

Policy Paper: —————>

PRINCIPLES OF GREEN RECOVERY FOR KOSOVO – LESSONS LEARNED FROM PREVIOUS RECOVERY PACKAGES AND THE ROAD TO SUSTAINABLE RECOVERY



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The Institute for Development Policy (INDEP) will, under its Recovery4Sustainability project, engage in monitoring the implementation of the Economic Revival Package. At the same time, it will strive to inform citizens about the benefits of this package, in addition to analyzing the goals and expectations of the measures included in the Economic Revival Package. This project is supported by the Balkan Trust for Democracy, a project of the German Marshall Fund of the United States and the United States Agency for International Development (USAID).

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Introduction

The harm caused by the COVID-19 pandemic remains present in our country. Such harm manifested in social, health, and economic aspects are affecting further development, not only in Kosovo but also globally. The harms have had a negative impact on many economic chain processes which affect the development of a country and have also affected and afflicted many people linked in this chain.

Attempting to overcome the pandemic crisis through economic recovery packages has facilitated and accelerated the recovery process, but such packages have failed to completely erase the harm and hardships for the citizens of Kosovo. The Economic Revival Package is the fourth such package adopted by the Government of Kosovo to help the citizens of our country.¹ The inclusion of many sectors in this package does not imply problem solving and consequently does not ensure a sustainable recovery for the future.

Overall, Kosovo's economy has been hit hard by the pandemic. Job losses, endangerment of workers, disruption of economic activities, and lockdowns due to measures to prevent the spread of the COVID-19 pandemic are some of the causes for the Gross Domestic Product (GDP) to be affected and to suffer harm.² All things considered, the long-term and sustainable solution, and at the same time one that offers an option of recovery from the pandemic, is to mainstream green policies. Despite initial hopes that Kosovo's economy will bounce back more quickly from the coronavirus-induced lockdown, it is now be-

coming clear that any recovery will be much more sluggish. However, not all is doom and gloom. The current situation provides the Government of Kosovo a unique opportunity to revitalize Kosovo's economy in a way that prioritizes solutions that introduce low-carbon, environmentally friendly policies addressing climate change. But based on the previous packages and the current package being implemented already, such an opportunity is not being leveraged by the Government of Kosovo.

Previous packages and the current package of the Government of Kosovo, aiming to address and solve the problems caused by the COVID-19 pandemic, are not focused on providing for green economic recovery. Green recovery would focus on policies and solutions addressing climate problems and economic and social injustice. By adopting green economy policies, countries like Kosovo can pave the way for economic recovery and sustainable jobs based on environmentally sound business models.

The Economic Revival Package did not provide any green recovery pre-determined criteria either. There were no pandemic cost-reflective criteria, nor criteria for energy system transformation and environmental improvement. Such criteria could be used to boost the effectiveness and impact of the revitalization package but also to leverage the respective momentum to help energy transition and decarbonization.

¹ Ministry of Finance, Labor and Transfers, Economic Revival Package, accessible at <https://mf.rks-gov.net/desk/inc/media/379199A4-66AC-4095-BF61-F1184FF5169C.pdf>, (accessed January, 2022)

² Kosovo Agency of Statistics, Gross Domestic Product by expenditure and production approach, Q3 2020, accessible at <https://ask.rks-gov.net/en/kosovo-agency-of-statistics/add-news/gross-domestic-product-by-expenditure-and-production-approach-q3-2020>, (accessed January 2020)

Electricity generated from renewable sources is the inevitable and proper future of the energy sector across the globe. Renewable energy is the inevitable choice for sustainable economic growth, for harmonious coexistence between human and nature, as well as for sustainable development. The Economic Revival Package, with an integrated price tag of EUR 420 million, allocates EUR 100 million under Measure 5 - Investment in Infrastructure and Environment. Certainly, most of the measures in this package focus on health care and financial support to businesses and enhancement of social assistance schemes for the citizens most affected by the pandemic. But this package has also left room for investment in the green energy sector. It should be noted that this measure is still pending implementation and consequently has not yet produced any effect on Kosovo's energy sector.

The subject matter of this paper is green recovery. Challenges, opportunities, benefits, and problems are some of the points of focus for the paper. By elaborating on the goals, expectations, and possibilities of green recovery, we aim to draw concrete conclusions on the quality and importance of this form of recovery. Additionally, by leveraging lessons learned, we aim to provide recommendations that could serve to design new packages that are more applicable, efficient, and green policy centric.

Methodology

This paper was produced using a mixed, quantitative, and qualitative methodology. Where quantitative research was used, INDEP employed the method of monitoring and desk research to collect data and information about the implementation steps of the Economic Revival Package. Starting with desk research, this method contributed to the collection of data on a global scale, but also of background information in terms of Kosovo's pandemic recovery. This process led to the identification of challenges, problems, and opportunities for policy advancement, which could pave the way for achieving energy transformation, recovering from the pandemic, and creating sustainable growth in the future. A literature review provides evidence and case studies of other states that have succeeded in achieving green recovery.

In addition, for this paper to be as thorough as possible, INDEP completed the range of quantitative information through qualitative research. Namely, the methods employed for producing this paper are case studies, data collection, and reporting of INDEP research. Case studies of countries that have used financial packages and green recovery policies focus on Germany, Norway, Luxembourg, and the European Union.

The paper was produced under the monitoring process of the Economic Revival Package. It aims to provide solutions and policy options to overcome the crisis and the difficulties caused by the COVID-19 pandemic, to achieve further economic growth and job creation, to assist with the energy transition, and to enable a positive environmental impact for current and future generations. By monitoring the implementation of the package and collecting data under the package, INDEP aims to keep the citizens informed, increase the level of transparency, and also increase the level of accountability.

