



ANALYSIS OF THE ECONOMIC EFFECTS OF THE RECOVERY PACKAGE - FROM POLITICAL PROMISES TO STATE MEASURES



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List of abbreviations

BKS – Kosovo Insurance Bureau

EARK – Employment Agency of the Republic of Kosovo

ERP – Economic Revival Package

INDEP – Institute for Development Policy

IT – Information Technology;

KCGF – Kosovo Credit Guarantee Fund

KEK – Kosovo Energy Corporation

MCYS – Ministry of Culture, Youth and Sports

ME – Ministry of Economy

MESTI – Ministry of Education, Science, Technology And Innovation

MFLT – Ministry of Finance, Labor and Transfers

MIET – Ministry of Industry, Entrepreneurship and Trade

MoH – Ministry of Health

STEM – Science, Technology, Engineering and Mathematics study fields

TAK – Tax Administration of Kosovo

Introduction

While the negative effects of the COVID-19 pandemic during the lockdown in the second quarter of 2020 had the greatest impact on the economy of Kosovo, the long-term impact continues to be observed in various economic aspects even today. In response to the economic impact of the COVID-19 pandemic, the Government of Kosovo enacted a series of measures, which were initially of an ad-hoc nature, while upon a consolidation of response, they transformed into a recovery package, and further into an economic revival package, all aiming at realigning Kosovo's economy to the tracks of development and overcoming stagnation, especially in the sectors most affected by the COVID-19 pandemic. The Economic Recovery Package (ERP), adopted in July 2021, focused on addressing the negative impacts of COVID-19 on employment and manufacturing, and was designed as a package for public sector and infrastructure investments. Amounting to 420 million euros, the package was categorized into 5 main measures, divided into specific sector sub-measures, which, one year after the adoption of the package, are still in implementation. In addition to supporting employment, reviving the economy and manufacturing, as well as supporting households and the public sector, the Government of Kosovo has also used this package to push forward a green recovery, envisaging investments in infrastructure and the environment.

Although at the beginning of the COVID-19 pandemic crisis, Kosovo boasted with economic stability and growth at around 4% per year, it suffered a significant economic decline during 2020, by about -5.3%, marking a real growth rate of the Gross Domestic Product (GDP) of over 10% in 2021.¹ This economic recovery, mainly grounded upon an inclined consumption, generated a positive momentum in the economy of Kosovo. According to the World Bank, the 38% hike in government transfers and consumption, and a 15% increase of remittances, significantly contributed to the mitigation of the economic contraction as a result of COVID-19.² On the other hand, the labor market, which was in an unsatisfactory state even before the COVID-19 pandemic, only exacerbated during the crisis. According to the OECD, workers who work in non-permanent jobs, and about 35% of employees who work in the informal sector, were the most affected by the economic crisis of the pandemic.³

A suspension of the budget deficit rule for 2020 resulted in an increase in the budget deficit to almost 7.6% of GDP, even though public investment fell by more than 28%, yet public spending increased by 18.6%. The fall in tax revenues contracted public revenues by 9%. Overall government spending in response to the pandemic reached about 4.4% of GDP, with an additional 0.9% spent on pandemic management and 3.5% on social protection, employment and direct support (World Bank, 2020).

¹ Central Bank of Kosovo, Macroeconomic Indicators, accessed July 2022: <https://bqk-kos.org/eag/sq/>

² World Bank, Greening the Recovery, accessed at: <https://openknowledge.worldbank.org/bitstream/handle/10986/36402/Greening-the-Recovery.pdf?sequence=1&isAllowed=y>

³ OECD, Multidimensional Analysis of development in Kosovo,

Within its “Recovery for Sustainability” project supported by the Balkan Trust for Democracy (BTD) and USAID, the Institute for Development Policy (INDEP) analyzed and monitored the process of implementing the Economic Revival Package, in different periods. Such analysis and monitoring took different forms, including monitoring reports and infographics. This present report is the third, and simultaneously last, monitoring report of the Economic Revival Package. The third monitoring report focuses on the data obtained from the Ministry of Finance, the Ministry of Education, the Tax Administration of Kosovo, the Kosovo Insurance Bureau, the Kosovo Employment Agency, the Credit Guarantee Fund, and other relevant institutions.

