPEAN TRADE UNION, Joint statement, Brussels, May 2021

METHODOLOGY

This research was conducted by the consulting company “D&D Business Support Center”, and was funded by the Ministry of Industry, Entrepreneurship and Trade. The same was conducted based on primary and secondary sources.

The Value Chain for the Textile, Apparel and Leather sectors was designed for the Ministry of Industry, Entrepreneurship and Trade, respectively Department of Industry, to identify competing products or groups of products of the Textile, Apparel and Leather sectors, and to determine appropriate support measures for growth, further development and identification of attractive opportunities to improve and update existing value chains.

This report also aims to stimulate the growth of relevant sectors, create new jobs, increase incomes and stimulate economic growth in general.

To achieve this objective, for the study and designing purpose of the Value Chain, a research was conducted through the following questionnaires:

1. Questionnaire for stakeholders in the Textile, Apparel and Leather sectors,
2. Questionnaire for manufacturing enterprises,
3. Questionnaire for supply companies,
4. Questionnaire for transport companies.

Initially were identified relevant stakeholders of these sectors, and then were identified the manufacturing enterprises, supply and transport companies for interview.

For this research, collection of data was done through visits to the interviewed companies, or through B2B meetings with business owners or any of the senior executives who have had sufficient experience in the overall business activity.

In addition, in the meetings conducted, two (2) manufacturing enterprises were considered as case studies, which show the progress of the business activity from the establishment of the enterprise until now.

In addition to the research conducted through questionnaires, the necessary data were collected from relevant institutions, such as: Ministry of Industry, Entrepreneurship and Trade and the Kosovo Agency of Statistics, information which were used as a supplement and secondary analysis of the Value Chain for the Textile, Apparel and Leather sectors.

Sample frame

In order to outline, as accurately as possible, the situation in the Textile, Apparel and Leather sectors, the D&D Business Support Center has received the list of manufacturing enterprises of the top sectors mentioned by the Ministry of Industry, Entrepreneurship and Trade. In the list provided there were included 808 companies operating in the manufacturing of Apparel and Textile products, and 17 enterprises operating in the manufacturing of Leather products.

In addition, the D&D Business Support Center identified 11 supply companies and 5 transport companies in the 3 targeted sectors with the aim at understanding the work process from the first chain link, dealing with the supply of raw materials to the transport of final products manufactured.

Selection of the sample was made by adapting to the predefined divisions in the regional and municipal context, aiming to include the entire Republic of Kosovo. Also, in terms of gender and type of activity, so that this sample is as comprehensive as possible and clearly representing the activity and service delivery process by the enterprise. It is worth noting that out of 81 enterprises interviewed in total, 41 of them are female-run enterprises, while 40 of them are male-run enterprises. The vast majority of female-run enterprises are manufacturing enterprises.

Special emphasis, as part of this study, was given to interviews with 9 relevant actors in these sectors, highlighting the ongoing cooperation with the Ministry of Industry, Entrepreneurship and Trade and the contribution of the KAMA Association in sharing the information needed to enrich this study.

Based on the findings of this study, and the information received from relevant actors and institutions, the Value Chain has been designed for the Textile, Apparel and Leather sectors.

1. SECTOR ANALYSIS AT GLOBAL LEVEL

The Textile industry, although highly developed as a craft, in essence remained a small industry until the 18th century. Mass production of textiles in the 18th century was the dominant industry of the first industrial revolution, and the first to use modern manufacturing methods. Relying on innovative technologies, such as cotton strippers, sewing machines, mechanized manufacturing of Textiles, Apparel and Leather products led to new ways of organizing production and work in other sectors as well.

Industries quickly became the economic power of the newly industrialized European countries, contributing to economic growth and job creation. However, workers in textile enterprises, most of whom were women, faced difficult working conditions, working long hours and low wages, while in Europe and the United States they often employed migrant workers for the job. As the pace of globalization increased rapidly in the 1980s, the manufacturing of Textiles, Apparel and Leather products shifted to developing countries, where labour and manufacturing costs were low.

Even nowadays, these sectors play a key role in the economic and social development of many developing countries, and are an entry point into global supply chains and export markets. These highly labour-intensive sectors provide employment opportunities for millions of women and men, and have helped millions more to emerge from poverty.

The Textile Industry works on three main principles, namely in the design, manufacturing and distribution of various materials. A wide range of processes are used to manufacture a variety of finished and semi-finished product lines.

The Asia-Pacific region dominated the textile market and accounted for over 47.6% of global revenue in 2020, due to the increase in sales volume of apparel and apparel goods. In addition, the presence of a large number of customers on e-commerce platforms buying similar apparel and accessories in emerging economies is further adding to positive market growth.

In Europe, market demand in 2020 was estimated to be 83,298.8 kilotons in terms of volume, and is expected to grow at a significant pace over the coming years. This increase can be attributed to favourable government policies and trade agreements, such as free trade agreements and the Euro-Mediterranean Dialogue on Textile and Clothing industry.

Rising consumer preference for sustainable products is forcing leading textile market enterprises to focus on restructuring their business and investing in manufacturing practices aimed at sustainable products and practices that have a positive impact on the environment.

The COVID-19 pandemic has affected all countries of the World and entire industries globally, and the Textile, Apparel and Leather sectors are no exception. The global apparel market has shrunk by 22%, declining from USD 1.635 billion in 2019 to USD 1.280 billion in 2020. Consumption is expected to reach pre-COVID-19 levels over the next two years, and then resume its growth path for reach USD 2.007 billion by 2025.

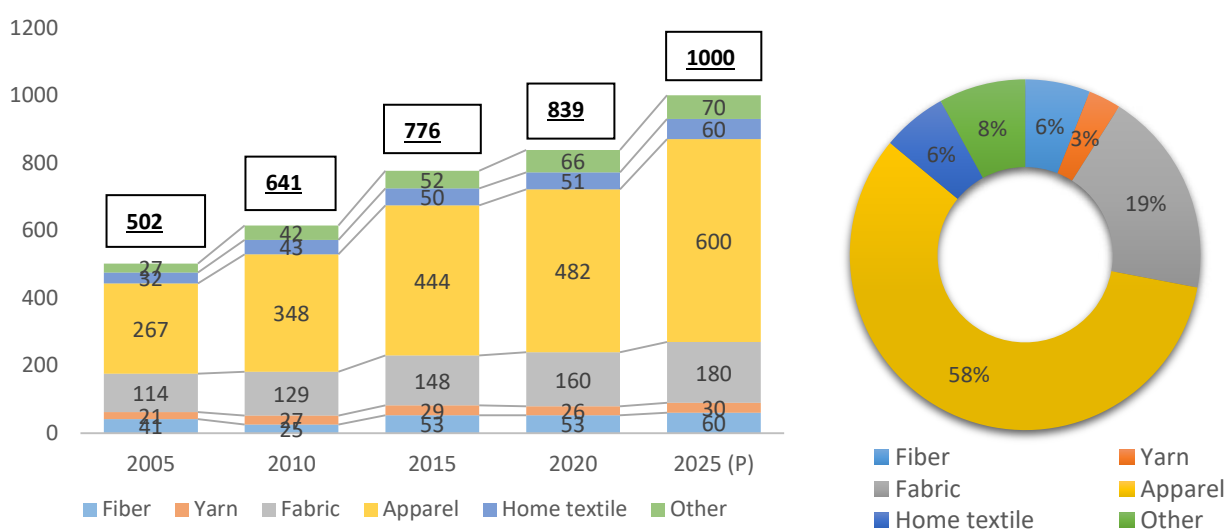
Table 1.1. Global Apparel Market

Region	2019	2020	Year to Year change	CAGR 2019-2025 Projections	2025 (P)
World level	1,635	1,280	-22%	3.50%	2,007
USA	235	171	-27	2%	265
China	181	173	-4%	11%	340
EU zone	264	219	-17%	1%	280
Japan	106	83	-21%	0.50%	110
India	78	55	-29%	10%	135
Brazil	48	34	-30%	4%	60
Canada	33	27	-19%	2%	37
Other	690	517	-25%	2%	780

Source: IMF World Economic Outlook Update, January 2021

Global textile and apparel trade has grown at an overall annual growth rate (CAGR) of 4% since 2005, reaching to USD 839 billion in 2019, and is expected to reach USD 1 trillion by 2025, increasing by an overall annual growth rate (CAGR) of 3%. Clothing & Footwear dominated the textile and apparel trade by 58% of the total trade value, followed by textiles by 19%, and home textiles by 6%.

Figure 1.1. Global market value of textile and apparel by category (in billions of USD)



Source: UN Comtrade

The following table shows the market share by countries in relation to the export of textiles and apparel. China dominates with the largest share of textile and apparel exports in the global market for 2019, with 34%, a value that has dropped from 39% as it was in 2015. Vietnam and Bangladesh are ranked in number 2 and 3 as the largest exporters of textiles and apparel in 2019. From the European continent, Germany leads with 5% of the global market share in the export of textiles and apparel for 2019, and is ranked as the fourth (4) largest country in the World.

Table 1.2. Global export market share by countries in USD and %

Countries	Export			Market share (%)
	Textile	Apparel	Total (in billions of USD)	
China	136.6	149.9	284.5	34%
Vietnam	10.2	33.7	43.9	5%
Bangladesh	1.8	40.9	42.7	5%
Germany	15.5	23.8	39.3	5%
India	20.2	16.2	36.4	4%
Italy	12.8	23.6	36.4	4%
Turkey	12.2	16.1	28.2	3%
USA	21.7	5.2	26.9	4%
Spain	5	14.3	19.3	1%
France	5.6	12	17.6	2%
Other at	117.2	146.3	263.5	31%
Total	356.8	481.9	838.7	100%

Source: IMF World Economic Outlook Update, January 2021

In Table 1.3 we have presented an even more detailed overview by categories or division of the main materials used in the Textile and Apparel sectors.

Table 1.3. Major Exporters of Textile and Clothing by categories

FIBER	USA	Australia	China
Export value (US\$ Bn)	6.67	3.30	3.12
Market share	20%	10%	9%
YARN	China	India	Vietnam

Export value (US\$ Bn)	5.53	3.69	3.17
Market share	21%	14%	12%
FABRIC	China	Italy	South Korea
Export value (US\$ Bn)	72.70	7.57	7.26
Market share	45%	5%	5%
HOME TEXTILE	China	India	Turkey
Export value (US\$ Bn)	19.20	5.79	4.14
Market share	37%	11%	8%
APPAREL	China	Bangladesh	Vietnam
Export value (US\$ Bn)	149.90	40.90	33.70
Market share	31%	8%	7%

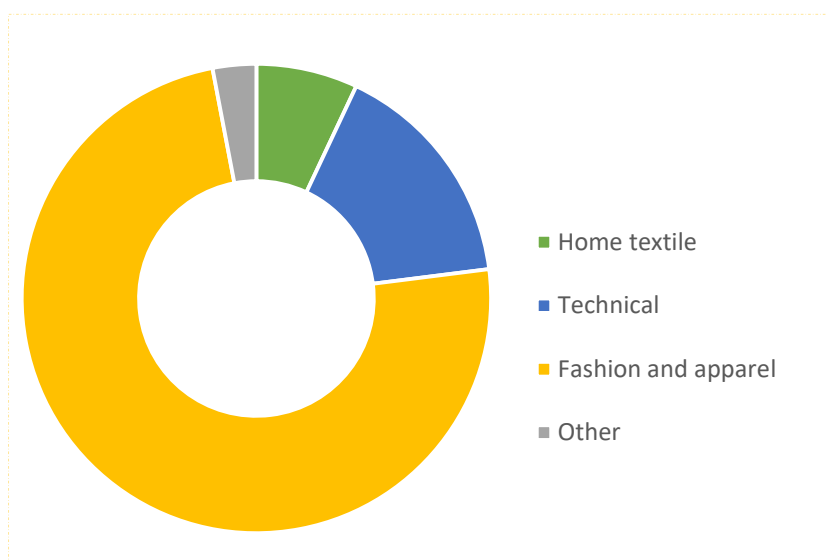
Source: IMF World Economic Outlook Update, January 2021

The optimistic start of 2020 quickly faded from the crisis caused by COVID-19, which blocked countries around the globe, paralyzing the supply chains and closing down manufacturing and retail sectors. The impact was felt across the global textile, apparel and leather industry with demand in all destinations. At first the supply drop was drastic, and then improved gradually.

Natural fibres dominated the textile market, and accounted for over 44% of global revenue in 2020 due to their use in diversified application in the fashion and apparel industry. Rising environmental concerns, along with shifting of consumers to use sustainable products, are expected to increase the demand for natural fibres, helping in positive market growth. Polyester is expected to show a growth rate of 4.2% from 2021 to 2028, which can be attributed to its various properties, such as high chemical resistance, wrinkle free and fast drying. Polyester material is used as a protective insulating material in pillows and in industry for the manufacture of carpets, air filters, coated fabrics and others. Nylon is the third largest product used in the textile industry. The use of nylon is applied for home furnishing based on high elasticity and moisture absorbing properties. In addition, it serves as a substitute for silk-based products, such as: socks, parachutes, gilets and more.

The other product segment includes Polyethylene (PE), Polypropylene (PP), Aramid and Polyamide. Their characteristics, such as high resistance against acids and alkalis at high temperatures, and minimal moisture retention, increased the demand for polyethylene in the market. Moreover, the use of polypropylene in the textile industry is a positive add to the market growth.

Figure 1.2. Global market share by usage in 2020 (%)



The increase of consumer spending on apparel, in the fashion segment, dominates the textile market, which accounts for more than 74% of global revenue share in 2020. High consumer demand for quality dyed and printed fabrics around the globe are expected to increase the global textile market demand from 2021 to 2028.

Source: IMF World Economic Outlook Update, January 2021

An increase in demand for formal and informal apparel, as well as other fashionable apparel among all age groups of the global population is the main driver of the market growth. Moreover, the growth of population and urbanization in developing economies, such as: India, Bangladesh, Vietnam, Brazil and others, may increase the demand for apparel, thus contributing positively to the market.

Demand for textiles in the technical segment is expected to grow at a significant rate of 3.7% over the forecasted period, due to its high-performance properties and end-user applications. Increasing applications in construction, transportation and medical and protective apparel have increased their use, which in turn is driving market expansion.

The use of home textiles is one of the driving factors of the market growth. This includes bed sheets, upholstery, carpets, kitchen cloths, towels, etc. Moreover, high consumption of natural fibres, such as linen and cotton, along with the synthetic fibres used for the manufacture of home textiles, is further triggering market boost.

The market has a tendency to grow and expand through groupings (clusters) and enterprise acquisitions. Enterprises strive to increase their sales through various trade and government agreements and/or in partnership with e-commerce portals, such as: Amazon, Flipkart, e-Bay, etc.

The market is fragmented due to the presence of some small and medium scale producers, especially in countries such as China and India. Moreover, the easy availability of low-cost labour, coupled with government support for the establishment of various business units of key players in the aforementioned countries, is expected to add a positive market growth. Some of the prominent players in the textile market include: BSL limited (India), INVISTA S.R.L. (USA), Lu Thai Textile Co., Ltd. (Thailand), Paramount Textile Limited (Bangladesh), Paulo de Oliveira, S.A. (Portugal),

Successors REDA S.p.A. (Italy), Shandong Jining Ruyi Woolen Textile Co. Ltd., (China), Sinopec Yizheng Chemical Fibre Company Limited (China), China textiles Ltd. (China), etc.

