



# ECONOMIC REVIVAL PACKAGE (ERP) - OBSERVATION OF ERP EFFECTS ON KOSOVO'S ECONOMY



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The Institute for Development Policy (INDEP) will monitor, within the “Recovery4Sustainability” project, the implementation of the Economic Revival Package. At the same time, it will inform citizens about the benefits of this package, as well as analyze the goals and expectations from 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 USAID.

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# Introduction

The global pandemic caused by COVID-19 has affected almost every country around the world. Now, more than two years after the outbreak of the first COVID-19 infection cases, and the adoption of respective safeguards against COVID-19, the world still continues to suffer lockdown disruptions in almost all aspects of livelihoods. Lest we forget the millions of lives lost, restricted freedoms, and overall disrupted human activities, the negative effects continue to challenge us even today. The aftermath of the hardships caused by the pandemic, which essentially started as a healthcare issue, has eroded economic prosperity on a global scale, affecting everyone indiscriminately. The onslaught of negative impacts on countries and populations prompted governments to take concrete action for economic recovery through injections of financial resources. And while countries with strong economies are able to cope more easily with the financial burden placed on their citizens, other countries with smaller budgets try to tackle difficult economic situations with the means at their disposal.

Measures are taken to tackle the damages suffered from COVID-19 in the respective economies, regardless of economy size, revolve around relief measures through the undertaking of actions of fiscal, monetary, and macro-financial nature, and exchange rate and balance of payments interventions. The Republic of Kosovo is no exception when it comes to the harm caused by COVID-19, its after-effects, and the relief measures taken to tackle the difficulties it caused to the country's economy. The measures taken at the beginning of the pandemic were ad-hoc

and in the form of direct payments (cash), salary subsidies, etc., later turning into more complex measures that required interventions to amend existing laws of the Republic of Kosovo. The Law on Economic Recovery was adopted on December 7, 2020, and was intended to amend other laws to accommodate a range of interventions, most typically cash withdrawals from the Pension Trust.

In June 2021, the Government introduced the Economic Revival Package,<sup>1</sup> consisting of 5 measures focused mainly on actions of economic and social nature. Now, almost a year after the initiation of the Economic Revival Package, the first indications of their effect have been observed. This study is an effort to highlight the impact of these measures on the Kosovan economy, as far as can be evidenced by publicly accessible data. The study will also comment on measures following the Revival Package, such as the disbursement of the 100 million Euro fund, with a critique of its effects on the economy.

Thus, responses to the economic difficulties caused by COVID-19, require adequate economic interventions, through financial-nature inputs to the economy. Regardless of whether government financial injections into the economy are ad-hoc, or of other natures, it is very important that they result in economic catalysts with recovery effects across all cells of the society. This will ensure that our society is stimulated for a fair and rapid recovery.

<sup>1</sup> <https://mf.rks-gov.net/desk/inc/media/D3A6FA8F-6A6A-42AA-A090-52062568DC47.pdf>, accessed on April 29, 2021

# Methodology

The methodology employed for drafting this paper is primarily of a qualitative nature. Initially, a detailed analysis of the measures of the Economic Revival Package was conducted, to identify the areas the package addressed. Within the identified areas, efforts were made to assign economic indicators and other quantitative indicators to measure the effects of the measures. Successes and/or failures to advance the areas targeted by the measures were measured by comparing the selected indicators, from one period to another, mainly by identifying the values of the respective indicators before the introduction of the Economic Revival Package and until May 2022. As data on the values of measurement indicators from one period to another have been impossible to find due to the lack of systematic data collection by relevant institutions, the periods part of this analysis are sometimes shorter than the study would have preferred.

In general, the analysis periods start around the time of the introduction of anti-Covid measures and have as their final date the first quarter of 2022. Data on indicators have been found through internet searches and especially from the disclosure of statistical data by the Kosovo Agency of Statistics (KAS). Often, the data on the values of indicators differ from one source to another, therefore for the purpose of this study, the basic indicators are obtained from sources responsible for data collection such as KAS, CBK, KBRA, and relevant ministries, etc. The study also attempted to research the characteristics of socio-economic packages implemented by other countries, especially European countries, to conclude whether the Economic Revival Package has followed the logic of European countries, especially EU member states with advanced state mindsets.

# Characteristics of Economic Anti-Pandemic Interventions

The pandemic caused by COVID-19 unfolded suddenly, spreading rapidly across the globe while carrying with it many unknowns. The unknown component of COVID-19 was particularly challenging in the field of healthcare, and social isolation emerged as the first standard safeguard against the deadly risks of COVID-19. Isolation, indirectly, also meant a ban on the interaction between people, including a cessation of economic activities. The economic complications imposed by the pandemic were extraordinary, and therefore the measures taken around the world to alleviate the multiple resulting difficulties were also of extraordinary scale. On the other hand, the safeguards were more or less of the same nature, but with varying intensity from state to state.

*Fiscal measures* such as reducing VAT, and postponing the deadlines for tax returns, were among the most typical within this category. *Varied monetary and macro-financial measures*, such as encouraging bank lending to businesses and individuals, postponing loan repayment terms, reducing interest rates, etc. The third type of measure was composed of interventions in *exchange rates and balance of payments*, which were much rarer, while many countries did not apply them at all.