The third monitoring report was carried out within the Economic Revival Package monitoring process, and was compiled upon monitoring the entire period of implementation of the Revival Package measures. In general, the monitoring process also includes the publication of newsletters, which have so far reached the figure of 7, a total of 12 informative infographics, 3 podcasts and 2 live discussions with important actors to analyze the Recovery Package and the current situation regarding the COVID-19 pandemic. All these activities are aimed at informing citizens about the supporting measures of the Package, as well as its implementation. These activities of the Institute for Development Policy (INDEP) aim to increase transparency and accountability, and simultaneously keep citizens informed about the measures and benefits they may reap with the Economic Revival Package.



Methodology

The development of this report relies on a mixed methodology, drawing from a quantitative analysis of the economic impact of the economic recovery package, but also the use of qualitative methods for assessing the impact beyond quantitative analysis.

The quantitative research method was used to analyze key economic indicators and data published by Kosovo institutions, as a way to numerically measure the impact of the Economic Revival Package. Reports and documents published by Kosovo institutions and other relevant institutions were consulted and used in the qualitative analysis of the economic impact of the package.

The main economic indicators have been analyzed based on the data published by the relevant institutions. However, given a level of discrepancy between the data from the key institutions, the data from the Kosovo Statistics Agency (ASK), as the key institution of data collection and publication, was used as a basis. In addition to ASK, the data and analyzes conducted by the Central Bank of Kosovo (CBK), the Tax Administration of Kosovo (TAK), the Kosovo Business Registry Agency (KBRA), the Ministry of Finance, Labor and Transfers (MFLT) and the Ministry of Industry, Entrepreneurship, and Trade (MIET) were also considered in this research.

It is important to note that the absence of collection and publication of certain data, especially labor market and employment data, as well as family budget survey data, renders it impossible to specifically analyze and appraise the impact of The Economic Revival Package in two measures, the measures of employment support and family support. The Kosovo Statistics Agency has published employment data only up to Q1 of 2021, thus rendering a comparison of employment data impossible.

A general overview regarding the Economic Revival Package

The first measure of the Revival Package was aimed at supporting employment. For the first sub-measure 1.1, Reinstatement to work of those who lost their jobs during the pandemic, wages were subsidized up to 50% of the gross monthly salary for 3 months. This measure was fully implemented, and after having accepted applications, payments were executed to all applicants meeting the requirements. In 2022, the Government allocated 1 million Euros for an extension of the implementation of this measure, including also measures 1.2 and 1.3.

In its implementation, the second sub-measure of this Package, 1.2: Support for formalized employees, aimed to motivate employers to register their employees, by offering them some reimbursement in exchange. Sub-measures 1.2 and 1.3, Support to employment of women, were implemented in cooperation with the Tax Administration of Kosovo. The execution of subsidies under these sub-measures was planned until June of this year, to provide sufficient time to support informal workers and women at work.

The scheme of guaranteed employment for young people was sub-measure 1.4 of the Package, and within this scheme, a project was implemented, envisaging the employment of 170 graduates, but ultimately, only 63 were beneficiaries. The beneficiaries of this scheme were employed in Centers for Social Work (CSWs), Pension Offices, Elderly Centers, Disability Centers and NGOs licensed in respective municipalities. A second project in its early stages of implementation, “Skills for the Labor Market - Fit for Job”, is implemented in co-funding with GIZ, and aims to employ 300 young people.

Under the sub-measure 1.5, IT training and employment, graduates interested in the fields of IT, and female students in the fields of Science, Technology, Engineering and Mathematics (STEM) were supported. The total of beneficiary graduates was 943, all selected to attend training courses in the fields of IT. Meanwhile, financial support was offered to 552 young women in STEM fields. Sub-measure 1.6, Support to the employment of persons with special needs, is planned for implementation in cooperation with NGOs, using on-the-job training. The sub-measure saw its commencement of implementation, and the call for NGO applications was open, but the phase of training has yet to begin.

The Revival of the Economy and Manufacturing is the second measure of the Revival Package, and aims to address issues caused by the COVID-19 pandemic in the country’s economy. Sub-measure 2.1, Subsidies for investment loans, aimed to encourage investment in manufacturing businesses. The implementation of the measure was not complete, as the application for financial loans was left open until June 2022. Sub-measure 2.4, Export Support, was introduced in combination with measure 2.1, since it aimed to support manufacturing businesses with subsidies for capacity building in finding new markets. This sub-measure has yet to be implemented, since it is only in an early phase of operationalization.