The textile, apparel and leather sectors have grown rapidly over the past two decades, employing millions of workers across the globe, with most of them being women. Environmental impacts are concentrated at certain points of the supply chain, particularly in four areas:

- Knitting, dyeing and finishing processes in textile fabrication;
- Energy use;
- Textile waste related to apparel assembly; and
- Transport emissions throughout the supply chain of both materials and then the finished products are shipped globally.

The most significant impacts, however, are within the first two areas, with the main impacts arising from the intensity of water resources use, the use of chemicals, including toxic chemicals, wastewater discharges and lack of treatment processes, energy use and high carbon electricity intensity.

Manufacture of textiles is intensively dependent on water and chemicals. The growth and sustainability of the sector depends heavily on how resources are managed. The textile industry generally uses large amounts of water, ranging from agricultural water consumption to cotton farming, water consumption in textile printing, dyeing and finishing, and other products.

This sector is one of the largest users of fresh water in the world, consuming about 79 billion cubic meters of fresh water per year throughout the value chain.⁵ Since manufacture of textiles is located in some countries that already have insecure water supplies, water crises are predicted in textiles manufacturing countries, including Bangladesh, Cambodia, India, Indonesia and Vietnam. It is also responsible for severe water pollution by discharging large volumes of wastewater containing hazardous substances into rivers and water streams without proper treatment. It is reported that 20% of industrial water pollution globally is attributed to textile dyeing and treatment.⁶

Carbon footprint by sector is also significant, accounting for 6-8% of total global emissions.⁷ In 2015, this equated to emissions of 1.7 billion tonnes of carbon dioxide,⁸ which constitutes more than all international flights and shipping combined. The numbers are not surprising, given that over 60% of textiles are used in apparel industry and a large share of manufacture of apparel takes place in China and India. India relies heavily on hard coal and natural gas for electricity and heat generation, significantly increasing the footprint of each apparel product. Switching to renewable energy, such as solar, hydro or wind can significantly reduce emissions and improve the durability associated with textiles, apparel and leather manufacture.

⁵ United Kingdom, Commons Chamber, Environmental Audit Committee, 2019.

⁶ FEM (Foundation Ellen Macarthur). A new textiles economy: Redesigning fashion's future, 2017.

⁷ ILO, May 2021.

⁸ Ibid.

2. OVERVIEW OF THE TEXTILE, APPAREL AND LEATHER SECTORS AT LOCAL LEVEL

The state of Kosovo is positioned in the southeast of the Europe continent, i.e., in the western part of the Balkans Peninsula. Natural conditions and favourable geographical position enable great potential for economic and industrial development. On the other hand, other key factors closely related to the political aspect and the past of continuous conquests have influenced today's situation of Kosovo, namely to be among the countries with slower economic and industrial development. In the initial phase, which includes the '50s of the XIX century, the Kosovo's industry structure was very simple and with a small number of branches developed. Among the 11 most developed branches of that time was the textile industry, non-ferrous metallurgy, construction materials industry, etc.⁹

With the development of new industrial branches, especially manufacturing ones, the structure of industrial branches in Kosovo changed significantly. According to the 1987 data, non-ferrous metallurgy, car production, leather footwear industry, etc., are among the branches that generated the highest value of turnover. By the 1980s, these industries reached a significant level of development, but due to the critical situation of the 1990s, there was stagnation in development, manufacturing, employment and exports. This period and the war that followed affected in the almost complete decline of the state-owned sector industry.

The textile industry is one of the first developed branches, spread in some centres of Kosovo. During that period, cotton yarn, wool yarn, synthetic fabrics, knitwear, confections, curtains and carpets were manufactured. This industry has continued to develop over the years by increasing the number of manufacturing enterprises, expanding the network of products sold, and at the same time has influenced the employment growth.

2.1 Manufacture of textile

Textile industry in particular started to gain a momentum after 1999, thanks to the tradition, creativity and experience of many Kosovar families who have established private companies for the processing of leather, fur, footwear, knitting, weaving and sewing.

Manufacture of textile is one of the sectors that promise further expansion in the number of enterprises, number of employees and turnover for export, at the same time as a result of ongoing demand from both external and internal market.

In our country currently operate about 173 enterprises, which have employed about 802 formal employees, a number that marks an increase compared to the previous two years, as in 2018 we had 127 active enterprises with 817 employees, while in 2019 we had 111 active enterprises with 627 employees in the textile manufacturing sectors.

⁹ Textile, apparel and leather manufacturing industry sector, KIESA, 2019

The same enterprises reach an annual turnover of over EUR 16.06 million, despite the current pandemic situation. The regions where these enterprises are more concentrated are Prishtina, Ferizaj, Prizren and Gjakova, whereas their products are mainly exported to EU and CEFTA countries. Detailed data related to the textile manufacturing sector can be found in the table below.

Table 2.1. General overview of the textile manufacturing in the local context

Code	(13 th) Sector Manufacture of textiles	Number of enterprises			Number of employees			Turnover		
		18	19	20	18	19	20	2018	2019	2020
1310	Preparation and knitting of textile fibres	10	9	14	13	14	17	41,747.06	56,682.82	48,369.60
1320	Weaving of textiles	11	9	11	77	70	76	2,237,604.04	2,927,144.22	2,273,755.62
1330	Finishing of textiles	32	29	44	358	172	254	5,755,599.36	6,046,688.34	6,893,915.44
1391	Manufacture of knitted and waved fabrics	6	4	4	13	6	5	37,386.77	46,730.27	25,672.38
1392	Manufacture of made-up textile articles, except apparel	10	8	10	53	57	55	1,821,818.51	1,752,403.58	1,436,549.07
1394	Manufacture of carpets and rugs	3	3	3	70	27	59	810,232.14	476,332.29	1,068,044.26
1395	Manufacture of cordage, rope, twine and netting	-	-	1	-	-	1	-	-	745.00
1396	Manufacture of non-woven and articles made from non-woven, except apparel	1	1	1	4	3	4	-	2,400.00	900.00
1399	Manufacture of other technical and industrial textiles	4	4	6	24	25	27	699,221.89	832,652.48	1,004,119.08
	Manufacture of other textiles n.e.c.	50	44	79	205	255	304	3,284,376.11	3,241,929.26	3,312,334.39
TOTAL		127	111	173	817	629	802	14,687,985.88	15,382,963.26	16,064,404.84

Source: Kosovo Agency of Statistics, processed by IPD/MIET

Regarding the export in the “Manufacture of Textile” sector, it is noticeable that 2020 marked an increase of 56% of the total value of exports, compared to the previous year. The total value of exports for 2020 was EUR 17.94 million, including the export of goods for the preparation and knitting of yarn, textile weaving and manufacture of other textiles. Export with EU countries is 21.4%, with CEFTA countries 29%, EFTA 2.64%, and other countries with 47%.

Table 2.2. Local export market value for the manufacture of textiles in Euro and %

Code	Sector "Manufacture of Textile"	Export			Difference in value	Difference in %
		2018	2019	2020		
13	Manufacture of textile	6,136,824.19	7,875,908.03	17 948 552,72	10 072 644,14	127.89
13.1	Preparation and knitting of textile yarns	509,170.62	137,430.84	674,710.00	537,278.88	390.94
13.2	Weaving of textiles	511,127.80	1,416,543.36	1,845,939.00	429,396.08	30.31
13.9	Manufacture of other textiles (with activities: 9.1,9.2,9.3,9.4,9.5,9. 6,9.9)	5,116,525.77	6,321,933.83	15,427,903.00	9,105,969.18	144.04

Source: Kosovo Agency of Statistics, processed by IPD/MIET

Given the increase in annual turnover for 2020, the value of imports in our country has increased at the same time. The data show that, in 2019 imports of raw materials amounted to EUR 56.79 million, while in 2020, they amounted to EUR 66.66 million, which represents an increase by EUR 9.87 million.

Table 2.3. Local import market value for the manufacture of textile in Euro and %

Code	Sector "Manufacture of Textile"	Import			Difference in value	Difference in %
		2018	2019	2020		
13	Manufacture of Textile	58,660,751.55	56,796,552.95	66 662 771,63	9,866,218.68	17.37
13.1	Preparation and knitting of textile yarns	1,123,102.91	1,222,642.44	1,395,265.48	172,623.04	14.12
13.2	Weaving of textiles	15,814,106.35	16,208,427.98	15,258,306.34	-950,121.64	-5.86
13.9	Manufacture of other textiles (with activities: 9.1,9.2,9.3,9.4,9.5,9. .6,9.9)	41,723,542.29	39,365,482.53	50,009,199.81	10,643,717.28	27.04

Source: Kosovo Agency of Statistics, processed by IPD/MIET

2.2. Manufacture of apparel

Manufacturing enterprises in the apparel sector are divided into three categories: cut, make and shorten which is known as cut, sew and tailor. This sector is among the most developed sectors parallel to the textile and leather sectors, making up the highest number of enterprises, employees and at the same time the annual turnover, both in our country and in other countries.

Within this sector, manufacturing of serial apparel products, such as uniforms of different work occupations, is among the products with the highest number of manufacturing. In addition to being labour-intensive, it is worth noting that this sector is dominated by female ownership and employment.

The “Manufacture of apparel” sector, according to data received from the Kosovo Agency of Statistics for 2020, increased compared to the previous two years. The number of active enterprises during 2020 was 325, which includes 1151 employees, with a turnover value of EUR 9.95 million.

Table 2.4. General overview of the apparel manufacturing in the local context

Code	(13 th) Sector Manufacture of Apparel	Number of enterprises			Number of employees			Turnover		
		18	19	20	18	19	20	2018	2019	2020
1310	Manufacture of leather clothes	3	4	6	55	2	5	163,510.37	45,649.68	43,379.40
1320	Manufacture of work cloths	32	28	40	158	204	336	1,245,523.05	2,254,721.10	2,740,757.66
1330	Manufacture of other outfits	126	117	189	494	503	611	4,265,857.81	4,388,924.98	4,852,617.33
1391	Manufacture of underwear	1	1	4	3	3	11	63,959.37	58,660.51	239,725.57
1392	Manufacture of other apparel products and accessories (gloves, hats, scarves, etc.)	31	27	44	109	112	143	1,191,889.37	1,298,806.18	1,635,999.21
1394	Manufacture of fur articles		2	1		2	2		21,787.00	10,969.42
1395	Manufacture of knitted hosiery	5	4	6	12	11	13	210,419.63	251,713.33	221,612.30
1396	Manufacture of other knitted and weaved apparel	28	28	35	26	19	30	167,801.45	194,693.41	213,615.94
TOTAL		226	210	325	857	856	1151	7,308,961.05	8,514,956.19	9,958,676.83

Source: Kosovo Agency of Statistics, processed by IPD/MIET

Exports in the “Manufacture of apparel” sector marked a significant increase during the last three years, while it is worth noting that in 2020 marked a higher growth compared to the previous two years. The year 2020 marks the value of EUR 5.15 million in exports, while the year 2018 marked the

value of EUR 3.2 million in exports, while the year 2018 marked the value of EUR 2.17 million in exports.

The total value of exports in this sector for 2020 is EUR 5.15 million, while exports to EU countries is 38%, to CEFTA countries 9.4%, EFTA 7%, and other countries 46%. The products of the “Manufacture of apparel” sector in EU countries are mostly exported to Italy with 30% and to Germany with 25%. Regarding CEFTA countries, the products of the “Manufacture of apparel” sector were mostly exported to North Macedonia with 43.3% and Montenegro with 24%. While in the EFTA countries, the products of the “Manufacture of apparel” sector were exported to Switzerland with 99%, while in other countries it was mostly exported to the USA with 72%.

Table 2.5. Local export market value for the manufacture of apparel in Euro and %

Code	“Manufacture of Apparel” Sector	Export			Difference in value	Difference in %
		2018	2019	2020		
13	Manufacture of apparel, except fur apparel products	2,179,544.62	3,293,023.19	5,156,424.31	1,863,401.15	56.59
13.1	Manufacture of apparel, except fur apparel products	1,942,304.25	2,713,627.99	4,629,931.00	1,916,303.32	70.62
13.2	Manufacture of fur articles	0	0	0	-	-
13.9	Manufacture of knitted and crocheted apparel	237,240.37	579,395.20	526,493.03	-52,902.17	-9.13

Source: Kosovo Agency of Statistics, processed by IPD/MIET

Despite the increased value in the number of enterprises, the number of employees and annual turnover, it is worth noting that the value of imports in the apparel sector for 2020 is a lower value compared to previous years. The year 2020 marked EUR 98.7 million in imports, compared to 2018, where the total value of imports was EUR 118 million, and the year 2018, during which were imported materials amounting to EUR 105.17 million. Imports to EU countries were 6%, with CEFTA countries 2%, EFTA 0.11%, and with other countries 92%.

Table 2.6. Local import market value for the manufacture of apparel in Euro and %

Code	“Manufacture of Apparel” Sector	Import			Difference in value	Difference in %
		2018	2019	2020		
13	Manufacture of apparel, except fur apparel products	105,171,177.93	118,008,278.57	98,738,284.03	-19,269,994.54	-16.33
13.1	Manufacture of apparel, except fur apparel products	88,060,654.36	100,177,489.64	82,365,196.68	-17,812,292.96	-17.78
13.2	Manufacture of fur articles	25,687.91	23,558.64	15,377.12	-8,181.52	-34.73
13.9	Manufacture of knitted and crocheted apparel	17,084,835.66	17,807,230.29	16,357,710.23	-1,449,520.06	-8.14

Source: Kosovo Agency of Statistics, processed by IPD/MIET

2.3. Manufacture of leather and leather products

The origin of the leather sector in Kosovo is in the tradition of leather tanners and saddlers for leather processing and footwear manufacture since 1945.

The “Leather and leather products” sector is the most favourable sector in employment, with slight movement during the last three years. Based on this result was analysed the number of enterprises, employees and the annual turnover for the period 2018-2020. During 2020, the number of enterprises in this sector was 43, the number of employees was 420, and the annual turnover amounts to EUR 5.81 million. Compared to 2019, this sector has marked an increase in employment, in number of enterprises, while a decrease in the annual turnover.

Table 2.7. General overview of the leather manufacturing in the local context

Code	(14 th) Sector Manufacture of Leather	Number of enterprises			Number of employees			Turnover		
		18	19	20	18	19	20	2018	2019	2020
1511	Tanning and dressing of leather; dressing and dyeing of fur	2	1	2	4	0	3	10,500.40	9,647.20	33,664.85
1512	Manufacture of luggage, handbags and similar, saddles and harness	11	9	14	31	38	40	706,814.59	872,234.49	800,745.93
1520	Manufacture of footwear	24	19	27	395	341	377	6,095,315.47	6,274,768.69	4,982,531.90
TOTAL		37	29	43	430	379	420	6,812,630.46	7,156,650.38	5,816,942.68

Source: Kosovo Agency of Statistics, processed by IPD/MIET

The total value of exports in the “Manufacture of leather and leather products” sector amounts to EUR 2.33 million. The products are mainly exported to EU countries, with 61.77%, to CEFTA countries with 37.56% while at a much lower percentage to EFTA countries with 0.19%, while in other countries with only 0.48%. The countries to which the products of this sector are mostly exported are France with 29.64%, Albania with 28.57% and Poland with 22.96%.