1. 'Wrong' Recovery and Lack of Principles in Designing Measures



The COVID-19 pandemic is one of the toughest global challenges in recent decades. Health endangerment, job endangerment, a severe blow to the economy, and other hardships affecting every country, were some of the major problems that came along with the pandemic. These issues brought about consequences that require a long time to address and return to the normality that prevailed in the pre-pandemic world. Therefore, the cost of the pandemic, although not yet accurately established in any area of life, has severely affected, and harmed every country, especially underdeveloped and developing countries such as Kosovo.

It is still early to unfold what may come in terms of final economic balance, the number of deaths, and social welfare aspects. To address such problems, the Government of Kosovo designed, adopted, and implemented several assistance packages. Since the confirmation of the first cases of COVID-19 in our country, there have been four stimulus packages designed and introduced with the intention to address the principal problems of Kosovan households.³ These packages started with the Emergency Fiscal Package leading to the currently applicable Economic Revival Package, which is the largest in terms of the amount of allocated funds.

The stimulus packages implemented in our country were intended to address and solve the problems presented by the pandemic outbreak to date most advantageously. But other than that, the previous packages and also the current package have one thing in common, which is covering only some of the links affected by the pandemic, failing to provide for green and sustainable advancement and recovery for the future. This is due to the lack of principles in designing measures that would help create new jobs, affect energy transition, and support sustainable development.

From an economic point of view, first of all, recovery stimulus packages should focus on restoring production and employment to sustainable and long-term levels. Closing the Production Gap and creating jobs to reduce unemployment should be among the chief goals of the Government of Kosovo. Although some have misused the analogy, overcoming pandemic crises is not an attempt at post-conflict reconstruction. Physical capital has not been destroyed and the priority now is to set in motion again the economic advancement of the state. Lifting public health restrictions, allowing firms to operate, workers to return to their jobs, and motivating consumers to buy again, are major short-term challenges.

This approach used by the Government of Kosovo through its adopted packages is an attempt to overcome current problems and not a long-term strategy. Such problems require solutions

³ INDEP, Recovery through Loans – Expectations and Achievements of the Second Measure of the Recovery Package, accessible at <https://indep.info/en/recovery-through-loans-the-expectations-and-achievements-of-the-second-measure-of-the-recovery-package/>, (accessed January, 2022)

that will cover even larger links and problems that are not unique to the COVID-19 pandemic. Such an approach to achieving recovery is wrong and consequently unstable in the long run. Therefore, the main focus should be on energy transition, job creation, and achieving sustainable development, to such an extent that the pandemic is overcome by ensuring long-term recovery for other eventual crises in the future.

But a response from the Government of Kosovo through packages focusing on current problem issues only, is certainly shortsighted. COVID-19 pandemic recovery packages should include some structured goals that are better constructed by taking into account the pre-pandemic state of affairs. One aspect is to promote a more sustainable recovery by ensuring that, for example, electricity sources will focus on environmentally friendly sources. More broadly, some of the key parts and the basis of stimulus package design should focus on greener, nature-based recovery and conservation, i.e., less carbon-intensive and more caring about current and future climate change.

Poverty eradication and reducing inequalities is one of the key principles, and it was one even before the pandemic. Such goals are significantly supported by creating jobs that have a future perspective. Energy transition, i.e., the transition from fossil fuels to renewable energy sources is a long-term process, requiring an additional workforce to achieve its goals. As an inevitable process and of high importance for our country, both the previous packages and the Economic Revival Package should have incorporated such a principle, namely the Principle of Green Recovery.

Starting from Emergency Fiscal Package,⁴ as the first package to address the problems and intended to overcome the COVID-19 pandemic crisis, it is noted that the package targeted short-term problems only. The measures of this package indicate the purpose of addressing financial problems over several months. Such an approach to recovery is wrong as the solution to pandemic recovery must provide for new jobs, new policies for attracting foreign investors to our country, and transition from harmful energy to clean, green, and sustainable energy.

⁴ Ministry of Finance and Transfers, Emergency Fiscal Package, accessible at <https://mf.rks.gov.net/desk/inc/media/8810F09D-B3C7-4E09-9BD1-0E2B0B2AF5CB.pdf>, (accessed in January 2022)

Emergency Fiscal Measure Package (EUR 165 million)

Benefit

Measure 1

Double payment of the social assistance scheme to all beneficiaries of social assistance schemes

Measure 2

Payment of an additional sum of EUR 30 per month to all beneficiaries of social assistance and pension schemes

Measure 3

Covering of expenditures for the monthly salaries of employees (and the self-employed for individual businesses) in the amount of EUR 170 per employee

Rent subsidy up to fifty percent (50%) of the rent value for small and medium enterprises

Measure 4

Provision of interest-free loans to public enterprises facing financial difficulties due to the public health emergency situation, aiming to ensure their temporary liquidity

Measure 5

Provision of additional financial support to Municipalities of the Republic of Kosovo

Measure 6

Provision of a salary top-up in the amount of EUR 300 for field workers directly exposed to the risk of infection in their work

Measure 7

Additional payment in the amount of EUR 100

Measure 8

Payment in the amount of EUR 130

Measure 9

Financial support to initiatives and projects

<p>Measure 10</p>	<p>For micro-enterprises and the self-employed, provision of financial liquidity (loan) guarantee through certain programs of the Kosovo Credit Guarantee Fund (KCGF) in the amount of EUR 10,000 for a period of 24 months.</p> <p>For Business Organizations/Companies authorized to provide basic services similar to those of Public Enterprises, provision of guarantee through KCGF up to 50% of the loan amount, with additional coverage from the Government of Kosovo up to 30% of the loan amount on top of the KCGF guarantee.</p>
<p>Measure 11</p>	<p>Increase of budget for grants and subsidies to the Ministry of Agriculture, Forestry and Rural Development to increase agricultural production</p>
<p>Measure 12</p>	<p>Increase of budget for grants and subsidies to the Ministry of Culture, Youth and Sports to avoid the situation created by the public health emergency in sports and cultural activities</p>
<p>Measure 13</p>	<p>Support to exporters in the Republic of Kosovo after the public health emergency situation ends</p>
<p>Measure 14</p>	<p>Financial support of EUR 130 per registered employee for the following two months after registration</p>
<p>Measure 15</p>	<p>Payment of monthly assistance in the amount of one EUR 130 per household</p>

The Government of Kosovo also adopted the Economic Recovery Program.⁵ There were EUR 222,400,000.00 allocated under this package. The measures included in this package were intended to not only overcome the pandemic crisis and hardships, but also to create new jobs. However, the change in government, public health problems, and other difficulties caused by the pandemic were not conducive to the advancement and implementation of this program. But as was the case with the previous package, the current package notably lacks a recovery approach skewed in favor of a green future.