Sub-measure 2.2 contemplates the support of businesses in their access to finance. Funds have been allocated to this sub-measure, but its implementation has not yet begun. Sub-measures 2.3, Investments in IT and Innovation, and 2.6, Recovery of hotels and shut businesses, have not been implemented. On the other hand, financial resources were allocated and implementation has begun for sub-measure 2.5, Revival of Villages through agriculture and agro-tourism,

The third measure of the Revival Package targeted the social spheres adversely impacted by the COVID-19 pandemic. The Household Support measure was further sub-divided into eight sub-measures, targeting different social categories. Sub-measure 3.1, Support for families that lost their family head, was fully implemented, since financial support has already been provided for families that lost their heads. Sub-measures 3.2, Support for pensioners and families under social assistance, and 3.5, Payments for unemployed new mothers, have now turned into permanent policies.

For sub-measure 3.3, Reform of the Social Assistance Scheme, so far, only a financing agreement has been signed for the “Kosovo Social Assistance System Reform” Project between MFPT and the World Bank. ‘Food coupons for families in need’ is sub-measure 3.4, which was implemented in cooperation with NGOs involved in providing social services. Sub-measure 3.6, aimed at supporting family liquidity, under which the Government subsidized the citizens of Kosovo with 10% of consumer loans amounting up to 10,000 euros. A total of 3,396 applicants were beneficiaries of this sub-measure, however it is expected that this sub-measure shall continue its implementation, with fresh subsidies for other applicants.

The support in overcoming the energy crisis, contemplated by sub-measure 3.7, shall be implemented by ME, which will transfer 20 million Euros from its budget funds to KEK, to subsidize the electricity imports. Meanwhile, the increase of state reserves within sub-measure 3.8 will be implemented in coordination between MIET and MFLT.

Challenges in various spheres of life in Kosovo, including education, health, culture and security, were tackled by the fourth measure of the package, Support for the Public Sphere. Sub-measure 4.1, Support to Health Care, begun its implementation in 2021, with financial support of 10% of the gross salary for health care staff in the public sector, but there is no data on the continued implementation of this sub-measure in 2022. For the Support to Education, contemplated by sub-measure 4.2, apart from the allocation of funds, there are no official data on its implementation.

For support to culture and sports, under sub-measure 4.3, there was an allocation of funds planned for investment in the protection of cultural heritage, sports, and youth support. MCYS was quite active in these areas, and the sub-measure can be found to have been fully implemented. Within the framework of sub-measure 4.4, aimed at support for security and safety, the MFLT established an official bank account to accept funds from the RKS citizens and the diaspora, in a way of contributing to the Security Fund.

The support of migrant citizens was targeted under sub-measure 4.5, where the Government of Kosovo initially reduced the costs of the border insurance policy for migrant citizens coming to Kosovo, while from January 2022, Kosovo citizens with foreign license plates may apply for reimbursement on the e-Kosova online platform, upon paying the full insurance policy at the counters of the Kosovo Bureau of Insurance. As for the support to public enterprises, the Government of Kosovo, with its sub-measure 4.6, allocated funds to allow public enterprises an opportunity of borrowing with no interest, to service their financial liabilities.

The fifth measure of the Revival Package is a measure of particular importance, as it targets the global challenge of climate change. Funds have been allocated for this measure by the Government of Kosovo, but from a practical point of view, its implementation has not begun.



Assessment of measures from the Economic Revival Package by using relevant indicators

Measure 1 - Employment Support

Measure 1 of the Economic Revival Package, which aimed to support employment, at an amount of 50 million euros, contemplated support for job seekers and employment, in order to minimize the negative impact of the COVID-19 pandemic, but also to serve as a way to generate new jobs, and above all, to formalize employment. The labor market in Kosovo was rather unequal even before the COVID-19 pandemic, rife in inequalities between women and men, ethnic groups, but also pushing youth on the margins of the labor market. As a result, the Economic Revival Package

aimed to push for a reduction of such inequalities, through this measure. In addition, as those employed in precarious workplaces, and those in the informal sector, were affected by job losses to a significantly greater extent, support for the re-employment of those who lost their jobs during the pandemic was another target in the effort to mitigate the growth of inequality.

The measures listed in the Employment Support Measure, within the Economic Revival Package, are as follows.