Table 2.8. Local export market value for the manufacture of leather and leather products in Euro and %

Code	“Manufacture of Leather” sector	Export			Difference in value	Difference in %
		2018	2019	2020		
13	Manufacture of leather and leather products	2,735,479.11	3,080,819.54	2,335,813	-745,006.77	-24.18
13.1	Tanning and dressing of leather; manufacture of luggage, handbags, saddles and harness; dressing and dyeing of fur	956,459.59	846,035.43	119,632	-726,403.63	-85.86

13.2	Manufacture of footwear	1,779,019.52	2,234,784.11	2,216,181	-18,603.14	-0.83
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Source: Kosovo Agency of Statistics, processed by IPD/MIET

While in terms of imports in this sector, the total value for 2020 reaches EUR 38.21 million, where import with EU countries is 8.49%, with CEFTA countries 3.2%, EFTA 0.15%, and other countries with 88.16%. The countries from which the products of this sector are mostly imported are China with 38.12%, Turkey with 21.55%, Vietnam with 14.88%, etc.

Table 2.9. Local import market value for the manufacture of leather and leather products in Euro and %

Code	"Manufacture of Leather" sector	Import			Difference in value	Difference in %
		2018	2019	2020		
13	Manufacture of leather and leather products	44,554,440.03	49,380,964.63	38,212,879.80	-11,168,084.83	-22.62
13.1	Tanning and dressing of leather; manufacture of luggage, handbags, saddles and harness; dressing and dyeing of fur	8,857,972.36	9,418,650.59	6,408,762.01	-3,009,888.58	-31.96
13.2	Manufacture of footwear	35,696,467.67	39,962,314.04	31,804,117.79	-8,158,196.25	-20.41

Source: Kosovo Agency of Statistics, processed by IPD/MIET

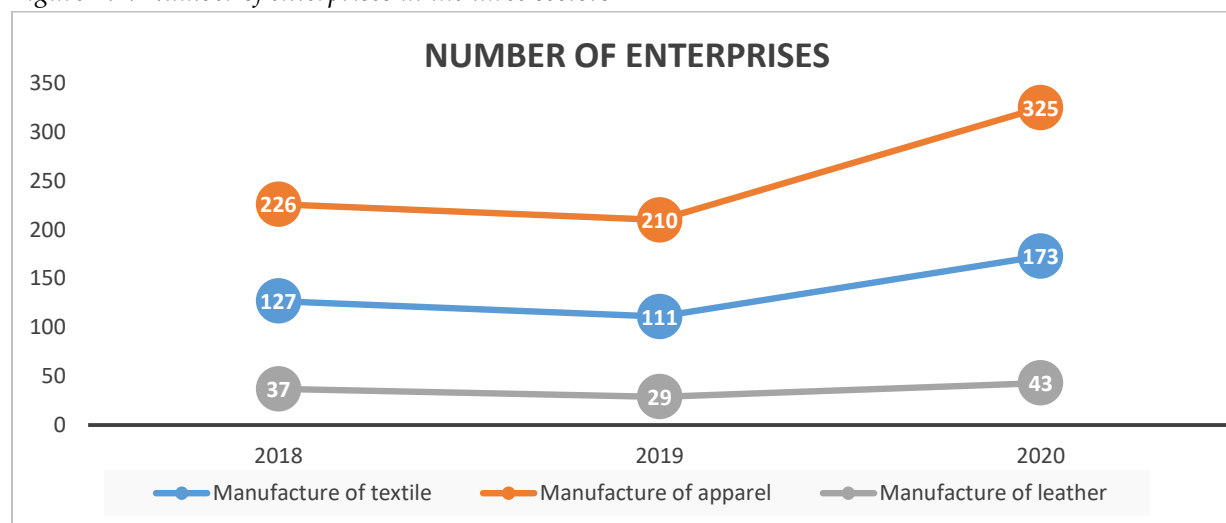
Summary analysis of the three sectors in terms of the number of enterprises, employees and turnover

The textile, apparel and leather sectors over the years have proven to be sectors with the potential of continuous growth in the number of active enterprises, number of employees and annual turnover. To draw this conclusion, data on the number of enterprises, number of employees and turnover for the last three years in the textile, apparel and leather sectors have been analysed. According to these data, in 2018 there were a total of 390 active manufacturing enterprises, in 2019 there were 350 manufacturing enterprises, while in 2020 there were 540 enterprises, which have exercised the activity of manufacturing textile, apparel and leather products.

In terms of number of employees, manufacturing enterprises in 2018 had 2,104 employees, in 2019 there were 1,864 employees, and in 2020 there were 2,373 employees. It is worth noting that despite the reduction in the number of enterprises from 2018 to 2019, the number of employees has not dropped.

An increase was noticed in the value of turnover over the years, where 2018 marked a turnover of EUR 28,809 million, 2019 marked a turnover of EUR 31,054 million, while 2020 has marked a turnover of EUR 31,840 million.

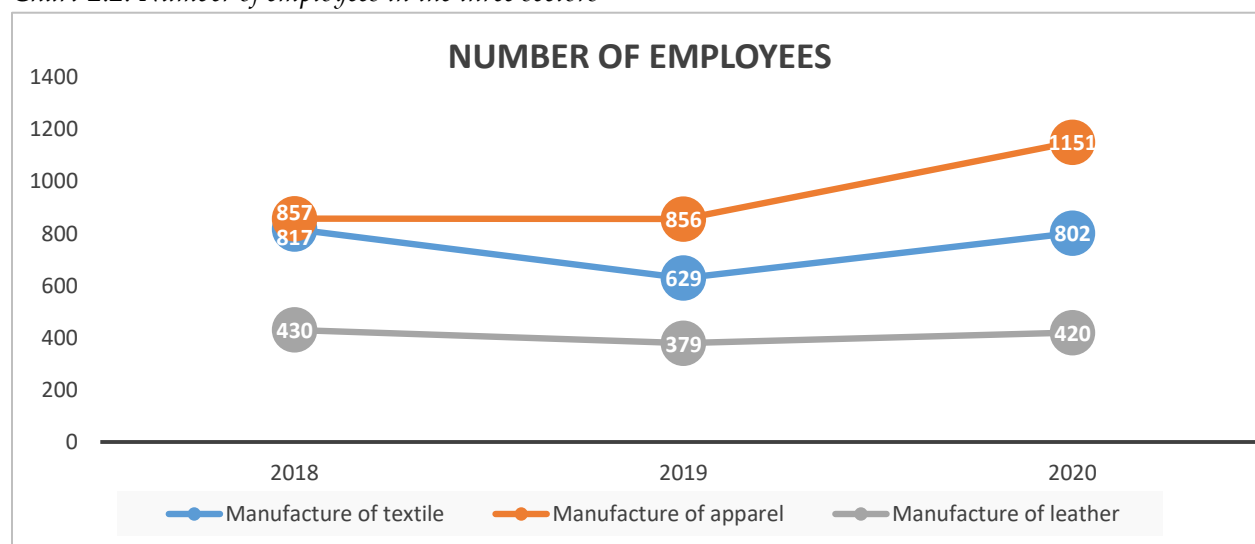
Figure 2.1. Number of enterprises in the three sectors



Source: Kosovo Agency of Statistics, processed by D&D Business Support Center

In order to analyse, in a more specific manner, the trends of the number of enterprises, the data for the last three years, namely 2018 to 2020 have been analysed. In the manufacture of textile sector, in 2019, compared to 2018, there was a slight decrease in the number of enterprises (7.07%); however, when comparing it with 2020, we notice a significant increase in the number of enterprises (54.76%). In the manufacture of apparel sector we notice a slight fluctuation (12.5%) when comparing 2019 with 2018; however, compared to 2020 we notice that the manufacture of apparel sector marked an increase (55.85%) in the number of enterprises. In the manufacture of leather sector, compared to the other two sectors, there were no significant changes; however, the number of enterprises remained unchanged. In 2019, compared to 2018, there was a decrease (27.5%) in the number of enterprises, while in 2020 there was an increase (44.82%) in the number of enterprises.

Chart 2.2. Number of employees in the three sectors

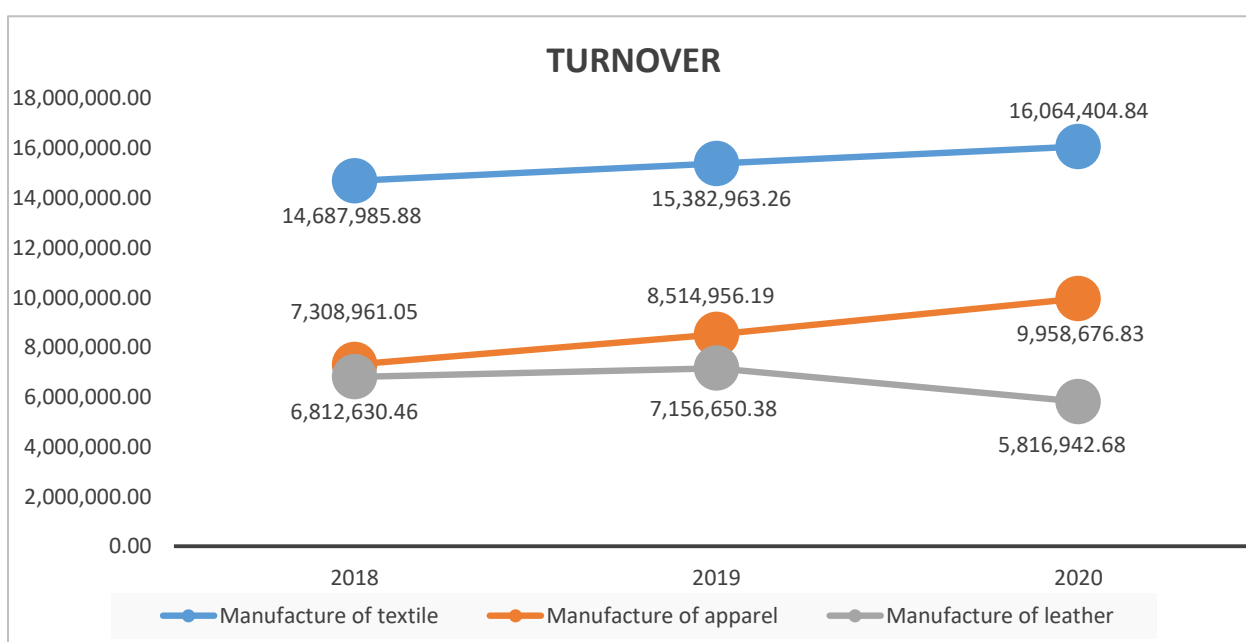


Source: Kosovo Agency of Statistics, developed by D&D Business Support Centre

In addition to the number of enterprises, an analysis of the number of employees over the years was carried out in the three sectors of Textile, Apparel and Leather manufacturing. The Textile sector marked a significant decrease in the number of employees during 2019, compared to 2018; however, in 2020 there was an increase, turning this number of employees close to the levels of 2018.

Manufacture of Apparel over the years marked an increase only in the number of employees. There was a slight increase from 2018 to 2019, but the highest increase compared to the other two sectors was from 2019 to 2020, and manufacture of leather represents a slight decrease in the number of employees in 2019, which in 2020 returned to the previous levels of 2018.

Chart 2.3. Turnover in the three sectors



Source: Kosovo Agency of Statistics, developed by D&D Business Support Centre

The trend of the enterprises turnover, according to the data received from the Kosovo Agency of Statistics, represents a constant increase in the manufacture of textile from 2018, 2019 and 2020, although in quite modest values. Manufacture of apparel has also shown a positive flow of turnover during the years analysed, while there is a more pronounced increase in 2020. Compared to the other two sectors, the manufacture of leather sector, for the same time period marked an increase in turnover value only in 2019, while in 2020 there was a significant decline in turnover in these sectors.

3. VALUE CHAIN ANALYSIS

The Value Chain Analysis is mainly based on the findings of primary data, whereby 81 interviews have been conducted with enterprises and companies that manufacture, supply and transport Textile, Apparel and Leather products. A total of 9 interviews have also been conducted with the relevant stakeholders, including various institutions and organizations that have provided support to the Textile and Apparel sectors. It is worth noting that some of the enterprises/companies in the Value Chain of this sector perform more than one function.

In order to outline the situation in these sectors as realistically as possible, the interviews were conducted based on 4 specific categories/questionnaires:

1. Questionnaire for actors of the Textile, Apparel and Leather sectors,
2. Questionnaire for manufacturing enterprises,
3. Questionnaire for supply companies,
4. Questionnaire for transport companies.

At the same time, in order for the research to be as comprehensive as possible, companies were interviewed in 21 municipalities of the Republic of Kosovo, where the Textile, Apparel and Leather sectors are more developed.

Of the total number of interviews conducted during the course of this research, 72% of enterprises were manufacturing, 12% of companies were suppliers, 6% of respondents were transport companies, and 10% were relevant actors in the Textile, Apparel and Leather sectors.

