

RECOVERY, INCLUSIVENESS, SUSTAINABILITY

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RECOVERY

ECONOMY

COORDINATION

ORGANIZATION

VARIETY

EQUALITY

RESPONSIBILITY

YOUTH

Green Recovery and Kosovo

About the Newsletter

The Institute for Development Policies (INDEP) publishes periodic newsletters on the process of implementation and monitoring of the Economic Revival Package. By providing information on the Revival Package and monitoring this package, INDEP aims to increase the level of transparency and accountability of Kosovo institutions towards citizens. The “Recovery, Inclusion, Sustainability” Newsletter is realized within the “Recovery for Sustainability” Project supported by the Balkan Trust for Democracy (BTD) and USAID.

The eighth edition of the newsletter will provide information on green recovery policies, the alignment of these policies with the Economic Recovery Package, and green recovery as a proper solution to overcome the crisis caused by the COVID-19 pandemic. In general, Kosovo’s economy has been hit hard by the pandemic. Job losses, endangerment of workers, termination of economic activities and lockdowns aimed at preventing the spread of the COVID-19 pandemic, are some of the causes for disruptions and hits to Gross Domestic Product (GDP). Taking stock of all the above, the integration of green policies in incentive packages remains the long-term and sustainable solution, while also offering a recovery from the pandemic.

WHAT IS GREEN RECOVERY?

The COVID-19 pandemic is presenting the world with colossal challenges. It will have an impact in terms of sustainable development in many areas of life. At the same time, climate change is increasingly threatening the livelihoods of many people. However, these dual crises can also be an opportunity to change course in other areas, if their treatment is done in the spirit of a green recovery through which the possibility of bringing about a sustainable economic system can be achieved.

Green recovery means measures that combat the social, economic and environmental impacts of the COVID-19 pandemic crisis. Given the difficulties resulting from the pandemic, and the climate crisis on the other hand, green policies and the recovery based on them, is one of the best methodologies for overcoming the two parallel crises. Such a recovery provides new jobs, more rapid economic development and alignment with EU directives and European countries.



Sustainable recovery requires policy intervention in many areas of development, not just fiscal stimulus to temporarily overcome crises and difficulties. Policies and responses to recovery need to be broad in terms of inclusion, economic development, job creation and many other areas. In such manner, 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 a given national economy, through job creation, economic development, strengthened stability, and by achieving long-term sustainability.

The need to adopt low-carbon recovery policies in tune with climate impacts, is essential. If green projects are financed and pushed forward through packages, then we can achieve double victory, thus achieving economic recovery and overcoming the difficulties of the COVID-19 pandemic, and on the other hand achieving the goals of low greenhouse gas emissions. Promoting energy transitions, including new renewable energy generation projects, would create new job opportunities, help reduce greenhouse gas emissions, and it would also help the recovery itself, which would be green and efficient.



PAST STIMULUS PACKAGES IN KOSOVO

The Fiscal Emergency Package and the Economic Recovery Package aimed to address and best solve the problems posed since the outbreak of the pandemic. But apart from that, the previous packages and the current packages have one thing in common, which is simply covering certain disruptions from the pandemic, and not the green and sustainable advancement and recovery for the future. This is due to the lack of principles for setting measures that would help create new jobs, and impact on energy transition and sustainable development.

Past stimulus packages implemented in Kosovo were not aligned with green policies and consequently their impact was not satisfactory. Such a methodology used by the Government of Kosovo through the packages approved by it, was an attempt to overcome the current problems posed by the COVID-19 pandemic, and not a long-term and sustainable strategy. Such recovery is erroneous and consequently non sustainable in the long run. Therefore, the main focus should be on the energy transition, job creation and achieving sustainable development, so that overcoming the pandemic is achieved by ensuring a long-term recovery for other eventual crises in the future.



**FISCAL
EMERGENCY
PACKAGE
EUR 165
MILLION**

**ECONOMIC
RECOVERY
PACKAGE
EUR 222.4
MILLION**

**GREEN POLICIES
NOT INCLUDED**

**GREEN POLICIES
NOT INCLUDED**

GREEN RECOVERY PRINCIPLES IN THE ECONOMIC RECOVERY PACKAGE →

The current package, which has been adopted and is being implemented, has allocated EUR 420 million, and the assistance centers on small, medium and large enterprises. The progressive growth of recovery packages has also gone hand in hand with the fact that the COVID-19 pandemic has persisted with time and was relatively present all the time from the onset of the first cases until March 2022. However, knowing the other problems, it was still possible for this package to be better designed and in such a way that it tackles not only current problems, but becomes the basis of a sustainable and productive development for all sectors of economic development and other spheres of life.

The Economic Revival package incorporates five main measures. But only the fifth measure of the Economic Revival Package is in line with green policies. Unfortunately, this measure is not yet being implemented, and this failure to operationalize it means an increase in problems and a slowdown in overcoming the crisis. The EUR 100 million earmarked for this measure should have already been allocated to the energy sector as a very important sector for the economic development of the country, for the diversification of energy resources and the construction of new generation capacities through renewable energy sources.



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 in addition to overcoming the COVID-19 pandemic. In some cases, like the green recovery and the need to reduce inequality, a long-term perspective is needed. Measures such as subsidies or cash support for certain categories, loan guarantees, tax cuts to avoid bankruptcies, and wage subsidies, are short-term interventions to overcome certain current problems. The government should strike a balance, targeting in parallel interventions that combine social and environmental impacts with short-term outputs and employment generation over the longer term.

The Economic Revival Package should include policies that help advance green processes, and which bring Kosovo closer to European standards. Some measures that would help the economic recovery, create jobs and at the same time protect the environment, are:

- Stimulating and subsidizing Prosumers
- Investing in batteries for electricity storage
- Investments in the electricity grid, through which technical losses would be reduced
- Investments in RES electricity generation projects



RECOMMENDATIONS

- The Government of Kosovo should design incentive packages that incorporate green policies. The government should prioritize support to increase the number of RES energy generators. It should also make sure that these projects provide new jobs, generation diversification, environmental protection, and energy transition. Incentives in future packages should be profitable for the country but also for investors, in order to accelerate the recovery and achieve the targets set by European directives.
- Measures that protect the environment and create new jobs, should be incorporated. The COVID-19 pandemic can also be used to lay the groundwork for future development, and stimulus packages shouldn't contain only measures that contribute to overcoming the current crisis. Towards energy transition, measures and financial support for the energy sector would help create energy stability and sustainability in the future.
- The Government of Kosovo should lift taxes on RES energy generation equipment. The abolition of Value Added Tax, which is 18% for such equipment, will stimulate investors to invest in new projects in Kosovo. Such a policy facilitates the energy transition, creates new jobs, and enables the acceleration of the decarbonization process.
- Investments in energy efficiency, infrastructure for electric cars and RES power generation plants, should be made. Through investments in these areas, new jobs will be created, the quality of life will be improved, greenhouse gas emissions will be reduced, financial resources will be saved, and the further and more sustainable development of many life areas will be enabled. Therefore, the Government of Kosovo should draft packages that employ these principles as a basis for recovery from the COVID-19 pandemic.





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