1. Reinstatement to work of those who lost their jobs during the pandemic - at the amount of 10 Million Euros.
 - This sub-measure was implemented by subsidizing, for a quarterly period, salaries in the amount of € 170 per month, for all those who lost their jobs in the period March 2020 - April 2021.
2. Support for formalized employees - in the amount of 10 Million Euros
 - This sub-measure contemplates support to newly employed, who were not formally registered in the previous three months, by covering their pension contributions in the amount of 10% of the salary, for up to 12 months.
3. Support to the employment of women - in the amount of 5 Million Euros
 - This sub-measure aimed to address gender inequality in the labor market, by subsidizing 50% of the salary (up to a maximum of 150 Euros per month) for a quarterly period, for all women who were not employed in the last three months. Upon expiry of the three-month period, employed women who benefited from this measure would be carried over to support under the sub-measure 1.2, with pension contributions being paid to them.
4. Guaranteed Youth Employment Scheme - in the amount of 10 Million Euros
 - This sub-measure aims to address the employment disadvantage faced by young people. Under this measure, the guaranteed employment scheme for young people aged 18-24 provides subsidies to the minimum wage for all young people of this age, who are employed in their first job.

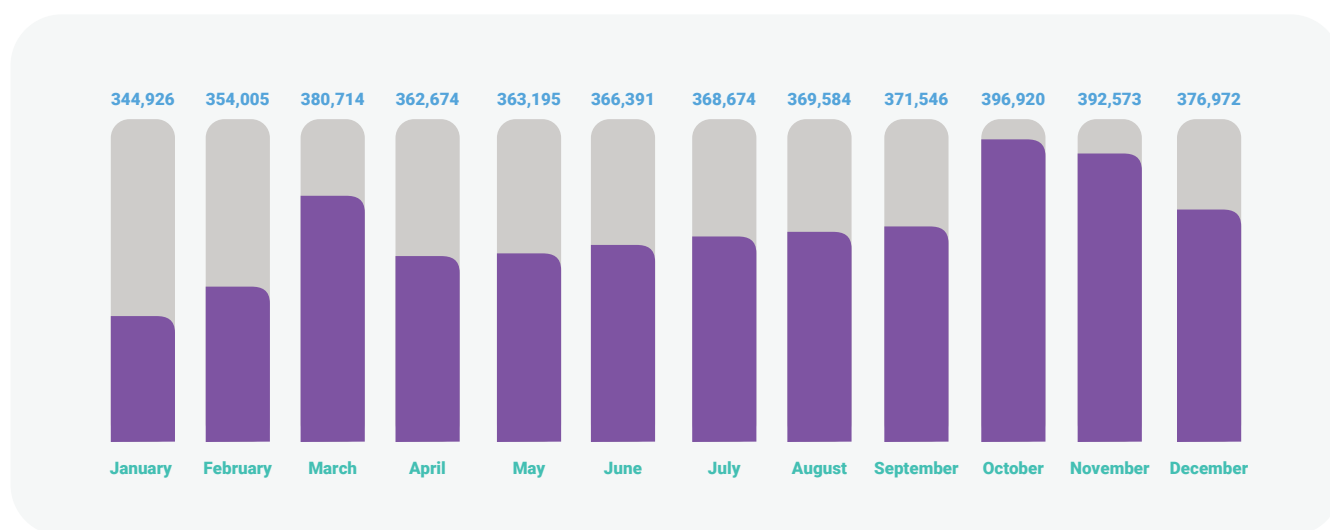
5. IT Training and employment - in the amount of 5 Million Euros
 - This sub-measure envisages addressing the skills gap in the labor market, by providing vouchers for information technology training, and providing employment support in the first three months to all those who successfully complete the training.
6. Support to the employment of persons with special needs - in the amount of 5 Million Euros
 - In order to address inequalities in the labor market and provide equal opportunities for persons with disabilities, this sub-measure contemplates a 50% subsidy of salaries (up to a maximum of €150 per month), for the first 6 months of employment of persons with special needs.
7. Handicraft Grant Scheme
 - This sub-measure aims at the self-employment of those who are ready to learn new crafts, for which they will be certified. These grants are offered in the amount of up to 3,000 euros, all designated at purchasing equipment and business start-ups.

Staying true to political promises to support employment, the Government of Kosovo designed the first measure of the Economic Revival Package to mitigate the negative impact of the COVID-19 pandemic on employment, and to address labor market deficiencies. By developing measures targeting specific categories, such as women, youth, and persons with special needs, this measure has a comprehensive character. In addition, by targeting marginalized groups in the labor market, measure 1 of the package also seeks to commence addressing key issues of the labor market inequality.