The Republic of Kosovo also took similar measures in response to the difficulties the country was facing. According to the International Monetary Fund (IMF)<sup>2</sup>, in the Republic of Kosovo, fiscal measures were implemented in the form of bonuses for overtime and increased risk for health and safety workers, social transfers and subsidies for families in need, support for firms in the form of salaries, subsidies and easier access to borrowing, early withdrawal of up to 10 percent from pension accounts, etc. According to the same source, the Central Bank of Kosovo (CBK) together with the Kosovo Banking Association decided to allow banks to suspend three months loan installment payments for businesses and individuals, as one of the most evident monetary and macro-financial measures. In the meantime, no measures were taken in exchange rates (as the Euro is the local currency) and no balance of payments restriction or control measures were applied<sup>3</sup>.

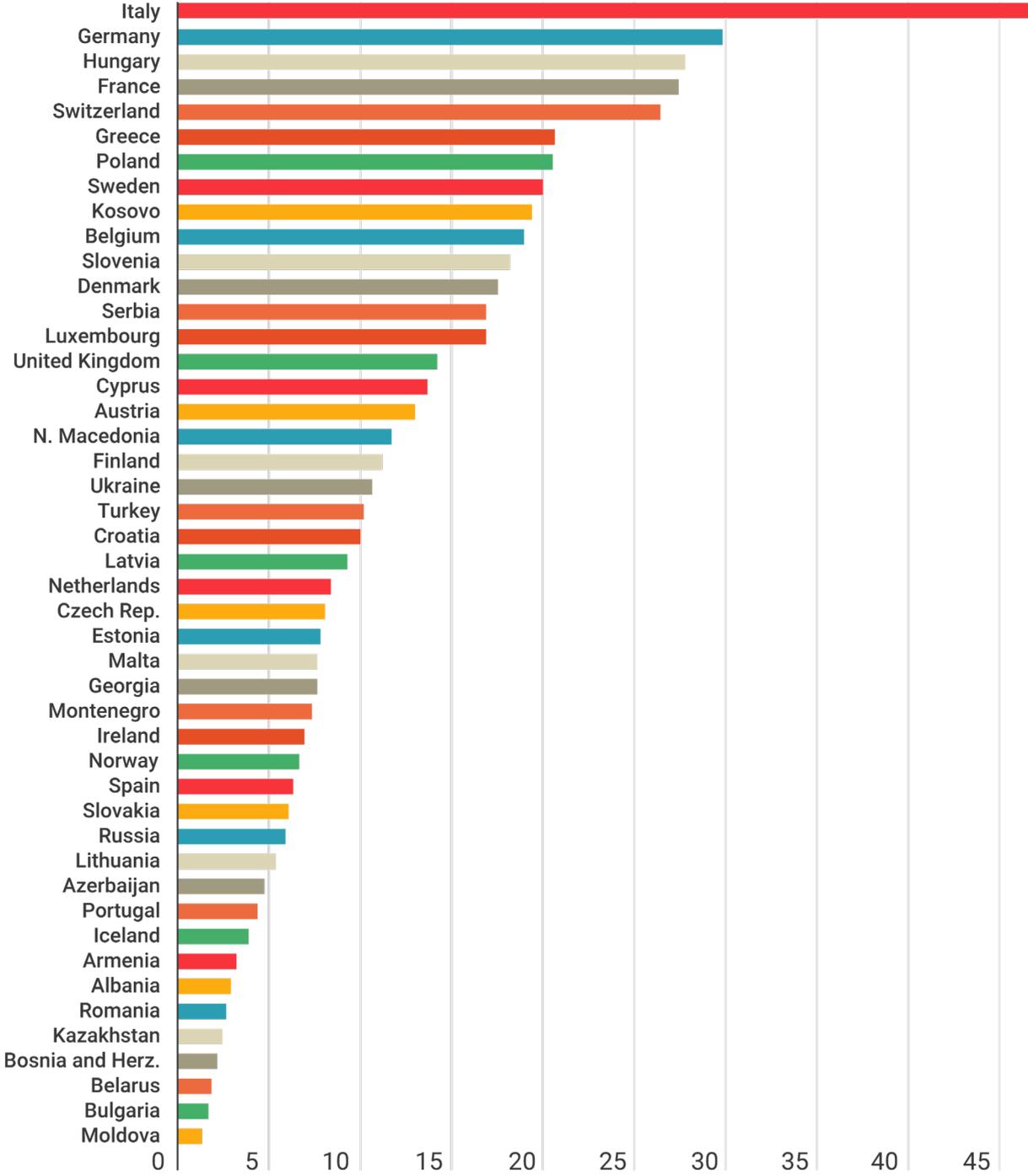
In terms of financial values injected and/or planned for injection into economic recovery packages, they vary from country to country. Measurement by the European Chamber<sup>4</sup>, of financial values, injected in recovery packages from 46 European countries, as % of Gross Domestic Product (GDP) of 2019, shows Italy on top of the classification table, followed by Germany and Hungary. Italy had prepared a recovery package worth over 45% of its 2019 GDP, followed by Germany with close to 30% and Hungary with around 28%. The Republic of Kosovo ranks high in this table, standing in the 9th place in terms of the value it had planned to inject into the recovery packages, close to 20% of its 2019 GDP, a decent value given the economic difficulties that were evident even before the pandemic.