Chart.1 Structure of enterprises by region

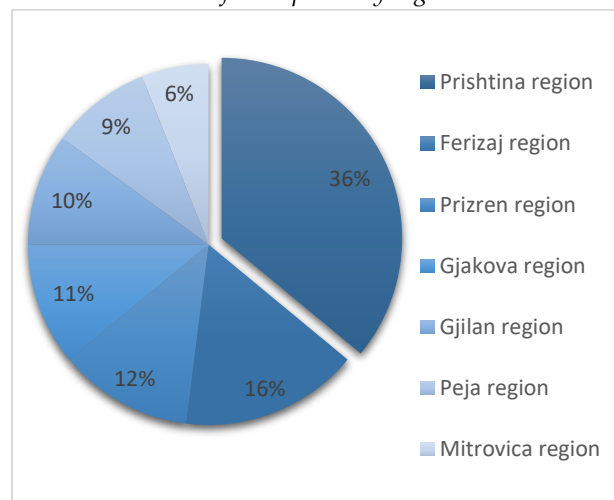
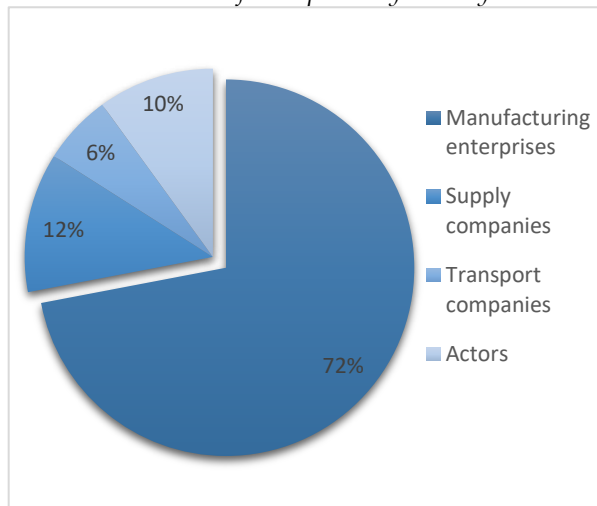


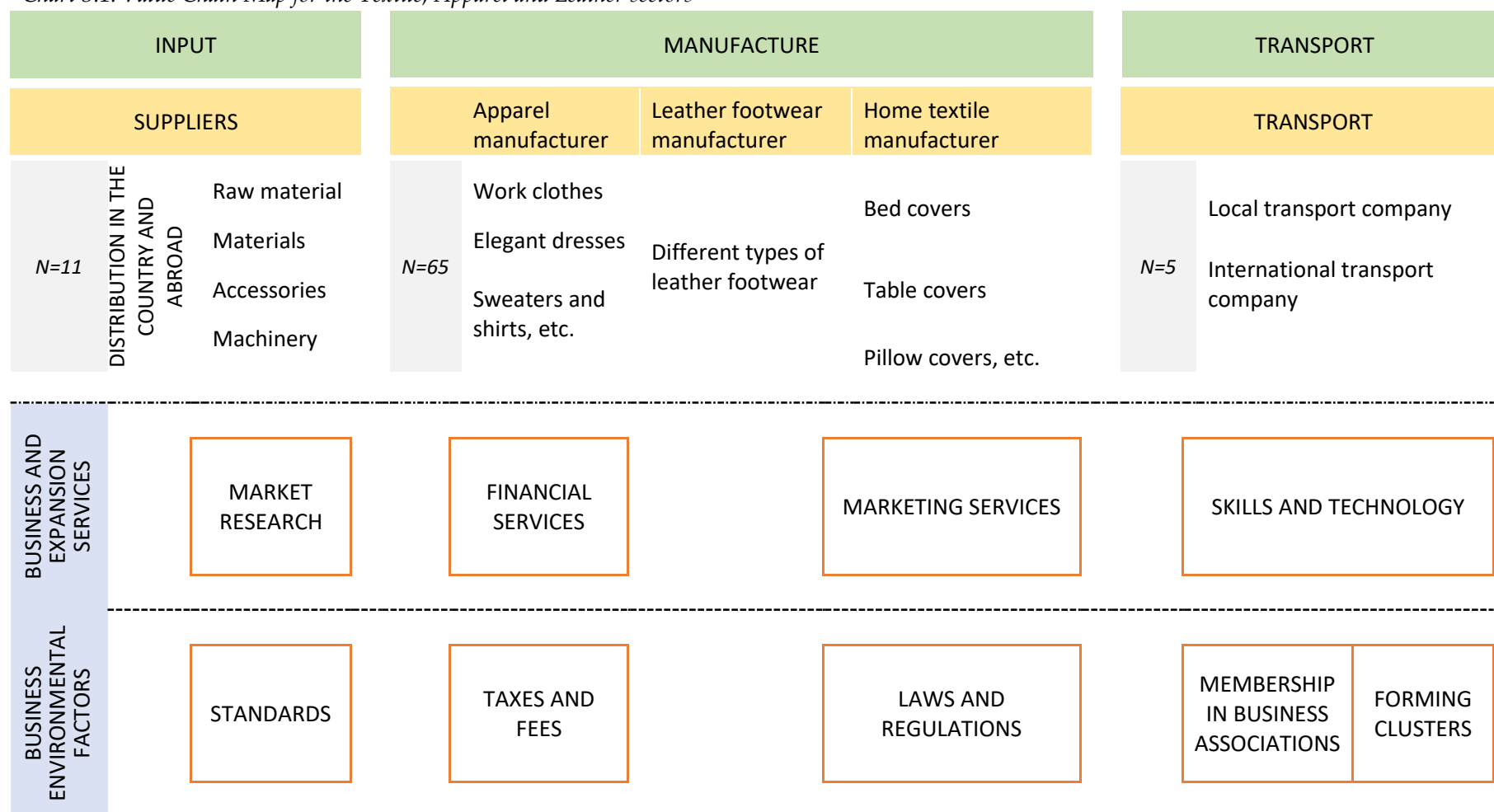
Chart.2 Structure of enterprises by activity



Value Chain Map

Chart 3.1 describes the Value Chain Map for the Textile, Apparel and Leather sectors. The Value Chain Map consists of three (3) main functions, which represent the focus point of the study.

Chart 3.1. Value Chain Map for the Textile, Apparel and Leather sectors



Supply (manufacturer prospect)

The Textile, Apparel and Leather sectors in Kosovo are not exclusively divided into a single business function, as they generally perform more than one function in the Value Chain.

The largest number of manufacturing enterprises, namely 82% of them cooperates with 1 to 3 suppliers/importers, while the remaining 18% cooperate with more than 4 different supply companies. A large number of manufacturing enterprises import necessary products or materials directly on their own, making this function. This Value Chain function is pronounced especially in the import of necessary materials for manufacturing and accessories.

With regard to the import process, 53% of enterprises prefer to do materials/products supply on their own, while the remaining 47% think that organization of the import process should be done through brokers. From the prospect of entrepreneurs, they highlight some primary factors that push them to organize supply on their own basis, among them: flexibility, cost, and security of supply.

On the other hand, in relation to the products supplied by manufacturing enterprises from suppliers, 40% of manufacturing enterprises mainly purchase necessary processing materials, 30% of companies purchase various accessories and 29% purchase products, such as raw material needed for manufacturing.

The most used materials for manufacturing enterprises, in addition to the type of products they produce, are: satin 20%, followed by cotton with 17%, spandex with 15%, as well as silk fabric with 13%, rubber with 9%, wool with 9%, etc.

Table 3.1. Main products manufactured

Products manufactured	Raw material
Apparel/Clothing	Silk, satin, spandex, cotton, wool, plush, fabric, etc.
Footwear	Leather, synthetic yarn, rubber, cotton, etc.
Home textiles	Cotton, synthetics, sponge, silk, rubber, plush, etc.

Source: Data from the research, calculation of the authors

As the origin of raw material imports is of particular importance for textile, apparel and leather manufacturing enterprises, data from this study indicate that country, from where this raw material supply comes, is mainly Turkey. While other countries, which are mentioned as a source of materials needed for manufacturing enterprises in a lower percentage, are China, Bulgaria, Italy, Germany, etc.

Regarding the quantity of imported materials or products for their enterprises, while comparing 2019 to 2020 we noticed that the import of products in the last year (2020) was lower. COVID-19 pandemic resulted in temporary termination of work activities, whereby out of 12 enterprises, which in 2019 have imported 100% of materials from the foreign market, in 2020 we only have 8 of them. There is a similar decline in almost all enterprises that have imported from abroad, except those enterprises that have imported from both sources of supply (from external and domestic market)

where there is an increase in the percentage of materials/products imported from abroad, or in the supply on their own from the foreign market.

Among the most significant barriers that manufacturing enterprises face during the supply of necessary materials are: supply of raw materials, which is considered among the most significant challenges, with 31% of responses, followed by transport with 25% of responses, supply time with 17%, the remaining 16% consider administrative and customs procedures as a challenge, and 11% of the answers indicate that quality is also a significant obstacle in the process of material supply.

Supply (supplier prospect)

For the purpose of this study, 12% or 11 SMEs from the total number of enterprises interviewed for this research are enterprises whose main activity is the supply of materials/products and accessories of textile, apparel and leather manufacturing enterprises.

Out of 11 supply enterprises, 46% (5) enterprises are supplied from domestic and international markets, 27% (3) of enterprises are supplied with material only from the foreign market, and 27% (3) of enterprises have stated that they are supplied with material only from the local market.

As it is shown in the table below, the enterprises that are supplied with the main materials from foreign markets are: cotton with 31%, followed by leather with 15%, fibres, wool and finished products with 12%. While, enterprises that are supplied from the local market, are generally supplied with finished products, which they then deliver for sale in retail stores.

Table 3.2. Materials supply

Materials supply from foreign markets	Percentage (%)
Cotton	30.77%
Leather	15.38%
Fibres	11.54%
Wool	11.54%
Finished products	11.54%
Linen	7.68%
Embroidery thread	3.85%
Cotton-polystyrene blend	3.85%
Spandex, rubber	3.85%
Total	100%

Source: Data from the research, calculation of authors

The origin of imports for supply companies is Turkey, which accounts for 50% of all imports of companies in this sector, followed by Bulgaria with 22%, China with 10%, etc. One of the reasons why local companies prefer Turkey for the materials supply is close geographical position, transportation costs as well as the quality of products. The cost of customs duties is considered as the second cost of the process of products/materials import needed for the enterprise after the cost of transport, followed by other duties.

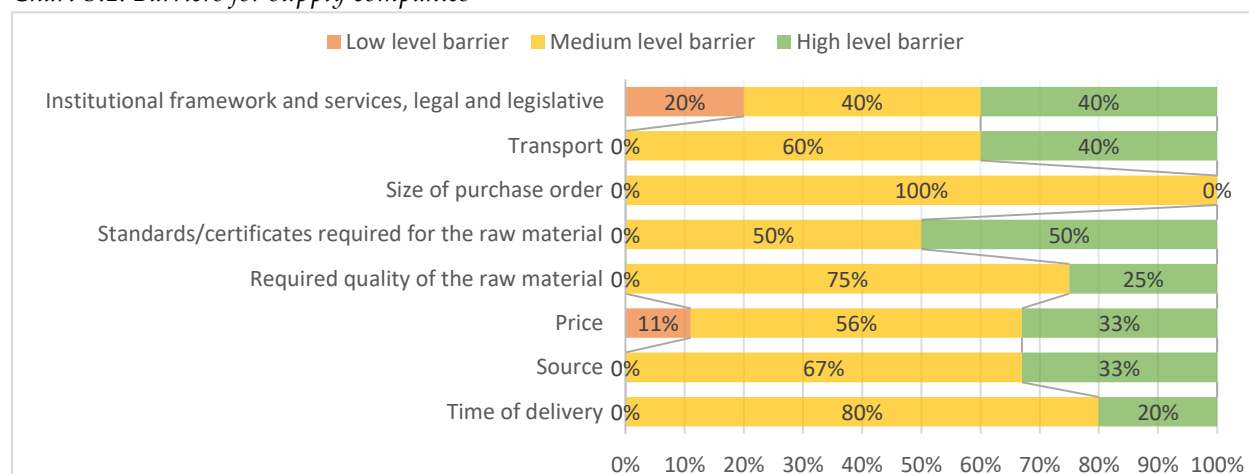
The primary reason for enterprises to choose the import of products and materials from the foreign markets are more favourable prices. Benefits from materials of foreign markets are considered to be more satisfactory. This includes 73% of the responses from the respondents, while 27% of the respondents consider that less satisfactory benefit is from the local market material.

Regarding the organization of raw material imports, of the total number of respondents in this research, 67% (6 SMEs) of enterprises stated that they fully organize imports on their own, 11% (1 SMEs) of them partially organizes import on their own, 11% (1 SME) of enterprises supply raw materials through brokers, and also 11% (1 SMEs) of enterprises use mixed method as needed. The organization of storage has almost similar data to the import of raw materials, where according to the responses received from enterprises, we understand that 73% of respondents perform the storage procedure completely on their own, 9% perform this service partially on their own, while 18% of them perform the organization of storage through external brokers who provide these services.

The most preferred form of import of raw materials is organization of imports on their own, which is supported by 64% of enterprises (7 SMEs). The remaining 36% consider that import should be done through brokers or mixed method as needed.

The barriers encountered by supply companies are various. The main ones are related to prices, delivery time, transport as well as institutional frameworks, followed by the required standards and quality of raw material. For more details, you can refer to the following chart.

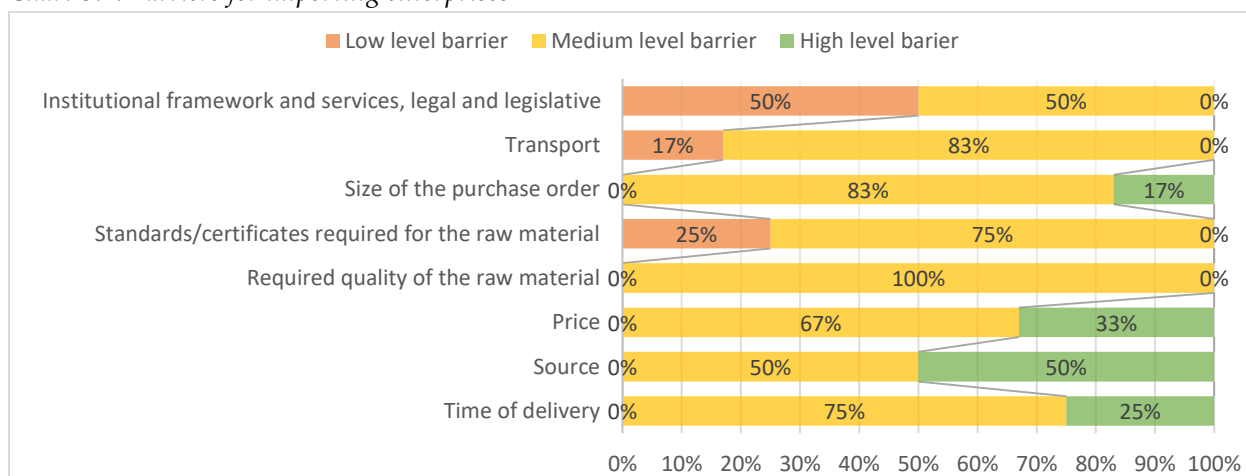
Chart 3.1. Barriers for supply companies



Source: Data from the research, calculation of authors

Contrary to this, from the supplier's prospect, in relation to the barriers of importing companies, a more pronounced problem is the size of the purchase order, which is estimated to be a medium level barrier. Other barriers are of similar nature.

Chart 3.2. Barriers for importing enterprises

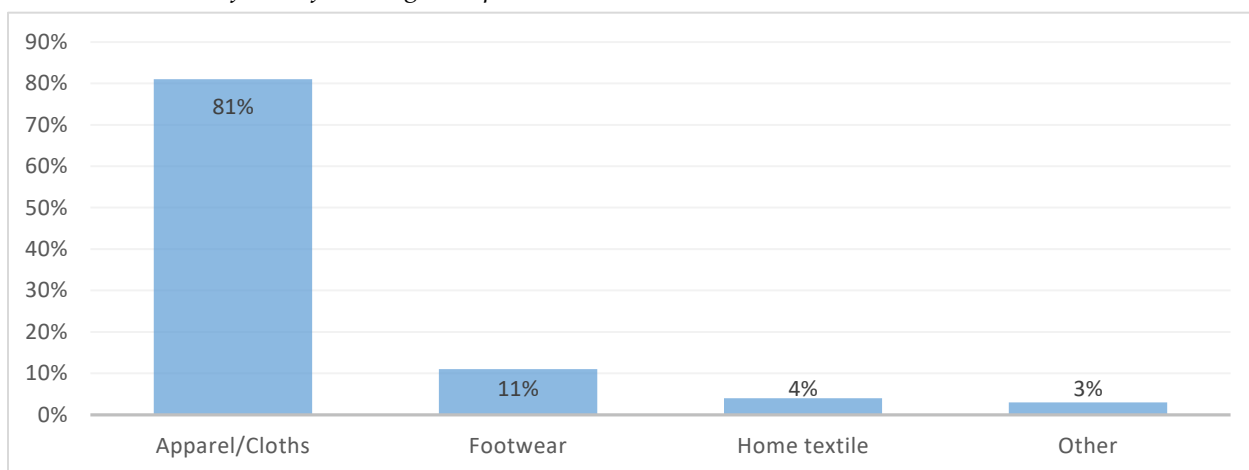


Source: Data from the research, calculation of authors

Value Chain Analysis - Manufacturers

In the framework of the Value Chain research, out of total number of interviews conducted, 72% (65 SMEs) of the enterprises were manufacturing enterprises, while based on the activity of these enterprises they are divided into four main manufacturing sectors. From the following chart we understand that 81% of respondents manufacture different apparel/clothes, 11% manufacture footwear, 4% of respondents manufacture home textiles, while 3% of the surveyed enterprises manufacture products by demand. As a result of the COVID-19 pandemic and high demand for face masks, these enterprises have adapted to the market demand.