⁵ Prime Minister's Office, accessible at <https://kryeministri.rks-gov.net/?s=programi+i+rimekembjes>, (accessed in January 2022)

Economic Recovery Program (EUR 222.4 million)

Benefit

Measure 1	Subsidy for active businesses and the “self-employed”
Measure 2	Support to the education sector to enable the implementation of the teaching process
Measure 3	Financial support for youth employment, support to civil society organizations, other informal groups, incentives to cultural, artistic, sports activities, and their revitalization
Measure 4	Financial support for projects and initiatives intended to improve women’s social and economic status
Masa 5	Purchase of vaccines and pandemic management material
Masa 6	Provision of a salary top-up for the sectors that have the principal responsibility in pandemic management, for field workers of such sectors directly exposed to the risk of COVID-19
Masa 7	Funds for the Ministry of Agriculture, Forestry and Rural Development
Masa 8	Subsidizing exports for local producers Subsidizing milk and dairy product stocks Subsidizing sectors affected by the disruption of activities
Masa 9	Mbështetje për komunat e Kosovës për menaxhimin e pandemisë COVID-19
Masa 10	Rritje të kapitalit për Fondin Kosovar për Garanci Kreditore Mbulimi i kostos së tarifës së Fondit Kosovar për Garanci Kreditore
Masa 11	Mbështetje për Ndërmarrjet Publike
Masa 12	Mbështetje për realizimin e projektit “Për ambientin dhe gjelbërimin e tokës”

Measure 13	Support to the Ministry of Economy and Environment for the Entrepreneurship sub-program
Measure 14	Support to subsidizing the Renewable Energy Sources fee
Measure 15	Support to existing and new regional development programs
Measure 16	Support to pension schemes Support to social assistance schemes Support to people who have lost their jobs as a result of the COVID-19 pandemic

Even the Economic Revival Package, i.e., the current stimulus package for overcoming the COVID-19 crisis, does not focus on ensuring sustainable and long-term recovery. The total amount allocated under this package is EUR 420 million, distributed in five principal measures. Although this package includes EUR 100 million for investments in infrastructure and environment, providing for investments in efficiency and electricity, this measure is still pending implementation and consequently, there is no green recovery prospect.

Economic Revival Package (EUR 420 million)

Benefit

Measure 1	Support to Employment
Measure 2	Support to Economy and Production by subsidizing investment loans, access to finance, support to exports, investment in IT and innovation
Measure 3	Support to households that have lost their head of household due to COVID-19, support for households on social assistance and pensioners, social assistance scheme reform, support to unemployed new mothers
Measure 4	Support to Health, Education, Culture and Sports, Safety, Diaspora, Public Enterprises
Measure 5	Investment in Infrastructure and Environment

Measure 1, designated Support to Employment, comprises seven sub-measures. These sub-measures are intended to secure new jobs, return to work of those who have lost their jobs, introduce a grant scheme for crafts, and support other areas. But this measure does not provide for the creation of new jobs which would focus on electricity generation projects from renewable energy sources. Other research, coupled with the experiences of other countries and their practices, has shown that electricity generation projects from renewable sources provide new, sustainable, and long-term jobs. Designs of past and current stimulus packages of the Government of Kosovo have overlooked the principle of green recovery, which could lead to faster crisis resolution, more sustainable, environmentally friendly recovery in the long run, in terms of job security.

In other words, given the magnitude of the economic contraction and its expected duration, the Government of Kosovo should have clear guidelines on how to prioritize its expenditures and interventions to overcome the COVID-19 pandemic. In some cases, like green recovery and need to reduce inequality, a long-term perspective is required. Measures such as, inter alia, subsidies or cash support for certain categories, loan guarantees, tax cuts to avoid bankruptcies, and wage subsidies are short-term interventions to overcome some current problems. The Government should aim to strike a balance, by introducing targeted interventions that combine social and environmental impacts with short-term outputs and employment generation over the longer term.

2. Principles of Green Recovery – Lessons Learned from Other Countries



The pandemic will certainly leave its mark even after its end. Health, economic, and developmental consequences are still being observed. But this state of affairs will take time to return to normalcy. The stimulus packages that have been implemented to date are a driving force towards recovery, but such packages are not enough to create sustainable development. Also, their impact cannot ensure that recovery will be successful in terms of economic development and sustainability in many spheres of life.

In addition to institutional capability, which limits what governments can actually do, there are fiscal, green, and other policies that are applicable and impose restrictions in relation to stimulus packages. Such restrictions can be problematic in terms of the impact of packages on citizens and businesses. Considering these constraints, the transition from disaster management or mitigation to long-term economic recovery entails a shift in government approach.

Sustainable recovery requires policy intervention in many development areas, not just fiscal stimulus to temporarily overcome crises and hardships. Recovery policies and responses must be comprehensive in terms of inclusion, economic development, job creation, and many other areas. Accordingly, recovery packages should be based on the principle of productive development. Productive development policies can be broadly defined as policies that aim to strengthen the productive structure of any given national economy, through job creation, economic development, strengthening stability, and achieving long-term sustainability.