<sup>2</sup> <https://www.imf.org/en/Topics/imf-and-covid19/Policy-Responses-to-COVID-19>, Policy Responses to COVID-19, accessed on April 24, 2022

<sup>3</sup> Ibid, Policy Responses to Covid-19, accessed on April 24, 2022

<sup>4</sup> <https://www.eucham.info/recovery-packages>, Covid 19 Economy Recovery Packages Comparison, accessed on April 24, 2022

# ECONOMIC RECOVERY PACKAGES VALUE AS% OF 2019 GDP



Economic package as % of 2019 gdp

Figure 1. Value of Economic Recovery Packages as % of GDP in 2019.  
Source: European Chamber

## Economic Revival Package in the Republic of Kosovo

The Economic Revival Package initiated by the Government of the Republic of Kosovo is essentially similar to the economic packages of different countries around the world and in Europe. In fact, the Republic of Kosovo, despite its weak economy, had introduced a well-funded package, based on committed values. The Republic of Kosovo, as presented in Figure 1, holds the ninth place among 46 European countries, in terms of the value of the economic recovery package as a percentage of GDP in 2019. In June 2021, the performance of economic and social support continues in the form of the Economic Revival Package and in the amount of € 420 million, and is structured through five measures aimed at improving the economic and social situation. The Republic of Kosovo, therefore, has introduced various measures in all economic fields in the same spirit as other countries, even taking a step further when it comes to committed values. This positive spirit of the Government of the Republic of Kosovo in its approach to addressing the difficulties of COVID-19 in Kosovo's economy is evident in the measures presented in the Economic Revival Package of June 2021.



# Evaluation of measures from the Economic Revival Package – through relevant indicators

The Economic Revival Package, financed from the budget of the Republic of Kosovo (in the amount of € 190 million), and financing from borrowing (€ 230 million) including Treasury Bonds for the Diaspora, totaling € 420 million, aims at economic revival through 5 measures:

## Measure 1. - Employment Support - EUR 50 million

With this measure the Government aims to create new jobs, mainly by directly supporting job-seekers. Support comes in the form of the following actions:

1. Return to work of those who lost their jobs during the pandemic, by subsidizing wages in the amount of € 170 per month, for a period of three months.
2. Support for formalized employees, by paying pension contributions in the amount of 10% of their salary for up to 12 consecutive months.
3. Support for women's employment, by subsidizing 50% of the salary for each employed woman for a quarterly period
4. Guaranteed youth employment, which guarantees the first job to every young person aged 18-24, through state subsidies at the level of the minimum wage
5. Training and employment in IT, offering courses and training in the field of IT and then employment support
6. Support for employment of people with special needs, by subsidizing 50% of the salary, up to a maximum of € 150 per month, for the first 6 months
7. Crafts grants scheme, aimed at self-employment of those who are willing to learn new skills, for which they will be certified. These grants offer up to 3,000 Euros for purchasing equipment and starting a business.

The sub-measures clearly show that salary subsidies, pension contribution subsidies, training subsidies, and grants, are the main mechanisms for achieving the goal of the first measure. In terms of inclusion, this measure is well-directed to target all ages, and genders, especially since it does not neglect the support for employment of persons with special needs. To be politically correct, the first measure should at least emphasize that these measures will target the entire Kosovan society, including minorities.

The Republic of Kosovo has been facing economic difficulties since the post-war period, which resulted in high unemployment rates. The pandemic further amplified unemployment, so it is appropriate that this measure aimed at mitigating unemployment, stands on top of the list of goals. According to Kosovo Agency of Statistics (KAS) data, the unemployment rate in 2020 was 25.9%. In Q4 2020, it increased to 27%, falling again to 25.8% in Q1 2021.<sup>5</sup>

<sup>5</sup> [https://askdata.rks-gov.net/pxweb/sq/ASKdata/ASKdata\\_Labour%20market\\_Anketa%20e%20Fuqis%c3%ab%20Pun%c3%abtoe\\_Quarterly%20labour%20market/tab22.px/table/tableViewLayout1/](https://askdata.rks-gov.net/pxweb/sq/ASKdata/ASKdata_Labour%20market_Anketa%20e%20Fuqis%c3%ab%20Pun%c3%abtoe_Quarterly%20labour%20market/tab22.px/table/tableViewLayout1/), accessed on April 18, 2020

There is no data for the periods after Q1 2021, however, it is clear that the pandemic in its early outbreak caused an increase in unemployment of just over 1% from Q1 2020 to Q4 2020, to return to the previous level during Q1 2021, namely at 25.8%. Notwithstanding this rebound, data on the unemployment rate during 2021 and the first quarter of 2022 are needed to make an adequate assessment of whether there has been an improvement in employment as a result of this measure. According to the data in the Economic Recovery Package, which precedes the Revival Package, 12,323 new employees have been added (formalized) to the labor force contingent after the launch of the restrictive measures<sup>6</sup>. This measure has certainly succeeded, because it has pushed employers to formalize contracts with employees, in order to benefit from salary subsidy schemes.

In the meantime, the first measure from the Revival Package can be considered as a continuation of the support for formalized employees, while according to a publication by Lëvizja Vetëvendosje (LVV - Self-determination Movement), the ruling party, to date 4,066 formalized employees have benefited from this measure. It would be very relevant for the study if the reason why 4,066 formalized employees continue to benefit, compared to 12,323 that were previously formalized, could be identified.

Also according to Vetëvendosje, there are a total of 1,013 beneficiaries returning to work after losing their job during the pandemic, 4,822 employed women, and 957 beneficiaries of training and employment in IT. Without prejudice to the accuracy of the data in question, it can be considered that the measure in question has produced its positive effects. However, it would take a longer analysis period to see the entirety of the measure's effect. Leaving aside the achievements proclaimed by Vetëvendosje, the study failed to find any action within the employment schemes for people with special needs and crafts grants schemes.