In the absence of labor market data from the Kosovo Statistics Agency, the analysis of the specific impact of employment support within the Economic Revival Package remains incomplete. However, based on the data of the Tax Administration of Kosovo, one may observe the change in the number of employees before and after the commencement of the implementation of the package. Beginning in August 2021, the number of those registered as employed in TAK began to show a gradual increase, reaching the largest increase in the last quarter of 2021, the period when the implementation of sub-measure 1.1 of the Economic Revival Package was at its peak. Thus, since due to the absence of data from KAS, it is not possible to assess whether this measure did make for an increase in employment, we may note that it did achieve an increase in the formalization of employment, according to TAK data.

Figure 1: Workers registered in the Tax Administration of Kosovo, 2021

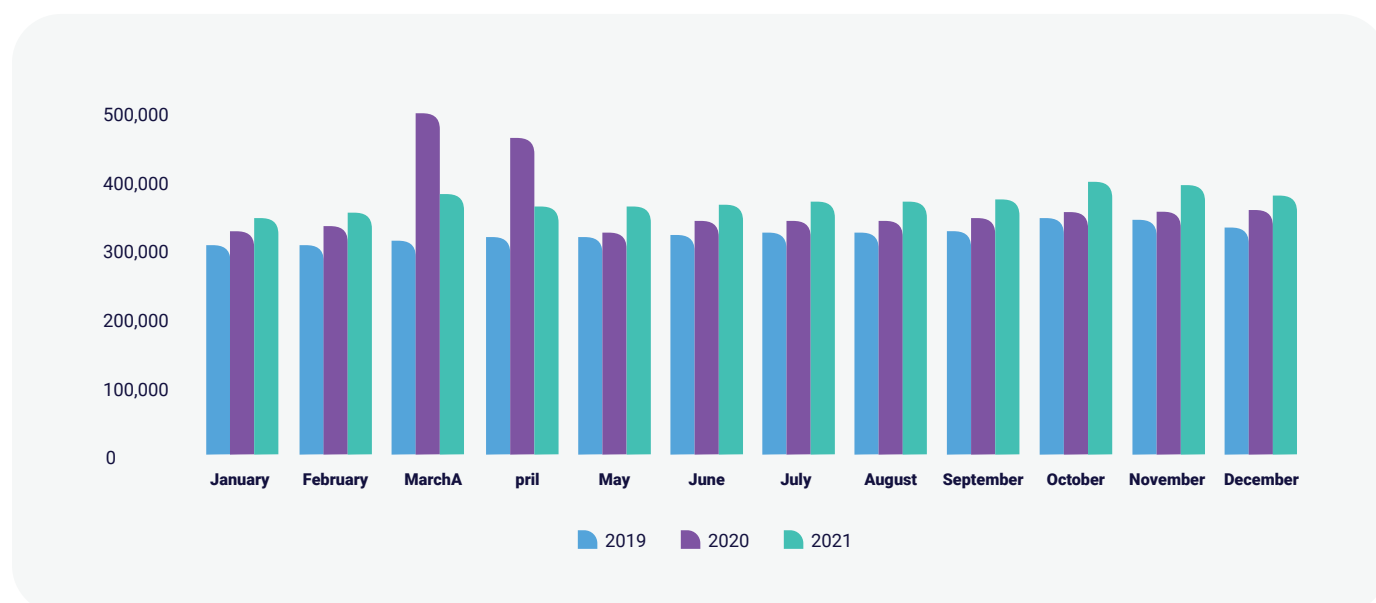


Source: Tax Administration of Kosovo

Furthermore, data from the Pension Trust shows that the number of active pension contributors increased by 13.6% during Q2 2021, marking an increase of around 40,000 formal jobs compared to the same period in 2020 and 2019.⁴ To compare employment over the years, according to TAK data, we note that formal employment marked a large increase in March and April of 2020, which corresponds to prior measures of economic recovery, albeit declining significantly in the following months. On the other hand, the increase in the number of employees in TAK for the year 2021 did mark a gradual increase, until October 2021, when one sees a slight decrease in the following months, although still remaining above the levels of previous years.