Chart 3.3. Sectors of manufacturing enterprises



Source: Data from the research, calculation of authors

In terms of employees in these enterprises, the highest number of employees is in the manufacturing sector, which is seen as the key activity of the enterprise. The rest are employed in the sales and administration sector. However, their number, compared to the manufacture sector, is significantly low. In these enterprises, the employees are predominantly female, with an average age of 26-45 years, while in terms of education, most of the employees have completed secondary education.

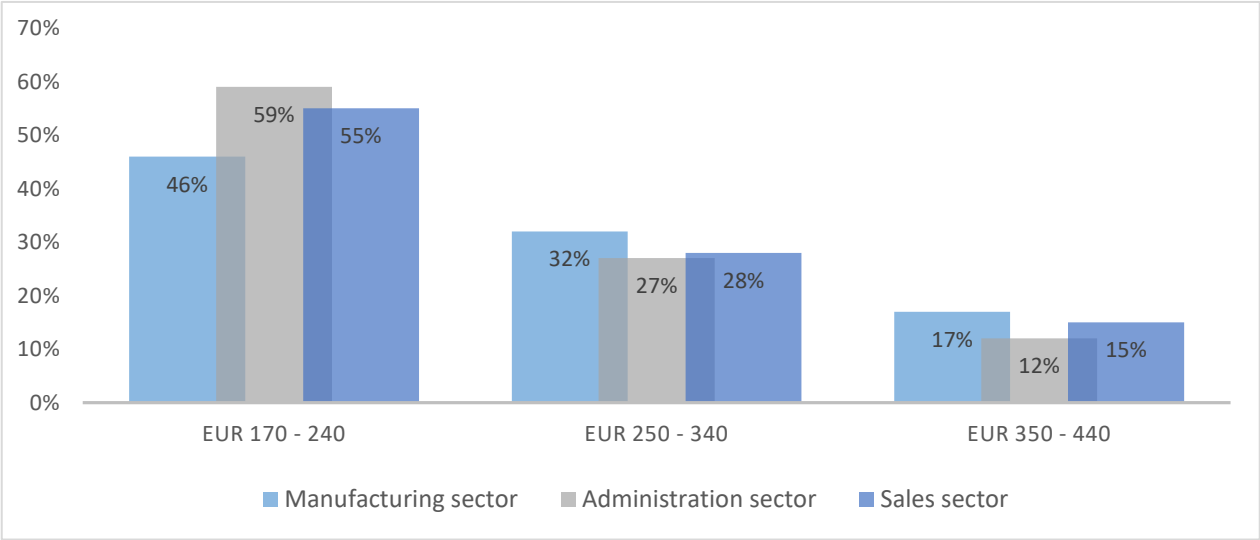
The study provides data on the average gross salary of staff in the manufacturing, administration and sales sectors. The received answers indicate that in 46% of the participating enterprises, the average salary of employees in manufacturing varies between EUR 170 to EUR 240, 32% of enterprises have stated that the average salary of staff in the manufacturing sector is between EUR 250 to EUR 340, 17% stated that the salary of employees is between EUR 350 to EUR 440, while the remaining 5% of enterprises state that their average gross salary reaches up to EUR 640, depending on the performance of the employee.

In the administration sector, 59% of enterprises pay staff with a salary between EUR 170 to EUR 240, 27% of them pay EUR 250 to EUR 340, 12% of enterprises pay EUR 350 to EUR 440, while the remaining 2% reach the average gross salary of up to EUR 540.

Figures almost same with the administration sector is for the employees of sales sector, whereby 55% of enterprises pay their employees between EUR 170 to EUR 240 gross, 28% of enterprises pay

between EUR 250 to EUR 340 gross, 15% of enterprises pay their staff between EUR 350 to EUR 440 gross, while 2% pay their staff between EUR 450 to EUR 540 as a gross average salary.

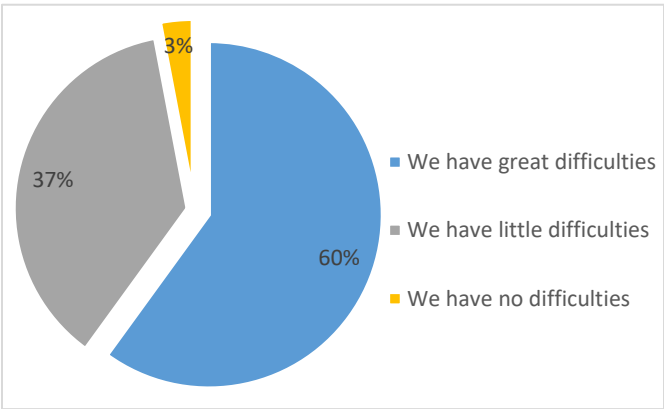
Chart 3.4. Salaries by sectors



Source: Data from the research, calculation of authors

It is worth noting that the extremely significant challenge of these enterprises is finding qualified workers. Out of the total number of manufacturing enterprises (65 SMEs), 60% have indicated that they have great difficulty in finding qualified staff for the job, while 37% of them have indicated that they have little difficulty in finding qualified staff, while the remaining 2% indicate that they have no difficulty in finding qualified staff for the job.

Chart 3.5. Professional staff



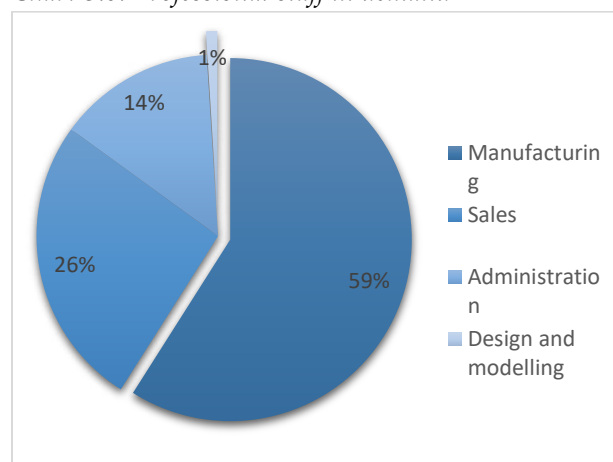
In general, manufacturing enterprises have stated that in this activity, the workers of the manufacturing sector are quite unqualified. These enterprises provide pursuing of trainings, which they organize within their teams for the necessary training in using machinery and production processes; however, despite all the efforts, there is a lack of proper interest of young people for employment in this sector.

Source: Data from the research, calculation of authors

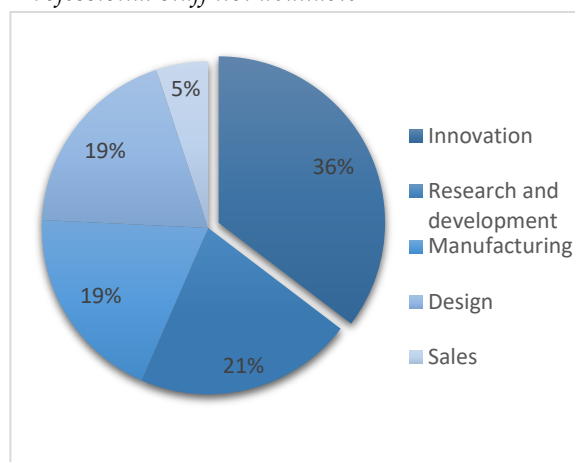
Professional staff needed and demanded in this sector is mainly in the manufacture process, where 59% of enterprises (have confirmed the need for qualified/experienced staff), while 26% of enterprises have highlighted the need for staff in the sales sector, and 14% in that of administration sector. On the other hand, professional staffs that are not available in our country, among the most

prominent are in the sector of innovation with 35%, followed by research and development sector with 21%, others are manufacture, design and sales.

Chart 3.6. Professional staff in demand



Professional staff not available



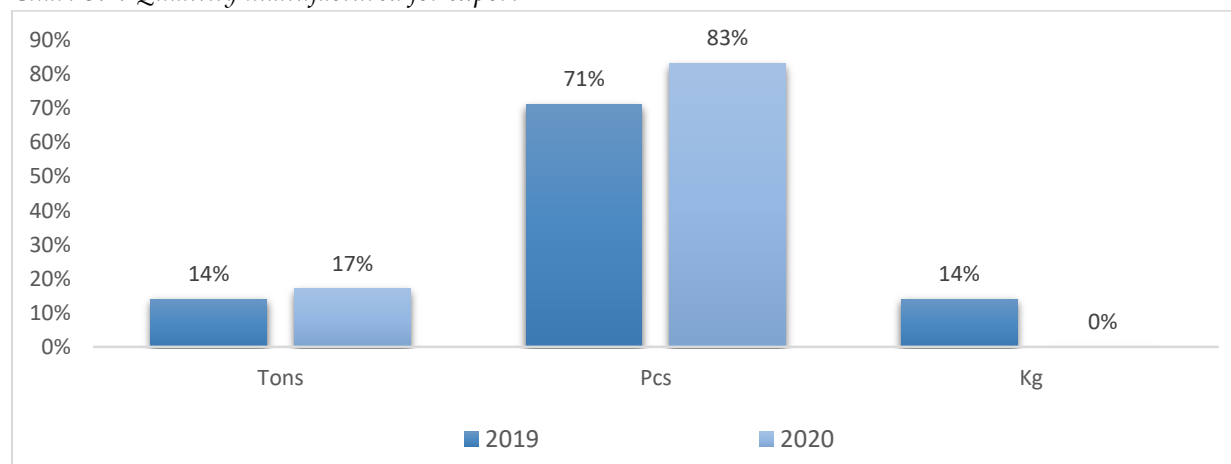
Source: Data from the research, calculation of authors

Given the need for professional staff and to increase efficiency in the workflow, the demand for capacity building in these areas is an imperative. Also, according to the data, the enterprises have highlighted the need for training in the fields of innovation and marketing with 23% each, trainings in manufacturing with 17%, followed by trainings for networking and new markets which are represented with 15% of the responses.

Domestic and export markets – Manufacturers prospect

Data on the quantity produced by these enterprises for the domestic and export markets are compared for the years 2019 and 2020. Of the total number of enterprises that export products, not all have declared the quantity they have produced. From these data, we understand that despite the pandemic in 2020, there was an increase in the amount manufactured for export.

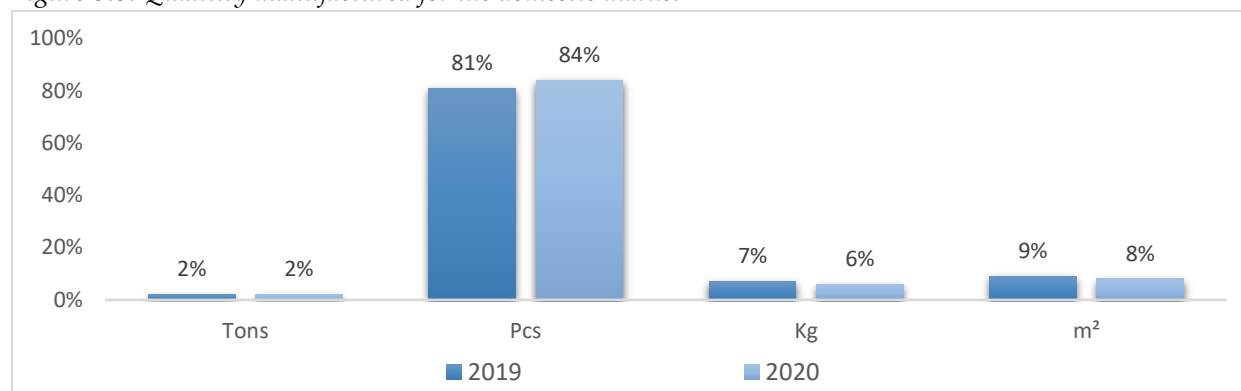
Chart 3.7. Quantity manufactured for export



Source: Data from the research, calculation of authors

Regarding the quantity manufactured for the domestic market, there has been a slight decrease in the quantity of manufacturing compared to 2019 and 2020, which has occurred as a result of the COVID-19 pandemic and temporary suspension of almost all work activities, including Textile, Apparel and Leather manufacturing enterprises.

Figure 3.8. Quantity manufactured for the domestic market

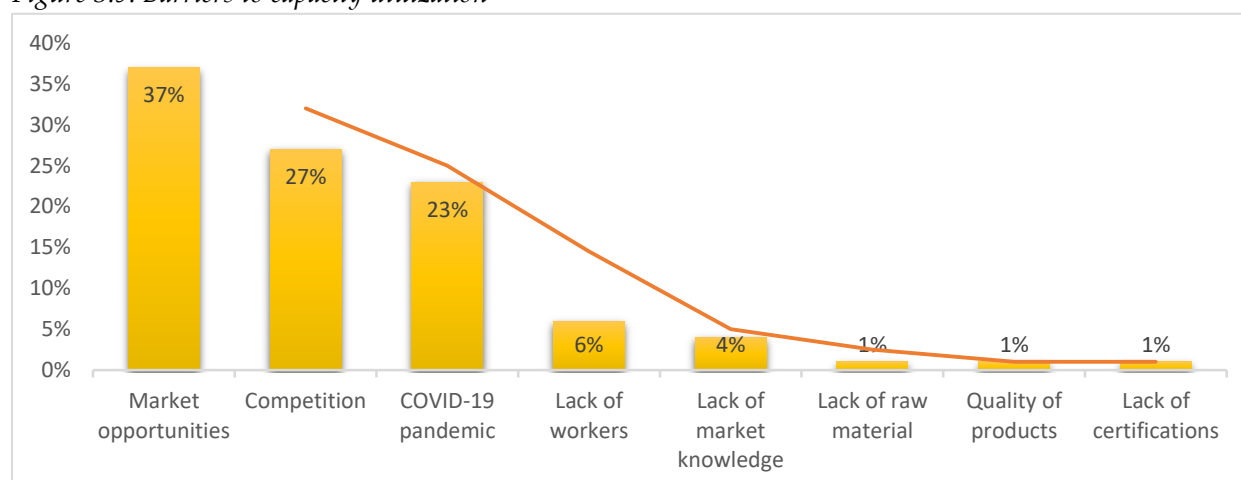


Source: Data from the research, calculation of authors

The capacity utilization rate of enterprises varies considerably from one to another. More than half of manufacturing enterprises, (34 SMEs) 52% of the respondents stated that they use up to 50% of the total capacity, followed by 15% (10 SMEs) which utilise 40% of the capacity, also (10 SMEs) of them utilise 60% of the capacity. Other enterprises utilise their capacity at a higher level, but the number of enterprises decreases drastically along with the increase in the percentage of capacity utilization.