Regarding sub-measure 6, support for persons with disabilities, the Ministry of Finance and Transfers has launched open calls for cooperation with NGOs whose scope of activity is related to persons with disabilities according to Decision No. 19/2022<sup>7</sup>, of March 24, 2022. As it is a decision taken recently, data on the progress of this sub-measure are missing.

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<sup>6</sup> [https://mf.rks-gov.net/desk/inc/media/FEC082F0-53E1-46B9-BC9B-5F23C29920CE.pdf?fbclid=IwAR2c6uVrwnmK8WtMFkNO-eNL-Ci4Heol25BQoP\\_Ydmq-wc131NTAfh2XVv6Q](https://mf.rks-gov.net/desk/inc/media/FEC082F0-53E1-46B9-BC9B-5F23C29920CE.pdf?fbclid=IwAR2c6uVrwnmK8WtMFkNO-eNL-Ci4Heol25BQoP_Ydmq-wc131NTAfh2XVv6Q), page 6, accessed on April 20, 2022

<sup>7</sup> <https://mf.rks-gov.net/desk/inc/media/01415B70-161E-4B60-ADD1-35F67326A71E.pdf>, accessed on May 4, 2022

## Measure 2. – Revival of Economy and Manufacturing – EUR 108 million

Measure two of the Economic Revival Package consists of actions aimed at improving the structure of GDP composition by favoring certain economic sectors, especially manufacturing, and improving the country's trade balance.

The first (measure 2.1) and second (measure 2.2) components of measure two, “investment loan subsidies”<sup>8</sup> are dedicated to motivating new investments and/or expanding the capacity of existing businesses, and are specifically aimed at facilitating women doing business. They also aim to act as an anchor for businesses that have liquidity problems, providing borrowing relief through loan subsidies of 10% of the principal.

KjThis functional measure has made a positive change, enabling the facilitation of business lending. According to data on the website of the Kosovo Credit Guarantee Fund (KCGF)<sup>9</sup>, until December 31, 2021, a total of 2,015 loans in the amount of 105.6 million Euros, are guaranteed. The guarantees for these loans amount to 75 million Euros. The Women in Business window confirms that women have benefited from 269 loans worth 11.7 million Euros.

This measure seems to have had an effect, taking into account the realized demand for crediting for all businesses, while the interest for borrowing from women is particularly noticeable. To establish whether the measure had an effect, a survey was conducted to assess whether the number of women-owned businesses has increased. It was found that:

- Throughout 2020, women-owned 28.8% of individual businesses, and in 18% of businesses women are co-owners in the form of partnerships or shareholders.<sup>10</sup>
- Throughout 2021, women own 32.9% of individual businesses, and in 20% of businesses women are co-owners in the form of partnership or shareholding,<sup>11</sup> an increase of 4.9% and 2% respectively compared to 2020.

This data may provide evidence that business crediting measures have had an effect on women's empowerment in entrepreneurship. Also, the very fact that by the end of 2021 a total of 2015 loans have been cleared for subsidy relief, is enough evidence for the success of the initiative. What is difficult to find at this point in time is the specific effect of this measure on Kosovo's economy, such as: how many of these businesses are operating successfully, how many of these businesses have expanded and to what extent, and how many have avoided bankruptcy, etc.

<sup>8</sup> <https://mf.rks-gov.net/desk/inc/media/D3A6FA8F-6A6A-42AA-A090-52062568DC47.pdf>, page 5, accessed on April 29, 2022

<sup>9</sup> <https://fondikgk.org/dritaret-garantuese/pako-e-rimekembjes-ekonomike/>, accessed on April 17, 2020

<sup>10</sup> <https://arbk.rks-gov.net/desk/inc/media/2D5C9B1D-E700-4B54-815C-E1B8CF6042EB.pdf>, accessed on April 19, 2020

<sup>11</sup> <https://arbk.rks-gov.net/desk/inc/media/7AB9C2A0-9C3C-483E-956A-4714C626FB23.pdf>, accessed on April 19, 2020

The second component consists of the following goals:

1. Investments in IT and Innovation - According to the statement of Innovation & Training Park Prizren (ITP),<sup>12</sup> on April 14, 2021, the first businesses were welcomed in the Innovation and Training Park in Prizren. This event, with intentions similar to those of this measure, seems to have been later incorporated within this measure of the Economic Revival Package. As of the time of this event, there is no record of activities directed at the implementation of this component.
2. MSupport for Exports - According to KAS,<sup>13</sup> exports of goods in December 2021 amounted to 65 million Euros, while imports to 460 million Euros, which is an increase of 39.3% for exports and 29.3% for imports, compared to the same period of 2020. The increase in exports in this period can easily be attributed to the bottlenecks in the process of delivery of goods, due to the immediate demand for goods after the easing of pandemic measures. Therefore, it is difficult to give credit to this component as a mechanism for export growth, at least not at the moment. A clearer picture could be presented and analyzed at a later point in time. This argument is also reflected in the fact that in addition to exports, imports have also increased.
3. Village revitalization through agriculture and agri-tourism - a component approved at the end of December 2021, has not yet produced any evident effect for the purposes of this study.
4. Recovery of HoReCa and closed businesses - continues to be applied in this package, but with a lighter emphasis compared to previous packages. The HoReCa sector was treated with previous measures, so this may be the reason for this weaker emphasis. This component aims to protect the disproportionately damaged sectors, and in this context is dedicated to safeguards, especially in the HoReCa sector, whose activity has been affected due to lockdown measures. As there is no structured data on the closure and/or bankruptcy of HoReCa businesses, an attempt has been made to draw rough conclusions regarding prevention, based on the total number of new and re-registered businesses. In this context, according to KAS, there were 1018 new and re-registered businesses during 2020<sup>14</sup>, and 1200 new and re-registered businesses in 2021.<sup>15</sup> So, new businesses continue to open in normal proportions, which is an indication of the well-being of businesses. KAS does not collect data on the number of closed businesses by activities.