One of the key aspects to consider in COVID-19 pandemic recovery packages is the long-term economic and physical improvement of climate change and the ongoing commitment to achieving the lowest possible carbon emissions.⁶ According to reports and measurements, during the pandemic and lockdowns as a measure to prevent further spread of the pandemic, daily global GHG emissions decreased by 17% in April 2020, compared to the same period in 2019.⁷ These figures show the magnitude of the impact of daily activities in relation to global environmental issues. And with the resumption of economic activities and the gradual return to normalcy, GHG emissions may even exceed previously recorded rates.

The need to adopt low carbon policies and recovery approaches that are in (positive) step with climate impacts is essential. If green projects are funded and pushed forward through packages, then we can achieve double wins, by achieving economic recovery and overcoming the challenges of the COVID-19 pandemic, and on the other hand, achieving the goals of low GHG emissions. The promotion of energy transition, including new electricity gen-

⁶IAP, Global Green Recovery After COVID-19: Using scientific advice to ensure social equity, planetary and human health, and economic benefits, accessible at https://www.scj.go.jp/ja/int/other/pdf/iap_communique_2020-1.pdf, (accessed in January 2022)

⁷Temporary reduction in daily global CO2 emissions during the COVID-19 forced confinement, accessible at <https://www.nature.com/articles/s41558-020-0797-x>, (accessed in January 2022)

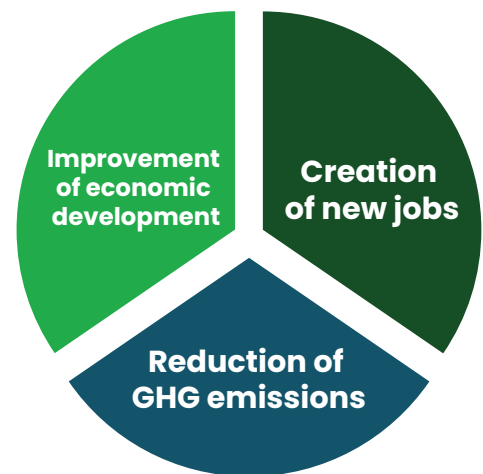
eration projects from renewable sources, would create new jobs opportunities, would help reduce GHG emissions, and also help recovery, which in turn would be green and efficient.

The European Union has already adopted a recovery plan aiming to recover from the COVID-19 pandemic and protect the environment.⁸ The amount earmarked for this plan is EUR 750 billion. This plan provides for economic recovery in wake of harm caused by the pandemic. According to the plan, the biggest beneficiaries would be large coal-based electricity-producing countries, such as Poland, Germany, and Romania. Such plans aim to create better living conditions, while protecting the environment and helping the economy at the same time.

Accordingly, policymakers

have decided that the best solution for recovery should be based on green policy approaches. This should also accelerate the energy transition and create opportunities for new jobs, as a form of overcoming the pandemic crisis. In practice, this has meant setting a 37% minimum target for spending on climate objectives under the Recovery and Resilience Facility (RRF).⁹ Green recovery packages are on track with, inter alia, the European Green Deal. This idea for such packages has multidimensional effects, chief among them:

- Improvement of economic development
- Creation of new jobs
- Reduction of GHG emissions



2.1. Principle of Consumption Reduction and Cost Optimization

With technological advancements, growing population, and increased demands of humankind, comes the growing demand for greater quantities of electricity. Due to unnecessary waste of electricity in residential buildings, but also in workplaces and by technological equipment, it has been observed that the demand for energy optimization and user comfort of this resource is of great importance. Therefore, techniques for reducing consumption and optimizing spending aim to maintain the balance between the lowest possible use of electricity, but at the same time maintaining user comfort.

⁸ EU pledges coronavirus recovery plan will not harm climate goals, accessible at <https://www.theguardian.com/environment/2020/may/28/eu-pledges-coronavirus-recovery-plan-will-not-harm-climate-goals>, (accessed in January 2022)

⁹ A breakdown of EU countries' post-pandemic green spending plans, accessible at <https://www.bruegel.org/2021/07/a-breakdown-of-eu-countries-post-pandemic-green-spending-plans/>, (accessed in January 2022)

Reduction of consumption and optimization of spending directly affects the preservation of the environment. This is because, with lower consumption, GHG emissions from the generation of electricity by burning fossil fuels are reduced. Therefore, reducing the use of electricity directly affects the reduction of harmful environmental impact and also helps vital processes, such as decarbonization.

The European Union has set targets in terms of reducing consumption and optimizing spending for 2030. For 2030 the binding target is at least a 32.5% reduction. This translates into primary energy consumption of no more than 1,273 Mtoe and final energy consumption of no more than 956 Mtoe in 2030.¹⁰ But reductions in consumption must be based on every vital activity, not just in terms of electricity consumption.

Using as little material as possible to achieve a product should be a guiding principle in every area of life. Accordingly, to achieve the same product, increasing efficiency in the production of that item would introduce a reduction chain cycle in other subsequent processes. Conservation of resources for use by current and future generations is one of the basic principles of sustainable development.

2.2. Principle of Infrastructure Transformation

Kosovo is a country with poor characteristics in terms of energy efficiency. The construction sector does not pay much attention to efficiency measures and equipment, which would reduce excessive costs and at the same time prevent harm to the environment. The transformation of infrastructure in the construction sector would create better conditions, improve comfort, and reduce the level of environmental pollution.