Given that most manufacturing enterprises do not utilise their full capacity, the same showed the reasons for the low utilisation of their capacity. As presented in the chart below, the main causes that have influenced non-utilization of capacities are considered: market (im) possibilities with 36%, competition with 27% and pandemic with 23%. Other reasons were lack of workers with 6% and lack of market knowledge with 4% of responses etc.

Figure 3.9. Barriers to capacity utilization



Source: Data from the research, calculation of authors

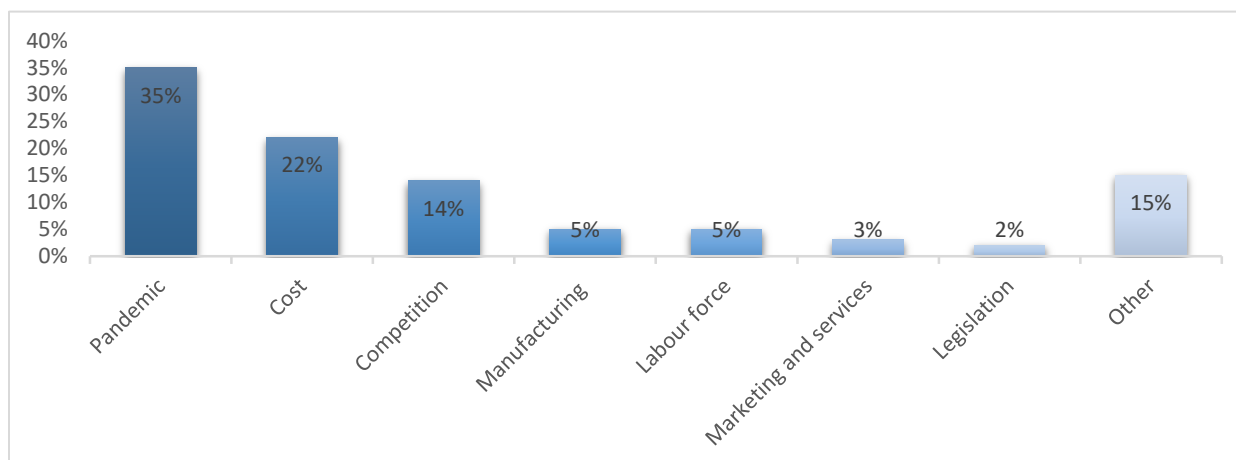
Among the main products of the manufacturing enterprises of the apparel/cloths sector, participating in this research are: casual apparel, sportswear, elegant dresses, different types of work uniforms, etc. In the footwear manufacturing sector, the main products manufactured are: casual footwear, elegant footwear, sports footwear for adults and children. While in the sector of textile manufacturing enterprises, among the main products manufactured are: various types of bed sheets and covers.

Barriers in manufacturing and export

As can be seen in the chart below, among the most significant barriers of manufacturing enterprises when they aim at quality production, offering low prices and increasing exports, are the following: the impact of the pandemic with 35% of enterprises, followed by the cost necessary for manufacturing and quality with 22% of enterprises, as well as competition with 14% of enterprises.

At the same time, marketing services, manufacturing process, legislation, lack of labour force, and necessary investments in machinery have been mentioned. The largest number of challenges are categorized as internal or organizational constraints that come as a result of entrepreneurial constraints, while as external factors is the global challenge with the pandemic situation, a situation according to which the workflow must be adapted. On annual basis, the Government of Kosovo supports various businesses through schemes and grants; also the financial sector over the years has become more favourable in terms of interest rates on trade loans.

Figure 3.10. Barriers in manufacturing



Source: Data from the research, calculation of authors

The Government of Kosovo, with the aim at increasing access to finance for micro, small and medium enterprises in Kosovo, and create jobs, increase domestic production, value-added services, improve the trade balance and expand financing opportunities for enterprises, has helped in establishing the Credit Guarantee Fund, which covers 50% of the potential risk for the respective loans issued by commercial banks, and at the same time provides private enterprises with cheaper access to finance.

Turnover of the Textile, Apparel and Leather manufacturing industry

According to the data received from the enterprises participating in this study, the average turnover value of the domestic market in 2019 per enterprise reached EUR 43,427, while in 2020 the average turnover value per enterprise was EUR 23,997. At the same time, data related to the annual turnover for export were received, where we note that the average annual turnover value per enterprise in 2019 reached EUR 77,704, while in 2020 the average turnover value per enterprise marked EUR 101,508. From this we understand that the main target of the Textile, Apparel and Leather in 2020 was the foreign market.

Table. 3.3. Turnover value for 2019 and 2020 according to the data

Average annual turnover value of the interviewed enterprises	Year 2019	Year 2020
Domestic market	43,427.07 €	23,997.94 €
Export	77,704.50 €	101,508.07 €
Total	121,131.57 €	125,506.02 €

Source: Data from the research, calculation of authors

The same trend is noticed in the official data of the Kosovo Agency of Statistics, where there is a decrease in the average annual turnover for the domestic market, while an increase in the average annual turnover for export.

Average annual turnover value	Year 2019	Year 2020
Domestic market	16,804.820 €	7,961,048 €
Export	14,249,750€	25,440,788 €
Total	31,054,570 €	33,401,836 €

Table. 3.4. Turnover value for 2019 and 2020 according to the official data from KAS.

Source: ASK and MIET

Innovation

During the last 36 months, 82% (53 SMEs) have not invested in research, development or innovation-related activities for the manufacturing of new products or production lines, while the rest of the enterprises, 18% (12 SMEs) have stated that have invested in research, development or innovation-related activities, which have directly helped enterprises in introducing new lines or products to the market. Of the enterprises that have invested in research, development or innovation-related activities, 55% have used 3% of the annual turnover in research and development, 27% of respondents have invested 5%, and 9% have invested more than 10 % of annual turnover in enterprise's research and development. Most enterprises have introduced new products in meetings with businesses that cooperate and through social networks.

Chart 3.11. Innovation related investments

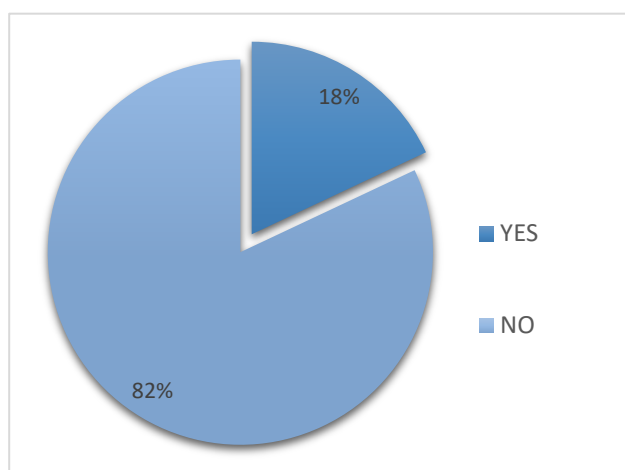
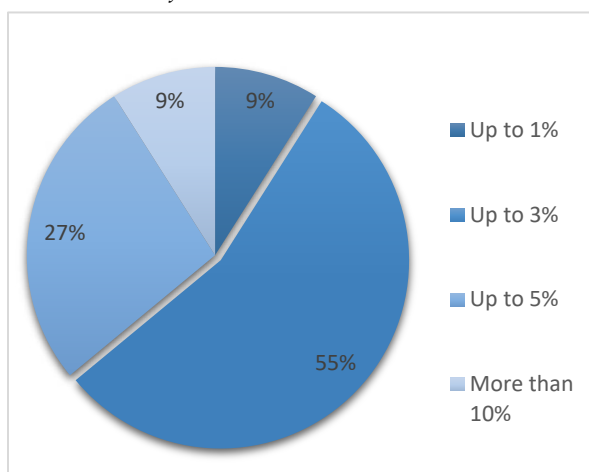


Chart 3.12 % of annual turnover invested in innovation

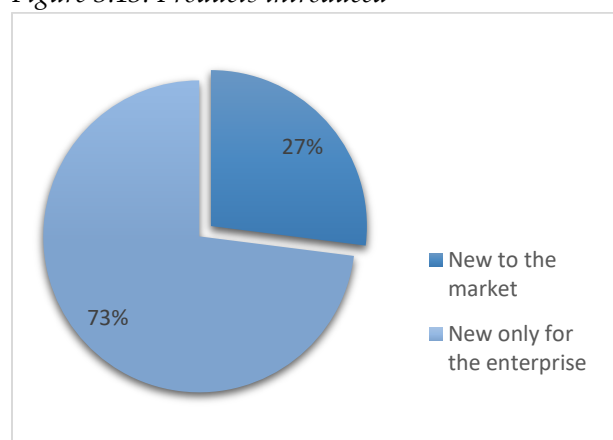


Source: Data from the research, calculation of authors

Of the 27% of enterprises, the products introduced are considered new to the market in which the enterprise operates which means that these products have not previously existed in the domestic market. While 73% of enterprises report that the products introduced are new to the enterprise but which have been introduced in the market before.

All enterprises that have added new products or services, have reported that research, development and innovation-related activities have been done only by enterprises and there has been no cooperation with any external partner.

Figure 3.13. Products introduced



Source: Data from the research, calculation of authors

On the other hand, cooperation between enterprises is a promising motive, given that data show a mutual cooperation. The largest percentage of enterprises that declare mutual cooperation is that of small enterprises, respectively 39%, while 38% cooperate with micro enterprises. Cooperation with large enterprises results in 7%, while that with medium enterprises is 13%.

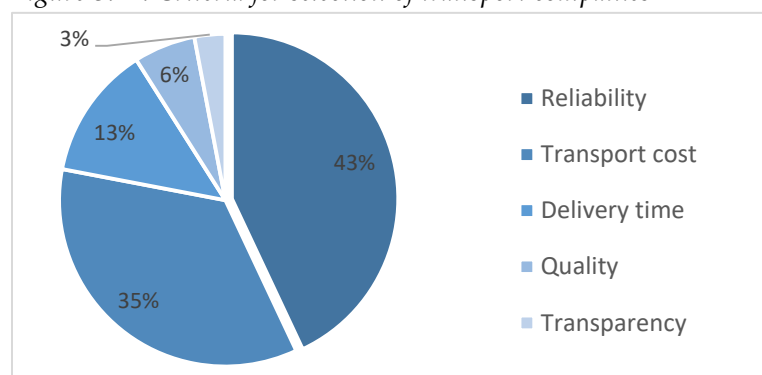
Transport

This research contains data on transport from the perspective of transport companies, which constitute 6% of the total sample, manufacturing enterprises that constitute majority of the sample with 72%, and supply companies with 12%, data that are used for the analysis of this section.

For this analysis from the selected sample, 6% (5 SMEs) of them provide transportation services of Textile, Apparel and Leather products. The data demonstrate different forms of freight transport organization, such as those companies that organize transport entirely on their own basis, those that cooperate with an intermediary and those companies that use both types of transport arrangements.

Manufacturing enterprises interviewed, 53% (34 SMEs) of them stated that they organize transport on their own basis, 5% (3 SMEs) reported that they work only with intermediaries for transport arrangements and 42% (27 SMEs) stated that they use both methods of transportation depending on the need. On the other hand, about 18% (12 SMEs) of enterprises have reported that they cooperate with only one transport company, 34% (22 SMEs) have stated that their cooperation is with 2 to 5 transport companies and the rest i.e. 48% (31 SMEs) have stated that they carry out the transport process completely on their own basis.

Figure 3.14. Criteria for selection of transport companies



Among the most important criteria on how these enterprises decide on the selection of transport companies are: reliability, transport cost, delivery time, quality and transparency.

Source: Data from the research, calculation of authors

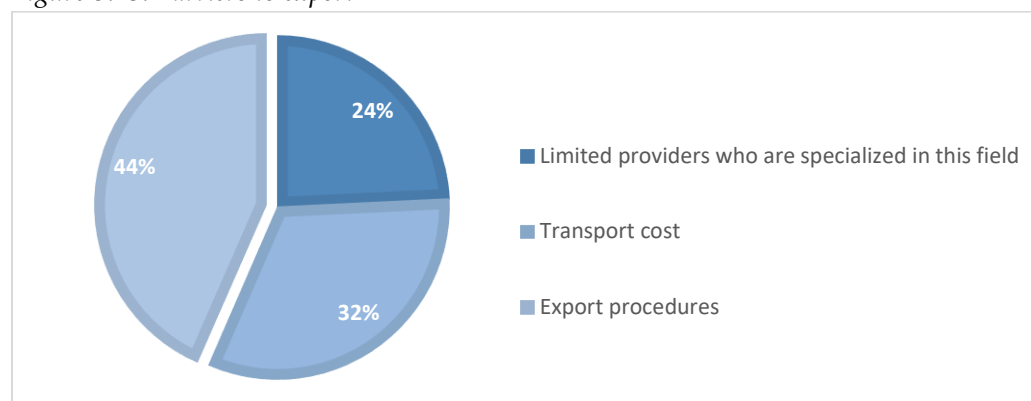
To understand the costs associated with transport, the findings from interviews with relevant enterprises have shown that the average cost of transport in European countries varies between EUR 1,500 to EUR 2,000 per 20 tons. This shift between prices is justified by different distances between European countries. On the other hand, we have the average cost of transport for regional countries, which varies between EUR 30 to EUR 45 per ton.

The average transport cost in the total cost of products is calculated up to 9% of turnover for 82% of interviewed enterprises, and up to 19% of turnover for 18% of interviewed enterprises.

Among the challenges faced by enterprises during the export of goods are, export procedures that resulted in 44% of the total responses received. The second most mentioned barrier is the transport cost, which represents 32% of the challenges from the responses of these enterprises, while the

remaining 24% have stated limited providers, who are specialized in this field, as the main challenge.

Figure 3.15. Barriers to export



Source: Data from the research, calculation of authors

Export markets and export requirements

The study presents analysis of exports from the prospect of domestic market manufacturing enterprises. From the total number of respondents participating in this research it was acknowledged that 14% of enterprises are involved in business activities in the foreign market, and currently export to other countries, with a focus on European countries. While 86% of them so far are not exporting their products, although some of them claim to expand their activities abroad in the near future. For the realization of the export of their products, some of the necessary documents required to be completed are as follows:

- Origin of goods;
- Name and class of goods;
- Type of goods;
- Quality Certificate, ISO - standards;
- Report on declaration of imported/exported product issued by the State Market Inspectorate;
- Gross weight (kg);
- Value of goods;
- Packaged or unpackaged goods.

While some of the certificates mentioned by the interviewed enterprises, and that are required for the export, are as follows:

- ISO 9001:2015 (specifies the requirements of the quality management system)
- BSCI Certificate (BSCI is the European social monitoring system for ethical resources initiated by the Brussels-based Foreign Trade Association (MTL);
- JCS Certificate (is one of the main third-party certification bodies dealing in the field of management system certification);
- Stema Certificate.