The collected and analyzed data on this measure, among the most costly of the Economic Revival Package, highlight achievements especially in the field of support for business borrowing, with special emphasis on women-owned businesses.

<sup>12</sup> <https://itp-prizren.com/mirepriten-kompanite-e-para-ne-parkun-e-inovacionit-dhe-trajnimeve-ne-prizren/>, accessed on April 29, 2022

<sup>13</sup> <https://ask.rks-gov.net/sq/agjencia-e-statistikave-te-kosoves/add-news/statistikat-e-tregtise-se-jashme-stj-dhjetor-2021>, accessed on April 29, 2022

<sup>14</sup> [https://askdata.rks-gov.net/pxweb/sq/ASKdata/ASKdata\\_Statistical%20business%20register\\_Statistical%20repertoire/enterprises01.px/table/tableViewLayout1/](https://askdata.rks-gov.net/pxweb/sq/ASKdata/ASKdata_Statistical%20business%20register_Statistical%20repertoire/enterprises01.px/table/tableViewLayout1/), accessed on April 8, 2022

<sup>15</sup> [https://askdata.rks-gov.net/pxweb/sq/ASKdata/ASKdata\\_Statistical%20business%20register\\_Statistical%20repertoire/enterprises01.px/table/tableViewLayout1/](https://askdata.rks-gov.net/pxweb/sq/ASKdata/ASKdata_Statistical%20business%20register_Statistical%20repertoire/enterprises01.px/table/tableViewLayout1/), accessed on April 18, 2022

### Measure 3. – Support for families – EUR 50 million

Measure three is essentially a social assistance measure, aimed at supporting families part of the most vulnerable strata of society, such as families on social assistance, retirees, families who had lost their head of household from COVID-19, unemployed pregnant women, and families with credit difficulties. This measure also aims to reform the Social Scheme to accommodate inclusiveness.

This measure, from the social aspect, will of course have an effect on increasing the social welfare of the targeted groups, however, its coverage is temporary and not comprehensive.

1. Support for families who have lost the head of household, no matter how appropriate it may be, is lacking because the hardships of families affected by the loss of family members from COVID-19 mean financial hardship regardless of the role of the missing member in the family organization. Infection with COVID-19 initially meant financial difficulties to cover treatment costs. For the families affected by the death, the financial difficulties were multiplied, both by the costs of their transfer to the eternal world, as well as by the loss of income which was provided by the member in question. So this measure is deficient in inclusiveness, bypassing families that lost non-heads of households. Being a one-time measure, it does not provide for sustainability. Continuity of support through this measure should come in the form of assistance in training and employment for the heirs of the missing heads of households, while it should be accessible to all families who lost their loved ones. According to LVV, there are 2,901 beneficiaries of this scheme.
2. Supporting retirees and families in the social assistance scheme, is also a temporary measure and does not provide long-term solutions. According to Social Welfare Statistics January-February 2022,<sup>16</sup> 25,811 families with a total of 102,333 members have benefited from the social assistance scheme. In the meantime, there are about 165 thousand pension beneficiaries. These figures represent a significant part of the population of the Republic of Kosovo, and the need for sustainable support is indispensable. While this assistance provides temporary relief, the indexation of social assistance and old-age pensions would provide a longer-term solution. On the other hand, other measures aimed at moving individuals from the social scheme into the labor market would have a better impact on social welfare. The annual inflation rate in January 2022 compared to January 2021 was 7.1%, driven significantly by the rise in prices for the COICOP subgroups: bread and cereals (14.9%); meat (7.6%); milk, cheese, and eggs (9.0%); edible oils and fats (33.7%); vegetables (11.7%)<sup>17</sup>etc. Given that these products constitute the largest part of the diet and daily life of Kosovan society, and add to this the increase in the price of electricity, this means that the weight of inflation is more intense in these basic products, and implies higher inflation in the daily life of these two segments which necessarily spend almost all the revenues in providing for these basic items. According

<sup>16</sup> <https://ask.rks-gov.net/sq/agjencia-e-statistikave-te-kosoves/add-news/statistikat-e-mireqenies-sociale-janar-shkurt-2022>, accessed on May 3, 2022

<sup>17</sup> <https://ask.rks-gov.net/sq/agjencia-e-statistikave-te-kosoves/add-news/indeksi-i-harmonizuar-i-cmimeve-te-konsumit-ihck-janar-2022>, accessed on May 3, 2022

to Lëvizja VV, there are 25,681 beneficiaries of support for families with social assistance, and 282,996 beneficiaries of support for pensions. For clarity, this part of the package has carried benefits for all retirees, including all pension schemes.