The principle of infrastructure transformation is based on the use of efficient equipment which performs the same job with a reduced amount of electricity. Wall insulation, roof insulation, floor insulation, window replacement, and the use of efficient household appliances are some of the infrastructure transformation actions that reduce excessive electricity spending. These actions bring benefits that are in the best interest of their users but also of the environment. Such benefits include:

- Reduction of GHG emissions
- Improved quality of life
- Reduction of environmental impact
- Money savings

Digitalization is an important element of infrastructure transformation.¹¹ This is because digitalization provides for the transformation of processes through technological devices which

¹⁰ Eurostat, Energy Efficiency Statistics, accessible at https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Energy_saving_statistics&oldid=327342#cite_note-1, (accessed in January 2022)

¹¹ European Council, Digitalisation for the benefit of the environment: Council approves conclusions, accessible at <https://www.consilium.europa.eu/en/press/press-releases/2020/12/17/digitalisation-for-the-benefit-of-the-environment-council-approves-conclusions/>, (accessed in January 2022)

consume less electricity to perform the same job. All this brings increased efficiency and reduced adverse environmental impact. Among other things, digitalization has an increased impact on the transportation and production sector,¹² where it provides better conditions and at the same time offers new business and service, delivery models.

2.3. Principle of Integration

The energy transition is the process of reducing greenhouse gas (GHG) emissions to ‘net zero.’ The energy transition requires reducing the use of fossil fuels in the power sector (that supplies electricity), in directly powered equipment (that uses excessive electricity), or in fossil fuel-powered vehicles.¹³ As a crucial process for the benefit of humanity and the environment, it is also quite a challenging process requiring a long-term commitment.

Kosovo’s recovery packages did not incorporate the process of energy transition and decarbonization. Consequently, the Government of Kosovo failed to follow the steps of other countries which leveraged recovery from the COVID-19 pandemic to promote and advance these processes. In addition to the environmental impact, the integration of these processes in the previous packages but also in the Economic Revival Package would help create room for new jobs, help Kosovan households overcome the pandemic, and pave the way for future development through processes related to environmental protection and the transformation of Kosovo’s energy sector.

The inclusion of energy transition and decarbonization in the COVID-19 pandemic stimulus packages would help bring Kosovo closer to the European integration process. This is because one of the principal priorities of the European Union is precisely energy transition and decarbonization.¹⁴ Therefore, green recovery would bring much greater benefits in addition to overcoming the current crisis, as such policies would ensure other objectives such as environmental protection, transformation of the energy system, approximation to European policies, and establishment of stability for a longer period of time.

¹² Oko-Institut, Impacts of the digital transformation on the environment and sustainability, accessible at https://ec.europa.eu/environment/enveco/resource_efficiency/pdf/studies/issue_paper_digital_transformation_20191220_final.pdf, (accessed in January 2022)

¹³ UCL, Decarbonising energy and the energy transition, accessible at <https://www.ucl.ac.uk/bartlett/news/2021/apr/decarbonising-energy-and-energy-transition>, (accessed in January 2022)

¹⁴ Florence School of Regulation, The European Union Energy Transition: Key priorities for the next five years, accessible at <https://fsr.eu.eu/publications/?handle=1814/63553>, (accessed in January 2022)

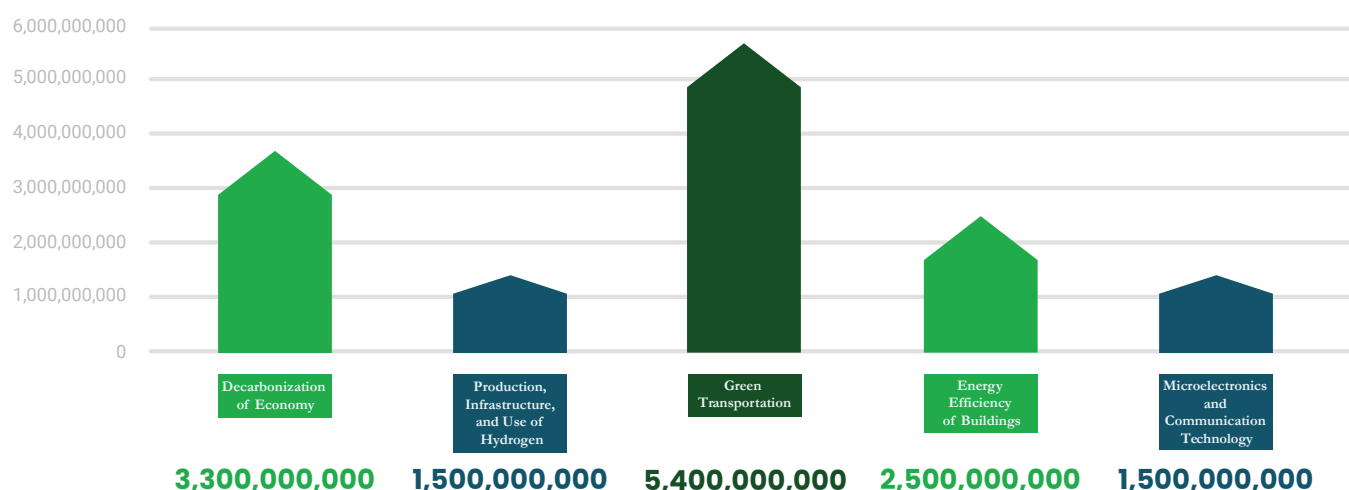
3. Comparative Study of the Cases of Germany, Norway, Luxembourg, and the European Union

Green recovery is key to ensuring a sustainable and resilient growth and development after COVID-19. Global examples show how climate change and other green themes can be central to COVID-19 responses so that countries can build back better.¹⁵ European countries such as Germany, Norway, Luxembourg, but also the European Union in general, have designed, adopted, and implemented COVID-19 recovery packages based on the principles of green policies.

Germany as one of the most economically developed countries in Europe has already adopted several COVID-19 recovery packages. These packages, as in other countries, are intended to advance recovery and overcome the pandemic crisis. The Recovery Plan adopted by the Council of the European Commission on July 13, 2021,¹⁶ is among the most ambitious packages introduced in Europe.