Identification of new customers and/or expanding into new markets is an extremely important process for the success of an enterprise. Therefore, enterprises consider market research as one of the most successful ways to achieve their targets in identifying new customers or even expanding the market, followed by online research, a form quite useful by entrepreneurs in this sector. Trade fairs are considered as the third most used tool to identify new customers and markets, while the rest have stated that they use family and personal ties in the diaspora as well as potential customers from export countries with whom they have contact to build new connections.

Figure 3.16. Customer identification



Source: Data from the research, calculation of authors

Interviewed enterprises export mainly to Italy, North Macedonia, Switzerland, Albania, Germany, Sweden, and less to other countries, such as: Slovenia, Saudi Arabia, Israel, Dubai, etc. By sectors, as shown in the table below (3.4), the respective apparel/clothing is mainly exported to Albania, Switzerland, then to Germany, Netherlands, North Macedonia and Montenegro. Among the main reasons that exports are oriented at the regional level, are directly related to the value of transport costs, as well as the standards required in these countries, some of them, such as: ISO 9001: 2015, content and origin of goods, etc.

From the leather products sector, they are mainly exported to France and Italy. Among the main competitive advantages of this sector from the findings in the research is the quality of products, but which at the same time is followed by a more attractive advantage, which is low cost and low-income tax. Among the main required standards are: ISO, BSCI, JCS and STEMA.

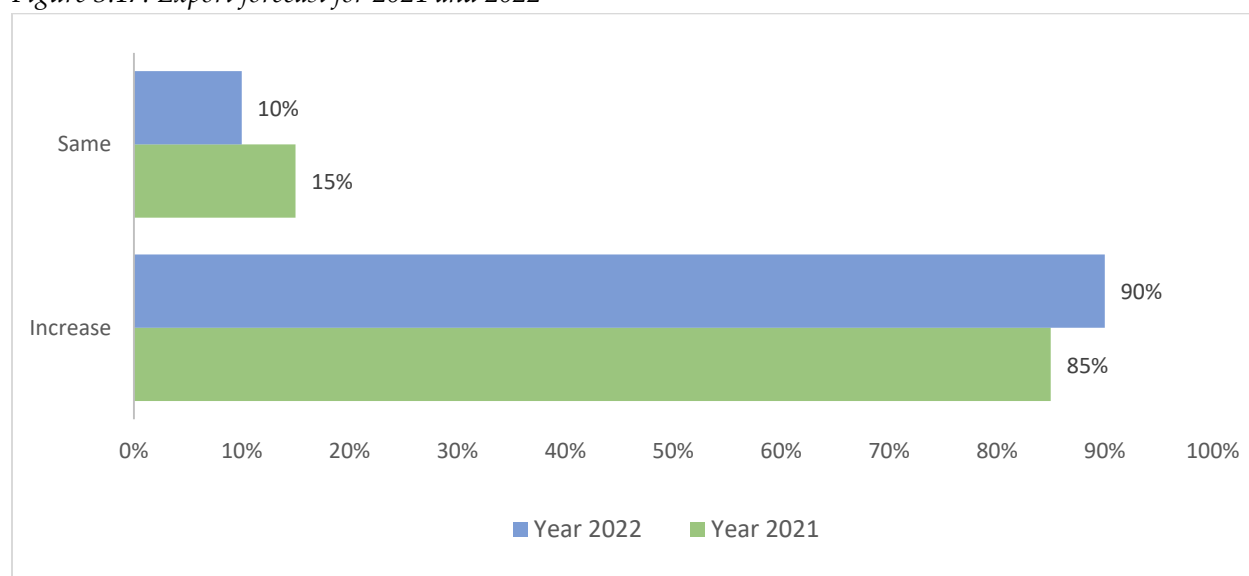
Table 3. 4. Export by sectors, products and exported countries

Sector	Exported products	Main countries for export	Reason of success	Certificates
Apparel/Cloths	Dresses, sweaters, face masks, etc.	Switzerland, Albania, Montenegro, Germany, North Macedonia and the Netherlands	Products quality and price	ISO 9001
Leather products	Shoes	France and Italy	Quality, price and professionalism	ISO, BSCI, JCS, STEMA

Source: Data from the research, calculation of authors

The forecast of enterprises for export continuity in 2021 and 2022 is a positive growth expectation of exports in the above mentioned sectors. In 2021, an average increase by 25% of exports is projected from 85% of respondents, while 15% do not expect any changes in this regard. In 2022, 90% of enterprises have expressed optimism that they expect to have an average increase of 40% in exports, while 10% do not expect changes in the flow of exports.

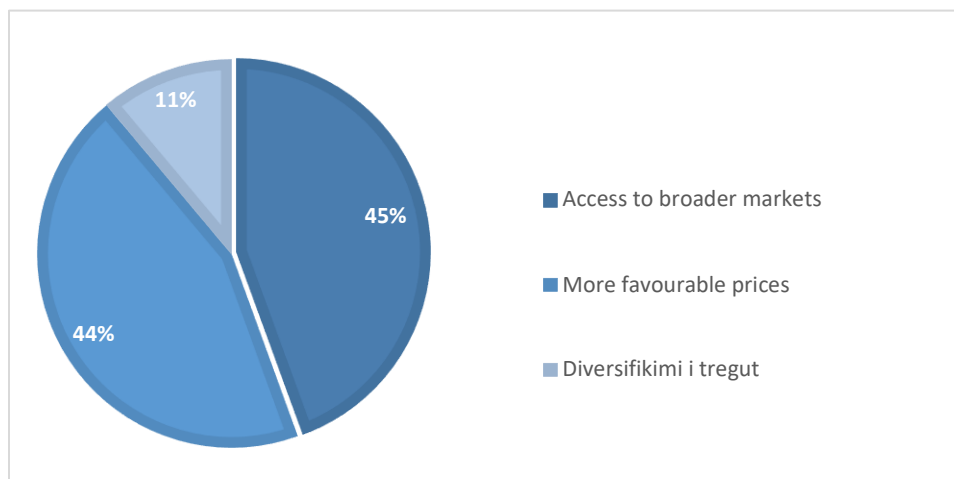
Figure 3.17. Export forecast for 2021 and 2022



Source: Data from the research, calculation of authors

Among the main motives that push local enterprises to target foreign markets (exports) is access to wider markets with (45%) of enterprises, which results in almost half of respondents, more favourable prices (margins) (44%), as well as market diversification with (11%). The main perceived competitive advantages of these enterprises are the quality of the products manufactured with 62%, and the price with 38%.

Figure 3.18. Reasons for selling in foreign markets

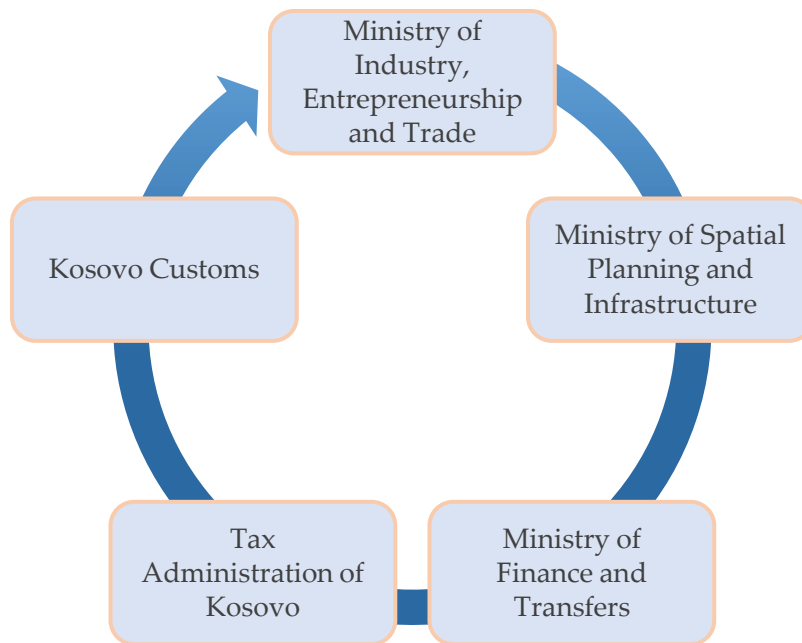


Source: Data from the research, calculation of authors

Business environment

The legal framework affecting the Textile, Apparel and Leather sectors is regulated by the Ministry of Industry, Entrepreneurship and Trade, the Ministry of Spatial Planning and Infrastructure, and the Ministry of Finance and Transfers, under which the Kosovo Tax Administration and Kosovo Customs also operate.

Chart 3.19. Legal frameworks and enabling the environment



The Ministry of Industry, Entrepreneurship and Trade is responsible for developing policies related to the industrial sector, fostering private sector growth, focusing on SMEs, and promoting policies that improve business environment.

The Ministry of Spatial Planning and Infrastructure is the institution responsible for environmental issues. Taking into account the social and institutional pressure, as well as the social awareness in general, the development of business practices must be adapted to the current requirements regarding environmental protection. The Textile, Apparel and Leather sectors have an important role to play in improving overall environmental pollution.

The Ministry of Finance and Transfers, and the Tax Administration of Kosovo are the legal institutions responsible for fiscal policies and taxes. It is important to note that fiscal policy in Kosovo is based on good EU practices. Kosovo Customs is responsible for the implementation of customs regulations, in particular for the collection of customs duties, as well as the description of trade and protection of trademarks and others. As Kosovo operates under CEFTA agreements and aspiring EU integration, Kosovo Customs operates in line with EU standards.

Networking (Prospect of enterprises)

Collaborating with different associations / institutions allows enterprises to interact with people who share similar ideas, who can be sources of information and support - resulting in increasing the number of clients for enterprises. Enterprises' membership in associations is an excellent way to contribute to the growth of the sectors in general and enterprises in particular.

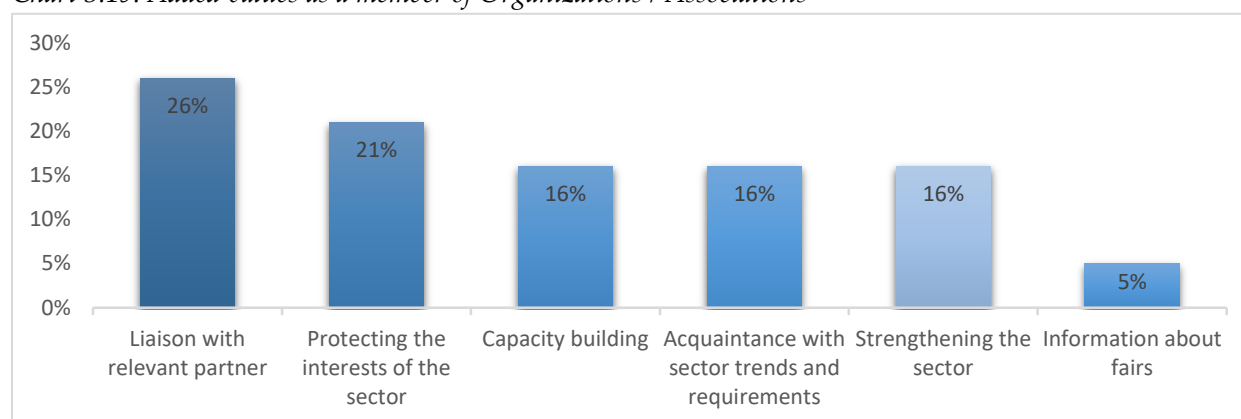
The enterprises interviewed in the Textile, Apparel and Leather sectors, only 11% of enterprises are members of organizations, such as: KAMA, Kosova Chamber of Commerce and Chamber of Doing Business in Kosovo.

Kosovar Apparel Marketing Association (KAMA) - KAMA is an organization focused on the apparel sector, which promotes networking between local and international businesses in the apparel sector. KAMA activities aim to facilitate the exchange of professional knowledge and experience. Their vision is to lead the efforts of actors in the apparel industry in Kosovo in order for them to be placed on the map of the European market and beyond.

Kosova Chamber of Commerce contributes to the development of enterprises, as with its professionalism and determination it contributes to the approximation of Kosovar business and Kosovar society with the European values. Chamber of Doing Business of Kosovo - CDBK is a business organization which is funded through membership, services, events and special projects. The CDBK focuses its activity on four main pillars, which include: advocacy, development, business services and networking. One of the main services that CDBK provides to businesses is networking and lobbying in overcoming barriers encountered during regional and international cooperation. To achieve this, the chamber has entered into cooperation agreements with chambers from the region.

Regarding the added value of being a member of these organizations / business associations, liaison with a relevant partner is among the services that help their enterprise to increase work intensity, which represents 26% of responses, followed by the protection of the interests of the sectors by 21%, the capacity building of the enterprise by 16%, the acquaintance with the trends and requirements of the sectors by 16%, the strengthening of the sectors by 16%, as well as the information for fairs which represents 5% of the responses regarding the added value of being a member of Organizations / Associations.

Chart 3.19. Added values as a member of Organizations / Associations



Source: Data from the research, calculation of authors

Kosovo's education system provides various programs in seven public universities, over 80 vocational and training schools and dozens of private education providers, both in secondary and higher education. In these vocational schools there are also Textile classes that possess all the necessary elements ranging from sewing machines, folded materials to the necessary details.

Despite opportunities provided by vocational schools for training in the craft of tailoring, it should be noted that there is a lack of interest by the younger generations in pursuing them. Cooperation of enterprises with actors / partners who provide professional expertise and relevant support services (universities, research institutes / laboratories, consulting companies, etc.), includes 14% of respondents, who are used as partners for market expertise and come mainly from Kosovo, while 86% reported that they do not have such cooperation with any of their actors or partners.

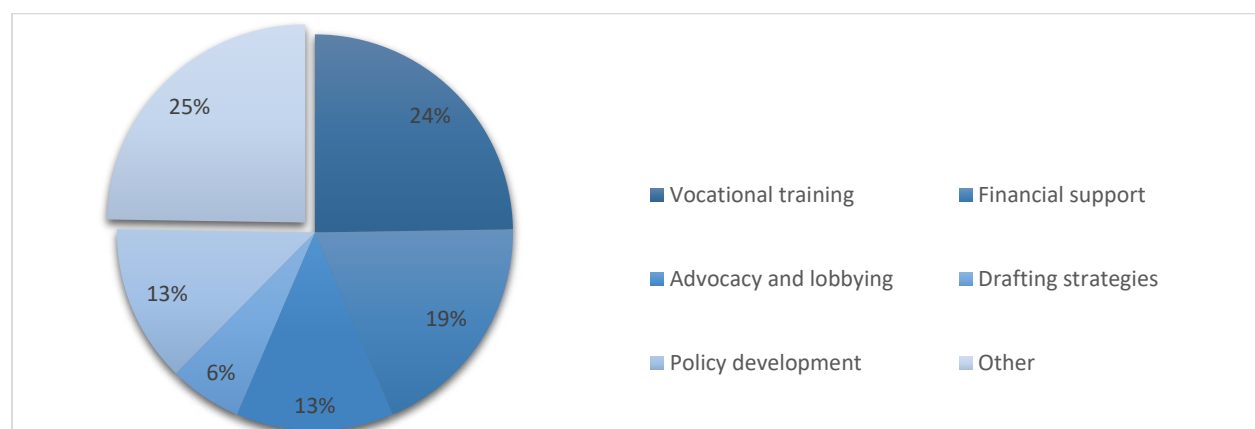
Support to the Textile, Apparel and Leather sectors by relevant actors

The main goal and priority of associations / institutions is to advocate the needs of sectors to policy makers, in order to influence on the inclusion of the Textile sector as one of the priority sectors in Kosovo.