3. The reform of the Social Assistance Scheme, aiming at inclusiveness and the promotion of the activation of the beneficiaries of social assistance in the labor market, “seems to have remained hostage to the approval of an international loan amounting to 47 million Euros”.<sup>18</sup> Without prejudice to the circumstances that led to this gridlock, the funds committed for this sub-measure were provided by a loan approved for the Republic of Kosovo by the International Development Association (IDA), which is part of the World Bank. The implementation of this sub-measure could provide inclusiveness, by not excluding any families in need, and would enable the transition of individuals from the social assistance scheme into the labor market.
4. Food vouchers for families in need, as a sub-measure that targets the most affected part of society, is an appropriate measure in this period of further aggravation of the economic situation accompanied by hyperinflation. In addition to ensuring the survival of the poorest, this measure will indirectly help the recovery of mom’s and pop’s restaurants and businesses that are engaged in the administration of this assistance and Made in Kosovo products.
5. Payment for unemployed new mothers will help many new families and will have a positive impact on maintaining birth rates, as a prerequisite for a better future for the Republic of Kosovo. It also demonstrates a commitment to women in the context of gender equality and increasing their financial independence. A stronger financial injection in this sub-measure would have long-term economic effects and would help, among other things, in maintaining the trend of increasing the population of the Republic of Kosovo, its future economic power. According to Lëvizja VV, there are 13,285 beneficiaries of supplements for new mothers.
6. Family liquidity support is intended to be provided through subsidies for 10% of the total loan amount, up to a maximum of 300 Euros. It can be considered that this is an appropriate measure to ensure the well-being of families who have found themselves in financial difficulties, as well as to increase market demand. It improves the business of banks, by increasing the demand for small loans. On the other hand, it can trigger unnecessary loan applications if strict control is not exercised. Also, this sub-measure can be considered only as a temporary solution for citizens with debts, because it enables the postponement of debt repayment and not their repayment. Borrowing demand continues to be stable and may be influenced by this sub-measure. According to a statement by the spokesperson of the Central Bank of Kosovo given to Jepize.com,<sup>19</sup> loan applications until November 2021, amount to € 1.6 billion, exceeding the value of € 1.47 billion of loans issued during 2020. Since this sub-measure was approved in October 2021, and in the absence of subsequent data after November 2021, we cannot conclude whether this sub-measure has stimulated lending. According to Lëvizja VV, there are 5,761 beneficiaries from this sub-measure.

<sup>18</sup> <https://www.evropaclire.org/a/reforma-sociale-ne-kosove/31781924.html>, accessed on May 3, 2022

<sup>19</sup> <https://jepize.com/kosovaret-kredi-deri-ne-fyt-1-6-miliarde-euro-moren-nga-bankat-gjate-2021-tes/>, accessed on May 3, 2022

## Measure 4. – Support for the public domain – EUR 112 million

Measure 4, Support for the public domain, aims to increase the quality of public services and consequently further improve civic well-being, through the following sub-measures:

1. Healthcare support for vaccination against COVID-19, purchase of essential medicines, and covering of cost of new specializations. Despite the substantial budget dedicated to this sub-measure, Kosovo continues to face a shortage of essential medicines.<sup>20</sup> In the meantime, the prices of medicines in Kosovo have also increased.<sup>21</sup> This sub-measure is very important for groups such as retirees and families in social assistance, so it should be treated proactively. The law on drug prices should be adopted as soon as possible, in addition to the provision of essential drugs.  
Even the rate of vaccination against COVID-19, which was going well, has recently stalled due to declining interest.<sup>22</sup> The Ministry of Health must take further steps to restore interest in vaccination. The return of COVID-19 in the same proportions seen before would invalidate all the achievements and investments made to date for the country's recovery and revival.
2. Support for Education aims to improve the finances of public universities, and purchase textbooks, and scholarships for students in STEM fields. This sub-measure should be put in place as soon as possible as it facilitates the operation of public universities, and eases the financial burden for families with pupils and students. Targeting STEM fields is apt, while it should focus with particular emphasis on IT.
3. Support for Culture and Sports in order to organize and support cultural events and projects, as an opportunity to promote young artists and enable tournaments and other historical events. The Ministry of Culture, Youth and Sports had published the list of beneficiaries in August 2021 but was subsequently withdrawn in November 2021, due to a large number of complaints filed by NGOs regarding procedural omissions.<sup>23</sup> In the meantime, there is no data on the progress of this critical sub-measure for Kosovar culture and sports.
4. Support for security through the purchase of military material, is a critical sub-measure for the overall security of the Republic of Kosovo. Although there is no information on whether any military material has been procured, the amount dedicated is minimal if the cost of such material is taken into account. Investing in a start-up that would design and/or manufacture military materiel, would perhaps be a more appropriate idea, which could create a platform for the formation of military sector enterprises.
5. Support for the diaspora through the reduced cost of border policies is more of a political act and there is no evidence as to whether it has achieved the goal of easing barriers for our

<sup>20</sup> <https://atvlive.tv/lajme/ne-kosove-ka-mungese-te-barnave-esenciale-nje-problem-i-tille-eshte-edhe-ne-komunen-e-vushtrrise/>, accessed on May 4, 2022

<sup>21</sup> <https://zeri.info/aktuale/447350/rritten-edhe-cmimet-e-barnave-ne-kosove/>, accessed on May 4, 2022

<sup>22</sup> <https://www.evropaclire.org/a/interesim-i-ulet-per-vaksinim/31567934.html>, accessed on May 4, 2022

<sup>23</sup> <https://www.mkrs-ks.org/?page=1,6,2714#.YnJmSOhbZIU>, accessed on May 4, 2022

diaspora. The reduced cost was welcomed by the diaspora, but it did not solve the main problem our diaspora faces, the long waits at the border. Entering-exiting Kosovo still takes far too long. Solving the problems related to the Green Card would contribute more than the reduced cost of border policies, as a permanent solution.