Under Germany’s recovery and resilience plan, at least 42% of the plan will support climate objectives and at least 52% of the plan will foster the digital transformation.¹⁷ Such allocations under a package aimed at overcoming the crisis are ambitious in terms of achieving the objectives of climate change, renewable resources, and further advancing the green agenda. Therefore, this package, in addition to these goals, will create new opportunities for new jobs.

Germany’s Recovery and Resilience Plan



¹⁵ ADB, Responses to Post-COVID-19 Green Recovery, accessible at <https://www.adb.org/sites/default/files/related/185636/responses-post-covid-19-green-recovery.pdf>, (accessed in January 2022)

¹⁶ European Commission, Germany’s recovery and resilience plan, accessible at https://ec.europa.eu/info/business-economy-euro/recovery-coronavirus/recovery-and-resilience-facility/germanys-recovery-and-resilience-plan_en, (accessed in January 2022)

¹⁷ Ibid.

Norway is another European country that has designed troubleshooting packages based on green policies. Norway is a country with exceptionally low levels of GHG emissions, as 98% of electricity production in this country is based on hydropower plants and wind farms.¹⁸ But this has not prevented it from integrating measures to increase electricity generation from renewable sources into the COVID-19 pandemic recovery package, as such an approach provides new jobs, long-term sustainability, and a cleaner future.

Norway has designed a EUR 3.6 billion crisis package to support green technology projects.¹⁹ Areas that should benefit from this package are:

- Hydrogen (production, infrastructure, use)
- Battery technologies
- Off-shore wind installations
- Low-emission shipping

Such a package boosts competition, helps reduce GHG emissions, creates new jobs, and helps Norwegian citizens and businesses to achieve faster and sustainable recovery from the COVID-19 pandemic crisis.

The Government of Luxembourg decided to design incentive packages based on green policies. Therefore, aiming to help the citizens, but at the same time to advance the process of decarbonization and energy transition, the Government of Luxembourg decided to provide support for energy efficiency and electric vehicles. Benefits range up to EUR 30,000 per home and EUR 8,000 per car.²⁰ Such subsidies improve the quality of life and introduce great prospects for a cleaner future.

The Next Generation EU recovery fund will provide EUR 500 billion in grants and EUR 250 billion in loans for the Member States.²¹ These funds are intended to aid the recovery process, and at the same time provide investments in energy transition and funding for coal-dependent states. So, in addition to the principle of recovery, the European Union is leveraging the opportunity of returning to normalcy by helping vital green processes, which are in the best interest of the environment and sustainable development.

¹⁸ Energy Facts Norway, Energy Production, accessible at <https://energifaktanorge.no/en/norsk-energiforsyning/kraftproduksjon/>, (accessed in January 2022)

¹⁹ Life in Norway, Norway Proposes NOK 3.6bn Green Investment Package, accessible at <https://www.lifeinnorway.net/norway-proposes-nok-3-6-billion-green-investment-package/>, (accessed in January 2022)

²⁰ RTL, Climate action: "It's now!" - green affordable housing in Luxembourg, accessible at <https://today.rtl.lu/news/luxembourg/a/1526282.html>, (accessed in January 2022)

²¹ ADB, Responses to Post-COVID-19 Green Recovery, accessible at <https://www.adb.org/sites/default/files/related/185636/responses-post-covid-19-green-recovery.pdf>, (accessed in January 2022)

Grants from the European Union are expected to be invested across several key areas. Such areas include:²²

- EUR 560 billion will be allocated for the green and digital transitions of national economies
- EUR 55 billion will be allocated to cover the socio-economic impacts of the crisis
- EUR 15 billion will be distributed to support the agriculture sector

The goal behind the allocation of above-mentioned funds is to achieve a better future, where the focus is on economic recovery and prioritization of a clean future.

The focus and direction of packages towards energy transition, decarbonization, and clean environment are clear roadmaps to be followed to achieve successful and sustainable recovery. Such practices, which are already showing success, should represent the basis to be considered by the Government of Kosovo. Future recovery packages should include for more recovery rather than rescue of the previous state of the economy. It is of great importance to have a strong commitment of the Government of Kosovo to a reform agenda to move from a grey economy to a green economy.

²² European Commission, Europe's moment: Repair and prepare for the next generation, accessible at https://ec.europa.eu/commission/presscorner/detail/en/ip_20_940, (accessed in January 2022)

4. Framework of Green Recovery Policy Options



The Government of Kosovo must change the course of the Economic Revival Package, but also of those to follow later. It is time for Kosovo to redirect funding from investments in the transportation sector to investments in the health sector and commit seriously to enable the energy sector transition. Directing policies to these sectors and reconsidering opportunities for green recovery will ensure better access to recovery from the COVID-19 pandemic and provide opportunities for faster crisis resolution.

International Financial Institutions have helped support and secure funding for the implementation of many projects but also in overcoming the difficulties posed by the pandemic. Institutions such as the European Investment Bank, the Council of Europe Development Bank, and the World Bank²³ have provided and still provide funds and grants that help advance important economic, health, and other processes that contribute to sustainable development.

Some of the options for achieving green recovery are:

- Providing new jobs through the energy transition
- Strengthening conservation of biodiversity
- Transportation reform
- Enhancing energy efficiency measures
- Digitalization
- Market measures and market integration measures

The above policies are just some of the measures that the Government of Kosovo could have integrated into past packages and the Economic Revival Package, which would have provided better and more developmental approaches to recovery from the COVID-19 pandemic.

In response to the significant economic turmoil caused by the COVID-19 pandemic, the Government of Kosovo must provide a stimulus for economic growth in a sustainable, protective, and long-term manner. Accordingly, we will present some concrete measures which would contribute to the achievement of such goals.