Findings of this research are based on the data received from the interviews with representatives of institutions / organizations, from which we found out that 78% of respondents supported the Textile, Apparel and Leather sectors, while 22% denied that they had ever supported these sectors.

Some of the forms of support of these sectors which were mentioned by the interviewees are: vocational training which has the highest intensity of reporting by institutions / organizations followed by financial support, advocacy and lobbying services, strategy development and development of policies.

Chart 3.20. Forms of support to the Textile, Clothing and Leather sectors



Source: Data from the research, calculation of authors

Some of the projects that are supported by the interviewed institutions / organizations are:

- Programs of active labor market measures
- On-the-job vocational training; and
- Mentoring and various trainings.

Regarding future plans on whether projects that support this sector will be included, 62% of respondents stated that their plans include support for the Textile, Apparel and Leather sectors, while 38% have denied having anything concrete in their plans as far as this aspect is concerned. These associations / institutions were asked how many of the registered members belong to the Textile, Apparel and Leather sectors, with less than 40% answering that most of them representing 75% of the answers, and with 50% of the members 25% of institutions / organizations responded from this sector.

CASE STUDIES – ENTERPRISE A AND ENTERPRISE B

CASE STUDY 1: ENTERPRISE A

The participating enterprise as a case study of this research was established in 1992, where for the following 4 years as its main activity was the trade of goods, whereas since 1996 started with manufacturing of different types of shoes.

Initially its main focus was retail sales in the local market, but after the success it had started expanding its services for export and B2B sales.

The enterprise started with wholesale since 2002, and its products are exposed for sale by larger companies in the domestic and foreign markets.

The unstoppable investment in the cutting edge machinery on the market has enabled the production process to be carried out with high precision. As a result, this enterprise has continuously produced over 2,000 models of shoes for sale, and at the same time has entered into agreements with foreign enterprises for the manufacturing process, with some of them for 49% of the shoe manufacturing process, while with some other enterprises it has started the manufacturing of final shoe products according to the agreement.

This enterprise has about 249 employees, where 80% of them are workers in the manufacturing sector, 12% of them work in the sales sector and the remaining 8% work in the administration sector.

In addition to investing over the years in the used machinery, the same continues its investment in staff engaged in the manufacturing sector, to whom it continuously provides training on the manufacturing process, use of new machinery, efficiency at work and many other areas through which they contribute to the quantity and quality produced.

The journey of the enterprise over the years, in addition to the success achieved so far, has shown successive challenges, among them it is worth noting that despite the conditions that are offered, there is lack of interest of the labour force to work in the factory.

CASE STUDY 2: ENTERPRISE B

This enterprise has been established in 2016, but officially started operating in May 2017.

The enterprise produces various apparel products for customers according to their expectations for time, quality and quantity, using local and global supply sources. In line with market expectations, the design team not only supports clients with new ideas on yarns, embellishments and sewing details, but also creates catalogue collections for a particular season in order to keep clients up to date with the trends.

In the mentioned enterprise there is a whole unit of product development, which is devoted to the development of new styles. It has a fully computerized technology and a talented communication team. The sample room has the capacity to produce 4 models and 12 samples per day. The total monthly manufacturing capacity (knitting, sewing and finishing) is about 10,000 pieces.

The enterprise plans, organizes and produces in the most effective way. The productivity of the operators in the manufacturing unit is measured on a regular basis. This enterprise continuously develops and carries out cost reduction projects to be able to deliver the most competitive prices and ensure the highest customer satisfaction. The knitting factory lines combine qualified human skills with a developed system and advanced technology.

The company has invested heavily in technology and automation to achieve maximum productivity in the manufacturing of knitwear.

This enterprise has about 90 employees, which classifies it as a medium size enterprise. The main challenge highlights the lack of qualified labour force, but also the fluctuations of workers who are not stable to work in the manufacturing sector.

The enterprise in question does not work with local or other enterprises. It has agreements with only one client, and states that there is sufficient turnover from the enterprise in question and does not express interest in cooperating with other enterprises.

MAIN CONSTRAINTS OF THE SECTORS

This study also addresses the main constraints of the Textile, Apparel and Leather sectors. Perhaps these constraints can serve as a starting point to dive deeper into the root causes as well as the proposals for adequate interventions.

Constraints identified throughout this study are as follows:

1. Human resources and vocational training of employees in manufacturing;
2. Market access and barriers to the export process;
3. Quality of business operations;
4. Difficulties in the supply of raw materials;
5. Lack of industrial zones in all municipalities of Kosovo;
6. Covid-19 pandemic.

Human resources and vocational training of employees in manufacturing: This study highlights the need necessary for vocational training of employees, especially those engaged in the manufacturing processes. As a start, a very significant challenge has been the lack of interest of employees to train and develop their skills in the manufacturing process of Textile, Apparel and Leather products.

Secondly, considering the Textile, Apparel and Leather sectors as sectors with the potential to increase the number of employees, there is a lack of knowledge, skills and job qualifications, which are not in line with the requirements of the manufacturer or supplier. Enterprises complain about lack of trained staff, lack of experienced administrative and managerial staff and enterprises face shortage of specialized managers. Vocational Education and Training (VET) training programs are often more supply-oriented than demand-oriented, although regional employment centers strive to improve cooperation with enterprises. Employment preferences are often family members instead of need-based employment as well as standard wage structures (fixed salary), no other forms of incentive motivation are offered, such as those of performance-based or other.

Market access and barriers to the export process: The Value Chain study for the Textile, Apparel and Leather sectors shows the interest of enterprises for export to EU countries and other countries, but despite this, they encounter numerous constraints thus slowing down the process. Among them, is the way of finding new markets for export, as almost all enterprises participating in the research stated that they identify new customers or markets through their own market research, through internet research and trade fairs. Also, there are insufficient and unreliable market data. Market data and customer segments are not sufficiently known in the various targeted EU countries, resulting in unclear marketing, product and customer communication strategies, resulting in a reactive segmentation and positioning in markets, and utilizing current or family acquaintances. Due to poor market analysis and research, its potentials remain untapped.

Most Kosovar textile enterprises do not have appropriately specialized staff for the preparation or maintenance of enterprise's web services and marketing in new media. Also, they do not make enough use of the new communication and sales channels.

The Textile, Clothing and Leather sectors in the Republic of Kosovo have a lot of potential for reaching agreements with other enterprises of the EU countries, both for the manufacturing process of the cooperative enterprise but also for the exhibition of products manufactured and designed by the local enterprise. It is worth noting that there is a lack of institutional support for participation in regional or international fairs, specific to this sector, and study visits. At the same time, a very important challenge is the accurate fulfilment and adaptation of export requirements, including the quality, quantity and timely delivery of production according to the purchase order.

Quality of business operations: Given the poorly balanced investment allocation, there are stagnations in key activities that affect business development. Investments in Product Research and Development are insufficient, especially when it comes to expanding exports to new markets, as well as low investment in sound marketing, communication and sales strategies.

The lack of strategic business planning has been identified, where most enterprises operate without a business plan, including marketing and export planning. Enterprises do not have a clear vision and objectives, and often operate on a reactive basis. Innovation management and prioritization of innovation measures are not sufficiently developed in all sectors.

The small capacities of Kosovar enterprises limit the opportunities to meet larger export orders. Due to low production capacities, most enterprises have limited ability to meet export requirements.

Lack of supply of raw materials: The entire manufacturing process of enterprises in these sectors is dependent on the import of raw materials and materials needed for production. As a result, there are often delays, so this fact suspends the manufacturing activity of the enterprise as a whole.

In many cases, local enterprises see each other as key competitors rather than potential partners for improving export opportunities.

Lack of industrial zones in all municipalities of Kosovo: One of the challenges identified by this study is lack of industrial zones in all municipalities of the Republic of Kosovo. Considering the benefits that industrial zones bring, including providing the space needed for manufacturing, more affordable rent and providing electricity. This would be an investment not only for the Textile, Apparel and Leather sector, but for all other relevant sectors.

COVID-19 pandemic: The pandemic situation is also considered as a constraint for the enterprises of this sector. As a result of the deteriorating situation by COVID-19 pandemic, the previous year was generally less profitable. In addition to being less profitable, this situation has caused panic and affected the efficiency of employees.

RECOMMENDATIONS

Based on the data of this study, the difficulties and constraints of the Textile, Apparel and Leather sectors have been identified, which are discussed above. Also, as an integral part are included the recommended interventions for each of the identified difficulties, which will directly affect the advancement of these sectors.

DIFFICULTIES	CONSTRAINTS	RECOMMENDED INTERVENTIONS
Human resources and vocational training of employees in manufacturing:	▪ Work knowledge, skills and qualifications are not in line with the requirements of the manufacturer or supplier. Enterprises complain about the lack of trained staff. Training curricula are more supply-oriented than demand-oriented, although regional employment centers strive to improve cooperation with enterprises. ▪ Lack of experienced administrative and managerial staff. Enterprises face a shortage of specialized managers. Employment preferences are often family ties employment instead of need-based employment. ▪ Standard salary structure (fixed salary), no other incentive forms of motivation are offered, such as those performance-based or others.	✓ In addition to theoretical training, coaching is a practical addition that enables trainees to better apply their new skills and gain more ownership in their workplace. ✓ Regular training needs assessment based on market demands. ✓ Improving public-private partnerships between training schools and enterprises. ✓ Updating curricula based on market demands. ✓ Testing of innovative salary structures, study and analysis of these measures and their impact showing current and desired productivity, performance measurement, and cost / benefit and quality statistics. ✓ Capacity building through internal and external training for management staff. ✓ Implementing attractive payment schemes for key management personnel in export-focused enterprises.
Market access and barriers to the export process	▪ Insufficient and unreliable market data. Market data and customer segments are not sufficiently known in the various targeted EU countries, resulting in unclear marketing, product and customer communication strategies. ▪ Reactive segmentation and positioning in markets, utilizing current links or connections. ▪ Most Kosovar textile enterprises do not have appropriately specialized staff for the development or maintenance of	✓ Develop training and support exporting enterprises to build their market research capacity and transfer it to marketing strategies and improve segmented competitive advantages. ✓ Aligning market demands with the curricula offered, as well as strengthening the capacity of existing service providers. ✓ Conducting regular sector talks with representatives of all actors involved in the Value Chain, in order to improve links, restructure costs and save the supply / logistics chain and other issues that can improve the current situation. ✓ Inclusion of new media and communication

	enterprise's web services and marketing of new media. Also, they do not make enough use of the new communication and sales channels. ▪ Due to poor market analysis and research, its potentials remain unexploited.	training courses in the VET structure for industrial application. ✓ Strengthen social media presence for marketing purposes, and develop communication. ✓ Implement a systematic export marketing strategy, starting with market segmentation, followed by market targeting/differentiation and market positioning, followed by a marketing mix tailored specifically to each customer segment or defined market.
Business operations	▪ Poor investment allocation - Investments in Product Research and Development are insufficient, especially when it comes to expanding exports to new markets. Also low investment in genuine marketing, communication and sales strategies. ▪ Small enterprise capacity to meet larger export orders. Due to the small size of the largest number of Kosovar enterprises, the size of export orders is limited. ▪ Lack of strategic business planning - most companies operate without a business plan, including marketing and export plan. Enterprises do not have a clear vision and objectives and often operate on a reactive basis. ▪ Innovation management and prioritization of innovation measures are not sufficiently developed in all sectors. Enterprises often do not distinguish between different product and process innovation potentials.	✓ Capacity building through enterprise training on investment planning and investment strategies, which are integrated into business planning. ✓ Capacity building through internal and external training or consulting involving export, basic marketing mix and marketing budgeting. ✓ Providing training for enterprises in the development of strategic documents, drafting business plans using modern techniques. ✓ Building the capacities of associations to provide services that help enterprises integrate and be able to meet larger export orders, thus opening up opportunities with alternative customer segments. ✓ Establishment of greater and better cooperation between enterprises and subcontractors through regular meetings between the Value Chain operators of these sectors (creation of clusters) ✓ Initiation of innovative practices in the textile, apparel and leather sectors, through the organization of tables that would push this agenda. Assess the current situation, analyse trends and orient the sectors and how local enterprises should approach and benefit.
Lack of supply of raw materials:	▪ The entire manufacturing process of enterprises of these sectors is dependent on the import of raw materials and materials needed for manufacturing. As a result, there are often delays, and this fact suspends the production activity of the enterprise as a whole in the absence of raw materials and materials needed for	✓ The stronger their cooperation, the enterprises will be able to place bigger orders, and at the same time receive offers with more favourable prices. Promoting links helps to better integrate the Raw Material Value Chain.

	manufacturing. ▪ In many cases, local enterprises see each other as key competitors rather than potential partners for improving export opportunities.	
Value Chain Support Services	▪ Lack of funding for export development, link building (through fairs), image promotion, and innovation. ▪ Limited access to finance. ▪ Lack of free training from adequate centers, oriented to market demands and not from predetermined projects or on the spot. ▪ Limited support from relevant institutional export representatives. ▪ Neglect of small producers, as the focus is on large enterprises.	✓ Develop common concepts of private sectors and service providers that can improve access to finance. ✓ Development of awareness campaigns for the successes achieved by women in this sector, as well as awareness of their support in business. ✓ Providing institutional support to associations in these sectors that would contribute to improving the membership model, increasing business services for members, etc. ✓ Strengthen associations of the textile, clothing and leather sectors to increase its capacity to support enterprises for export.
Lack of industrial zones in some municipalities of Kosovo.	▪ One of the challenges identified by this study is the lack of industrial zones in some municipalities of the Republic of Kosovo in order to create adequate physical infrastructure. ▪ Considering the benefits that the industrial zone brings, including providing the necessary space for manufacturing, the most affordable rental value, and the provision of electricity because for many enterprises its absence is considered as a constraint which affects the overall manufacturing process.	✓ The construction of industrial zones in all municipalities of the Republic of Kosovo will provide more favourable conditions for conducting business activities, not only for these sectors. ✓ Identification of Municipalities with the greatest potential in this sector and not only, for the construction of these zones. ✓ Development of closer cooperation with relevant local and central institutions for the realization and provision of the business environment. ✓ Involvement of small enterprises in the activities of the sectors, as well as their empowerment through the exchange of different experiences, ideas and obstacles. ✓ In these industrial zones to establish training centers and provide the necessary services for enterprises that use these spaces.
COVID-19 pandemic.	▪ The pandemic situation is also considered as a constraint on enterprises in these sectors. As a result of the deteriorating situation with the COVID-19 pandemic the previous year was generally less profitable. ▪ In addition to less profitable, this situation has caused panic and affected the efficiency of workers.	✓ Providing institutional support to enterprises in these sectors. ✓ Adapting business strategies, and doing business alongside current trends affected by the COVID-19 pandemic. ✓ Capacity building through training and consulting on online sales forms. ✓ Capacity building through training and consulting on online communication forms.

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