6. The support of public enterprises is intended for lending to public enterprises in order to get out of the aggravated financial situation. This sub-measure is of particular importance, especially in the context of the energy sector in Kosovo, due to the problems that resulted first from the pandemic and then from the Russian aggression in Ukraine. KOSTT was one of the first companies to ring the alarm regarding the accumulated debts related to energy losses in northern Mitrovica, a problem that started a long time ago, but which has worsened as a result of the energy crisis, which to a large extent has its roots in the pandemic. The emergence of problems of financial liquidity nature for KOSTT, made the Government of Kosovo return to KOSTT 20 million Euros it had collected in the form of dividends from the company, in the framework of the revision of the law on budget allocations.<sup>24</sup> Kosovo Telecom and Trepça benefit 40 million Euros, according to the statements of the Government made in October 2021. According to the same statement, the Government will also not collect dividends from Telecom.<sup>25</sup> Based on these data, and the fact that KOSTT, Telekom and Trepça continue to operate, it can be considered that the Government has taken minimal steps to ensure the continuity of operations of these public companies.



<sup>24</sup> <https://www.koha.net/arberi/302604/qeveria-ia-kthen-kostt-it-dividenten-ne-vlere-prej-20-milione-euro/>, accessed on April 26, 2022

<sup>25</sup> <https://www.monitor.al/kurti-telekomin-e-kosoves-do-ta-kthejme-ne-binar-te-zhvillimit-do-te-jete-lider/>, accessed on April 26, 2022

## **Measure 5. – Investments in infrastructure and environment – EUR 100 million**

Its aim is to invest about 100 million Euros in projects related mainly to road and railway infrastructure, as well as investments in environmental protection. This measure would greatly help Kosovo's economy, especially by reviving the low-construction sector. Also, this measure's focus on railway infrastructure, especially the Prishtina-Durrës route, would help the prospects of Kosovo's transportation sector. While the feasibility study of the Prishtina - Durrës railway line is close to completion, there is no data to undertake other actions under this measure.



## One-time support in the amount of 100 Euros →

Through this measure taken in the function of economic recovery, the Government will disburse a one-time sum in the amount of 100 Euros. According to the Government, the beneficiaries of this package will be all private and public sector workers, retirees, students and families with social assistance. Exceptions are workers who have an income exceeding 1,000 Euros per calendar month.

The positive effects of this measure are evident in terms of easing the financial burden on Kosovan families, for at least one month, to overcome the enormous price increases, perhaps, for at least a month. It is also an injection into the market which will improve business, mainly for food businesses, as 100 Euros is not enough to encourage investment in high-value items.

The negative effects are related to the fact that it is not comprehensive, leaving aside the unemployed. There is no equal distribution, the benefits will be different from one family to another. A family with more employed members will benefit more compared to e.g. a family with social assistance, or a family with a single employed member. From an economic point of view, the increase in demand for products and services financed by this injection will have the effect of yet another increase in inflation. On the other hand, given the degree of Kosovo's dependence on food imports, it can be concluded that most of this package will end up outside Kosovo. According to critics, 100 million Euros could be invested in capital projects, thus increasing the employment rate and affecting almost all sectors of the economy.

However, it should be noted that despite the negative effects, this measure can be considered an appropriate measure, based on the experiences of crises before COVID-19, in different countries around the world, which required macroeconomic measures to be overcome, including one-time payments, of the same nature as that of Kosovo. A study published by the International Journal of Health Services<sup>26</sup> in relation to macroeconomic interventions, specifically cash donations and unconventional monetary measures, transfers in the form of goods, social security financing, and measures addressed to a certain group of the population, have found that these measures have produced positive results.

<sup>26</sup> <https://journals.sagepub.com/doi/full/10.1177/00207314211007100>, Outcomes for Implemented Macroeconomic Policy Responses and Multilateral Collaboration Strategies for Economic Recovery After a Crisis: A Rapid Scoping Review, accessed on April 26, 2022

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# Conclusions

The study first identified measurement indicators that correspond to a valid economic indicator for measuring the results of the economic revival package. Then, the values of the respective indicators before the introduction of the package were identified, enabling comparisons with their values, after the introduction of the package. Also, assessments of the effects of the package's measures have been made based on statements, publications, and media reports. Of course, due to the inability to find concrete data for certain periods of time, some indicators have been impossible to compare, and in some cases, the time periods for analysis have had to be shortened or lengthened, due to a lack of data from relevant institutions. However, the report identifies the time periods which have been used to make comparative analyzes to ensure the reader of its consistency. In the absence of data on actions taken by relevant actors in relation to any of the measures, it has not been possible to make a comparative analysis at this point in time.

**Measure one** consists of actions through which the Government aims to create new jobs, mainly by directly supporting jobseekers. To this measure special attention has been paid, and intensive work has been done for its execution. If we rely on LVV statements, this measure has resulted in 1013 beneficiaries returning to work after losing their job during the pandemic, 4066 beneficiaries of support for formalized employees, 4822 employed women, and 957 beneficiaries of training and employment in IT. Without prejudice to the accuracy of the data in question, it can be considered that the measure in question has produced its positive effects.

In the meantime, the study has not managed to find any action within the employment schemes for people with special needs and grant schemes for crafts.