⁴ World Bank, Greening the Recovery, accessed at: <https://openknowledge.worldbank.org/bitstream/handle/10986/36402/Greening-the-Recovery.pdf?sequence=1&isAllowed=y>

Figure 2: Workers registered in the Tax Administration of Kosovo, 2019-2021



Source: Tax Administration of Kosovo

The data of the Tax Administration of Kosovo for the first quarter of 2022 show that the number of employees for Q1 2022 was 372,379 people in employment.⁵ Compared to Q1 of 2021, this represents an increase of 4.2%.⁶ According to the Ministry of Finance, Labor and Transfers, the greatest increase in employment was recorded in the real estate, health, and arts sectors, while the employment of individuals and the public administration sector suffered a decline.

In June 2022, with the conclusion of the implementation of measures 1.2 and 1.3, the total number of beneficiaries of these measures has not yet been made public and is in the process of verification. Given that measure 1.3 was aimed at improving the status of women in the labor market, it is important to publish this data in order to assess whether this measure had a positive impact on increasing the women's participation and employment in the labor market. In terms of employment of women, a once-off measure for the payment of €100 to employees receiving salaries under €1,000, with a special focus on the private sector, was described as being discriminatory against women, given the low level of employment of women and their under-representation in the labor market.⁷

⁵ Ministry of Finance, Labor and Transfers, Macroeconomic Bulletin, Q1, 2022, accessed at: <https://mf.rks-gov.net/desk/inc/media/8B1D-BC03-763D-46F5-8146-72B643730100.pdf>

⁶ Ibid.

⁷ QIKA reacts against the Economic Revival Package, <https://prointegra.ch/qika-reagon-ndaj-pakos-se-ringjalljes-ekonomike/>

Sub-measure 1.4, which aims to guarantee the employment of young people, begun with a measure of improving vocational education, thereby aiming to reduce the skills gap in the labor market. In the framework of this measure, a project with the University of Prishtina begun implementation, providing internship placements for the further development of students' skills. Reportedly, this project targeted 170 beneficiaries, but in the absence of applications, only 63 young people from the University of Prishtina benefited from the guaranteed employment scheme. However, drawing from this measure, the Government of Kosovo, supported by the International Labor Organization (ILO) and other international partners, begun implementing the Youth Guarantee Scheme. The Ministry of Finance, Labor and Transfers established a ministerial commission for monitoring the implementation of this scheme, while the Ministry of Culture, Youth and Sports will serve as the lead institution for the implementation of this scheme.⁸

In an effort to reduce the skills gap in the labor market, sub-measure 1.5 'IT Training and employment' was implemented by MESTI. Under this measure, 943 graduates benefited from this measure, with vouchers for training in the field of IT⁹, while 552 women and girls in STEM fields were also supported by MESTI¹⁰. However, the long-term impact of these beneficiaries should be monitored in the future, as at this stage, data only exists for the beneficiaries of this sub-measure, not the impact of this measure on them.

The implementation of sub-measure 1.6, Support to the employment of persons with special needs, commenced in June 2022, and the evaluation of this measure is impossible. Meanwhile, official records on sub-measure 1.7 Support to self-employment in trades, are still absent, it is impossible to monitor this measure. However, the implementation of these measures, at any level, has the potential to generate a positive economic effect, especially in reducing the skills gap and inclusiveness in the labor market.

⁸ Implementation of youth support schemes in the Balkans, accessed at: <https://www.vjccemladih.ba/wp-content/uploads/2022/06/Youth-Guarantee-Deployment-in-the-WB6.pdf>

⁹ Decision announcing the high school graduate beneficiaries for attending courses in the field of information technology, last accessed on 27.06, available at <https://spinp.agency/masht/wp-content/uploads/2022/05/vendimi-me-no-01b-3579-for-beneficiaries-of-subsidies-to-graduates-for-following-courses-in-your-field.pdf> (accessed in June, 2022)

¹⁰ Decision announcing a revised list of beneficiaries of the Financial Support for Women/Girls in STEM fields, accessible at <https://spinp.agency/masht/wp-content/uploads/2022/05/vendimi-me-no-01b-3578-to-beneficiaries-of-financial-support-for-students-girls-women-in-stem-fields.pdf> (accessed June, 2022)

Measure 2 - Revival of the Economy and Manufacturing

The negative impact of the COVID-19 pandemic on the economy of Kosovo has brought about an economic decline of over 5% in 2020. However, the double-digit level (about 10%) recovery of the economy in 2021, according to the Central Bank of Kosovo¹¹, is expected to have positive effects both in the economy and in improving the environment for doing business and increasing investment confidence.