²³ INDEP, The Recovery is Green: Leveraging Renewable Energy for the Private Sector, accessible at <https://indep.info/en/the-recovery-is-green-leveraging-energy-efficiency-for-the-private-sector/>, (accessed in January 2022)

Policy Option	Benefits
Generation of Electricity from Renewable Energy Sources	<ol style="list-style-type: none"> 1. Job creation 2. Energy transition and decarbonization 3. Growing investments 4. Approximation to European policy and integration into the European Union 5. Technological innovation
Energy Efficiency Measures	<ol style="list-style-type: none"> 1. Reduction of GHG emissions 2. Improved quality of life 3. Reduction of adverse environmental impact 4. Job creation 5. Improved household income 6. Promotion of regional development 7. Acceleration of benefits of carbon reduction and reduction of energy demand
Transportation Reform	<ol style="list-style-type: none"> 1. Reduction of GHG emissions 2. Digitalization of transportation 3. Decarbonization

4.1. Energy Efficiency Measures

Energy efficiency means using as little electricity as possible to do the same job. Through this process, we reduce bills and pollution. Many households and businesses use more electricity than necessary. Such practices should change, and additional measures should be introduced in terms of reducing the excess amount of electricity we use.

Knowing that energy efficiency would contribute to achieving green recovery, the Government of Kosovo should apply measures and policies that could serve this purpose. Some of the measures or policies that would further establish energy efficiency in Kosovo are:

- Appliance Standards
- Construction Regulations
- CO₂ Tax
- Training and Education

Such measures would help achieve clearer understanding, application, and reduction of unnecessary electricity spending.

Appliance Standards

The Government of Kosovo has the opportunity to use stimulus packages to incorporate measures to subsidize certain efficient appliances that are used in Kosovan households. Such measures are in line with efforts for green recovery and are in compliance with EU Directives. The introduction of such policies by the Government helps the citizens, the environment, and the decarbonization process.

Construction Regulations

Energy efficiency measures should be introduced for both new and existing buildings. By establishing rules that clearly define efficiency targets for buildings and by enforcing them, we contribute to a future that is cleaner and more sustainable. Although the Republic of Kosovo has enacted Law No. 04/L-110 on Construction, this law is not strictly enforced. This is because the law states that energy efficiency measures must be met for issuing an Occupancy Certificate for the building, and this has not been observed for some time now.

CO₂ Tax

CO₂ Tax is applied based on the principle that the polluter pays, forcing producers and consumers to pay taxes for every ton of CO₂ emissions. The tax has the effect of reducing the environmental impact and penalizing major polluters. The application of such a policy would help increase the level of energy efficiency, transform production, and further incorporate renewable energy sources in our country.

The Government of Kosovo has stalled in the application of measures that would promote economic growth while at the same time contributing to the energy transition and decarbonization. There is a good deal of measures that the Government of Kosovo could apply, achieving benefits in both of the above areas. Some of the measures that could be taken by the Government of Kosovo, which is close to energy efficiency measures are:

- Green loan subsidies
- Subsidizing half of the amount spent on improving energy efficiency (wall insulation, roof insulation, floor insulation, replacement of windows and doors, replacement of household appliances)
- Electric car subsidies
- Construction of power generation plants that use renewable sources

4.2. Transforming Power Generation Through Recovery

The construction of power generation plants that use renewable sources is one of the key points which should have been incorporated in the previous packages but also in the Economic Revival Package. Knowing that Kosovo is a country where electricity production is

coal-based, efforts to bounce back from the COVID-19 pandemic should have been leveraged as opportunities to transform power generation. This would boost recovery with the creation of new jobs and new opportunities for foreign investment, and on the other hand, provide economic recovery from the pandemic.

If governments limit global warming to 1.5 degrees Celsius above preindustrial levels, the renewable energy sector could grow to 38 million jobs by 2030 and 43 million by 2050.²⁴ Considering Kosovo's potential for electricity generation from solar and wind sources, then the potential for further economic development is high. Such opportunities should have been incorporated in the recovery packages adopted by the Government of Kosovo.

Kosovo's main source of energy is lignite coal. 86.49% of the total operating capacity of electricity is generated from this source, while the rest is from hydropower plants, wind farms, and solar power plants.²⁵ The main lignite basins are: Kosovo Basin, Dukagjini Basin, and Drenica Basin. The pollution caused to the environment by burning lignite coal is exceptional and extremely harmful to all living organisms. In recent years we have seen the introduction of renewable energy sources in our energy market, but the targets have not been reached yet.

Therefore, aiming at European integration, national development, job creation, and energy transition, Kosovo will necessarily have to transform the current energy sector. Transformation into green energy is the future, and it is inevitable. Therefore, we encourage the Government of Kosovo to consider green recovery options, for an easier confrontation with the pandemic crisis and the long-term development of the country.

4.3. Market Measures and Market Integration Measures

The market represents the union of electricity interconnectors and the subsequent trading of energy through them.²⁶ Creating a common energy market is favorable for both countries. This is because it ensures safer energy flows, easier capacity allocation, faster and cheaper trading, and provides more affordable consumer prices. Therefore, Kosovo and Albania should aim to create a common market that provides better supply and security for both countries.

Some of the measures that should have been incorporated in the recovery packages, which are aligned with the energy market are:

- Investments in the energy grid
- Organizing Renewable Energy Auctions

²⁴ Reuters, Renewable energy jobs grew globally in 2020 despite COVID-19 crisis, accessible at <https://www.reuters.com/business/cop/renewable-energy-jobs-grew-globally-2020-despite-covid-19-crisis-2021-10-21/>, (accessed in January 2022)

²⁵ Energy Regulatory Office, Annual Report 2020, accessible at https://www.ero-ks.org/zrre/sites/default/files/Publikimet/Raportet%20Vjetor/Raportet%20vjetor%202020_ZRRE_shqip.pdf, (accessed in January 2022)

²⁶ INDEP, Kosovo-Albania Energy Union: Challenges and Opportunities, accessible at <https://indep.info/bashkimi-energetik-kosove-shqiperi-sfidat-dhe-mundesite-per-te-ardhmen/>, (accessed in January 2022)

By incorporating such measures, previous packages and the current package would contribute to, inter alia, the acceleration of the process of creating a union with Albania in terms of energy.