**Measure two** of the Economic Revival Package aims at improving the structure of GDP composition by favoring certain economic sectors, especially manufacturing, and improving the country's trade balance. Composed of two components, the first component aimed at enabling credit guarantees is presented as a success, at least in increasing the number of women-owned businesses. However, conceiving new businesses does not necessarily mean successful businesses. Moreover, it takes time to understand whether they will survive and their effect on other links in the economic chain.

According to the data collected and compared under measure no. 2, it is evident that in 2021 there were more businesses registered than in the previous year, while there is no data on the number of start-ups for evaluation purposes if their number has increased in this period. However, the very fact that there have been new businesses can also mean an increase in start-up volume.

Exports of goods in December 2021 marked an increase of 39.3%, compared to the same period of 2020. The increase in exports in this period can easily be attributed to the bottlenecks in the process of delivery of goods, due to the immediate demand for goods after the easing of pandemic measures.

Investments in IT and Innovation, and the revival of the countryside through agriculture and agri-tourism, do not seem to have been realized in the right proportions, while, in terms of recovery of hotels and closed businesses, in the absence of structured data, the study has researched business closures/openings and found that the number of new businesses in 2021 is higher than that of closures, marking a positive trend compared to 2020.

**Measure three**, as a measure of social assistance, aimed at supporting families from the most vulnerable strata of society, is relatively well executed. It has enabled the alleviation of the difficult economic situation for these segments of Kosovan society. This measure, from the social aspect, will of course have an effect on increasing the social welfare of the targeted groups, however its coverage is temporary and not comprehensive. Pensions as well as social assistance should be indexed to ensure continuity in easing the financial circumstances for these two groups. The new mothers supplement is an adequate sub-measure, because it strengthens the position of women and provides financial relief for new families as a precondition for increasing birth rates. The Social Assistance Scheme reform has stalled, and political will is needed to overcome the situation. It is imperative to reform social schemes and to create opportunities for continuity in supporting vulnerable groups, as well as inclusiveness.

Family liquidity support should be carefully monitored, as it seems like a scheme that incites borrowing to pay off previous loans.

**Measure four**, support for the public domain in order to enhance the quality of public services and consequently further improve civic wellbeing, is one of the measures with the largest budget. Despite the importance allocated at least from budgetary optics, it has not been sufficiently executed. Vaccination, as a key part of this measure, does not attract public interest in appropriate doses. Support for Culture and Sports has stalled as a result of appeals against the beneficiary selection process. There is no data on the financial support for public universities, and when it comes to supporting security, in addition to enjoying little funding, there is no data on whether they have been procured.

Support for the diaspora through the reduced cost of border policies has not achieved any effect, as the Kosovan diaspora continues to waste long waiting times during entry and exit. The support of public enterprises can be considered appropriate of the fact that public enterprises continue to operate. On the other hand, public enterprises continue to face liquidity problems, as is the case with KOSTT.

**Measure five**, aiming at improving the infrastructure, has no tangible results, except for the feasibility study of the Prishtina-Durrës railway line, which according to the pronouncements by the Ministry of Environment, Spatial Planning and Infrastructure is close to completion.

# Recommendations

Economic Revival measures in the Republic of Kosovo are of long-term nature, therefore the production of results coincides with a longer period. In this context, we can conclude that with this study an attempt has been made to capture the initial results of the package's implementation, by extracting and analyzing information about the progress in the areas that the package aims to revive. According to the findings, some of the recommendations for the Government of the Republic of Kosovo are:

- In addition to the impossibility to make in-depth analyzes of the effects of the revival package, the fact that in the Republic of Kosovo statistical data of economic, social, and other nature, are not produced at regular intervals, are not categorized and sub-categorized to satisfy study needs, should be emphasized. The structuring of websites does not provide ease in navigating and logically finding data from state institutions. Therefore, it is very important that relevant institutions, such as KAS, CBK, and relevant Ministries, take concrete steps in advancing mechanisms to enable easy access to statistical data, expand the range of statistical data, and provide data within specific time intervals. Regarding the revival package, it is recommended that the Government of the Republic of Kosovo should produce structured, accessible information on actions taken under the measure, values spent, and other relevant information.
- The Government of the Republic of Kosovo must cooperate with all stakeholders. Communication with stakeholders creates a platform from which ideas can be created and experiences exchanged for more effective implementation of package measures. It is also very important to communicate with businesses, representatives of target groups, NGOs, and other entities benefiting from package measures, to obtain information about the effects of the measures. An investigation of the effects of the measures would enable the government to identify the most fruitful measures and channel more financial resources into such measures.
- The revival package, without prejudice, seems to discriminate at certain points certain segments of the society, as in the case of support for the loss of the head of the family. It must therefore be ensured that the package is inclusive and non-discriminatory, supporting each family that has lost a member from COVID-19. Therefore, in future packages, such discrimination should not occur.

- The Government of the Republic of Kosovo should postpone as many capital projects as possible as a convenient way to inject money into the economy, which necessarily results in an increase in the employment rate. Many capital projects have stagnated through tender review mechanisms, so this issue must be resolved urgently. Capital projects, especially those related to energy, provide new jobs and help Kosovo achieve its long-term goals.
- The execution of the measures is not proceeding in parallel, and while one measure has been executed more intensively, another measure has been left behind. It would be very effective if all measures went in parallel and together, to ensure cohesion and possible synergies. In such a manner, the inclusion of citizens who will benefit from the measures of the package would be achieved.



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