The common market would target a variety of products, leading to competition and options for the consumer to choose the one that best suits their interests. Competition brings greater transparency, choice options, better market operation, and security of supply. By further integrating renewable energy sources, more diversity and more options for consumers would be introduced. Consequently, the package would improve the current situation in the energy sector and bring other benefits for consumers down the road.

Conclusions

- The COVID-19 pandemic has caused significant harm in Kosovo. Stimulus package design, past and present, did not employ the right approach. This is because the main goal has been to overcome the current crisis and not to create long term stability and economic growth. Such an approach is wrong and consequently inefficient in helping the citizens of Kosovo.
- Green recovery has not been entertained in establishing the basis of recovery efforts in Kosovo. Measures related to the introduction of new sources of electricity generation through renewable energy sources have been missing and are missing in the Economic Revival Package, too. The chain of creating such resources is related to several quite important factors, such as the creation of new jobs, overcoming the crisis, economic development, and advancing the process of the energy transition. The Government of Kosovo needs to ensure a serious shift towards a green and sustainable future by designing and planning enhanced Economic Packages, including green incentive mechanisms.
- The Government of Kosovo has failed to follow the examples of stimulus packages deployed around the world. The examples of Germany, Norway, Luxembourg, and the European Union are the main reference point of how green recovery is proper recovery. The Government of Kosovo must make a serious commitment to green recovery and allocate funds for this type of recovery, facilitating more private sector investment in renewable energy, especially in solar photovoltaic (PV) systems for both households and businesses. Such policy will allow Kosovo, in accordance with EU policies and regulations, to enable both sustainable development and a socially and environmentally friendly future for the country.
- European countries are succeeding in overcoming the crisis caused by the COVID-19 pandemic through green support-based packages. Energy efficiency subsidies, electric cars subsidies, and other support in terms of green policies, bring many benefits for the future. Accordingly, looking into the policies of other countries and their success rate, Kosovo should have taken into account their methodology in designing its past stimulus packages.

- The Government of Kosovo is not taking measures to transform the energy sector. The possibility of recovery from the COVID-19 pandemic through green recovery is both adequate and profitable. In addition to diversifying and enhancing energy sources, it would be achieving cleaner economic development with greater prospects than we are seeing now. This paper has highlighted examples for the Government of Kosovo to follow and leverage to design its subsequent stimulus packages, which should certainly focus on green recovery and not on policies to merely overcome the current economic crisis.

Recommendations

1. The Government of Kosovo should design stimulus packages that incorporate green policy approaches. The Government should prioritize support for increasing the number of electricity generators from renewable sources. Such projects should ensure new jobs, diversification of generation, environmental protection, and energy transition. Incentives in future packages should be profitable for the country but also for investors, to accelerate recovery and achieve the objectives set by European directives.
2. The Government of Kosovo should wave taxes applicable to equipment for electricity generation from renewable sources. Waving the Value Added Tax, which is 18% for such equipment, will be an incentive for investors in such new projects in Kosovo. Such policy shall facilitate the energy transition, create new jobs, and enable the acceleration of the decarbonization process.
3. The Government of Kosovo should allocate considerable funds for the construction of wind farms and photovoltaic power plants. The possibility of generating electricity from such sources is great, so the Government should focus its investments and funds on such projects. Providing new jobs, increasing electricity generation capacity, energy security, and energy transition are just some of the benefits of such projects.
4. Follow the examples of countries that have applied stimulus packages in line with green policy principles. Success stories of Germany, Norway, Luxembourg, and the European Union should contribute to designing proper, comprehensive, and developmental stimulus packages versus packages to merely overcome the COVID-19 pandemic crisis. The Government of Kosovo needs to take good practices, which have proven successful in other countries, to ensure that future packages will have a major impact in terms of national economic recovery.
5. Step up awareness campaigns focusing on solar prosumer technology and energy efficiency measures. There is a significant lack of awareness and information on the possibilities of renewable resources for prosumers in Kosovo. Accordingly, the Government of Kosovo must ensure that consumers are well informed about the rights and responsibilities of homeowners, as well as electricity savings for homeowners. A proper campaign would provide ample information for consumers who are reluctant to take the steps associated with these technologies.

6. The Government of Kosovo should start talks with institutions such as the European Investment Bank, the Council of Europe Development Bank, and the World Bank on securing green recovery loans. It is precisely these institutions that provide funds for investment in green projects. Therefore, engaging in negotiations before designing the package would ensure a well-structured and secure package in terms of its financing and implementation.
7. The Government of Kosovo should establish an electronic mechanism for monitoring the implementation of recovery package measures. This mechanism would serve as a platform for tracking progress, enhancing stakeholder communication, and policy planning based on the level of implementation towards goals. Additionally, such mechanism increases the level of transparency and accountability.
8. The Government should establish a joint group, consisting of representatives of various institutions, businesses, and civil society, tasked to design future packages. Inclusiveness in such processes means designing better, more profitable, and more successful stimulus packages in economic terms. Ideas and experiences are particularly important in overcoming the current crisis, so preparing to improve the future should be based on the opinions of all relevant stakeholders.
9. All subsequent packages should be subject to public hearings before adoption. Attending public hearings is open to all, so inclusiveness in shaping the packages dedicated to citizens is extremely important. Such a process provides greater confidence for successful stimulus package outcomes, greater involvement of sectors affected by the pandemic, and leads to an accelerated recovery process.
10. Measures of previous packages and those of the Economic Revival Package should be evaluated. Assessing the impact of implemented measures helps design the measures of future stimulus packages, so that there are no failures in lending support to citizens. Establishing standards for each measure through an evaluation process helps to overcome the difficulties caused by the COVID-19 pandemic.







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