To further support the economic revival, with a focus on production, Measure 2 of the Economic Revival Program has foreseen a sum of 108 Million Euros for the support of the private sector, with a special focus on investment in technology and innovation, manufacturing and exports. However, since the Law on Economic Recovery, adopted and implemented until the end of 2021, was in force, the implementation of this measure is slower. Since the following measures are still in implementation, it is difficult to assess their impact.

Measure 2 for the revival of the economy and manufacturing foresees the following sub-measures:

1. Loans for subsidized investments - in the amount of 30 Million Euros
 - Processing and manufacturing businesses will be supported if they obtain loans to expand their capacities, subsidizing up to 20% of the loan principal, namely 10% of the principal at the beginning, to allow for an initial grace period, as well as another 10% at the end of the loan, if the investment objectives are met.
 - Women-owned businesses will also be supported if they obtain loans to expand their capacities, up to 20%, regardless of the sector in which they operate.
 - Businesses that suffer a decline in revenue, but maintain the number of employees, and now need liquidity to prepare for new investments, would be able to obtain subsidies at 10% of the loan principal
2. Business support for access to finance - in the amount of 43 Million Euros
 - Support to the Kosovo Credit Guarantee Fund, by adding another 40 Million Euros in its capital, which would enable the issuance of guarantees to the amount of 120 Million Euros in additional loans for businesses.
 - Also, another 3 Million Euros would subsidize the Fund's fees, which should release the potential for another 86 Million Euros in guaranteed loans.
3. Investments in IT and innovation - in the amount of 10 Million Euros
 - 7 Million Euros are earmarked for investments in digitization and innovation, supporting small and medium-sized businesses, boosting the transition to the digital age.
 - 3 Million Euros are to be invested in the Innovation and Training Park in Prizren (ITP Prizren) to create an important center for the IT sector development. Such investments should mobilize another 4 Million Euros in grants by donors.

¹¹ Central Bank of Kosovo, Macroeconomic Indicators, accessed July 2022: <https://bqk-kos.org/cag/sq/>

4. Support to Exports - in the amount of 10 Million Euros
 - This measure should support manufacturing and exporting businesses in increasing their quality, and obtaining the necessary certificates. Assistance in product design and marketing will also be part of the support measure. Participation in fairs abroad will also be supported.
5. Rural recovery through agriculture and agro-tourism – at the amount of 10 Million Euros - Support to agricultural products should go beyond manufacturing.
 - Under this measure, investments will be made in the establishment of infrastructure and prerequisites for the development of agro-tourism in our villages. This includes support for investments that would enable the conversion of country houses into guesthouses for hosting accommodation.
6. Recovery of hotelier sector and closed businesses - in the amount of 5 Million Euros
 - This measure should support businesses mostly affected by the pandemic, which due to the lockdown, could not meet their dues to state institutions and banks.

While sub-measure 2.1 is still in implementation, and there is no official data on the level of implementation, the application window for loans meeting requirements for support was open until June 2022. As a result, the data on the implementation of this sub-measure, in addition to the number of enterprises supported, should also allow for the tracking of the impact of such investments, in order to assess its real impact.

Likewise, sub-measure 2.2 remains unimplemented in its entirety, given that at the time of enactment of such measure, the Law on Economic Recovery, which also provided for support for enterprises for access to finance, was in effect. The budget for supporting the fees of the Credit Guarantee Fund, at the amount of €3 million, was allocated, but the remaining sections of sub-measure 2.2 have not been implemented yet.

Sub-measure 2.3, which provides support for investments in IT and Innovation, is being implemented. The €3 Million in support of the Innovation and Training Park (ITP) in Prizren has been executed. ITP has been operationalized and currently there are seven innovative businesses operating within this park.¹²

For sub-measure 2.4 ‘Export Support’, some €7 Million were allocated, which according to the Ministry of Finance, Labor and Transfers, was distributed by the list of beneficiaries selected within the “Competitiveness and Readiness for Export” project, namely to “Matching Grants Program”.¹³ In addition, export sectors have marked a significant increase in Kosovo, compared to previous years. The value of Kosovo’s exports in the first half of 2022, compared to the first half of 2021, increased by about 30%, from €322 million in 2021 to €423 million in 2022.¹⁴

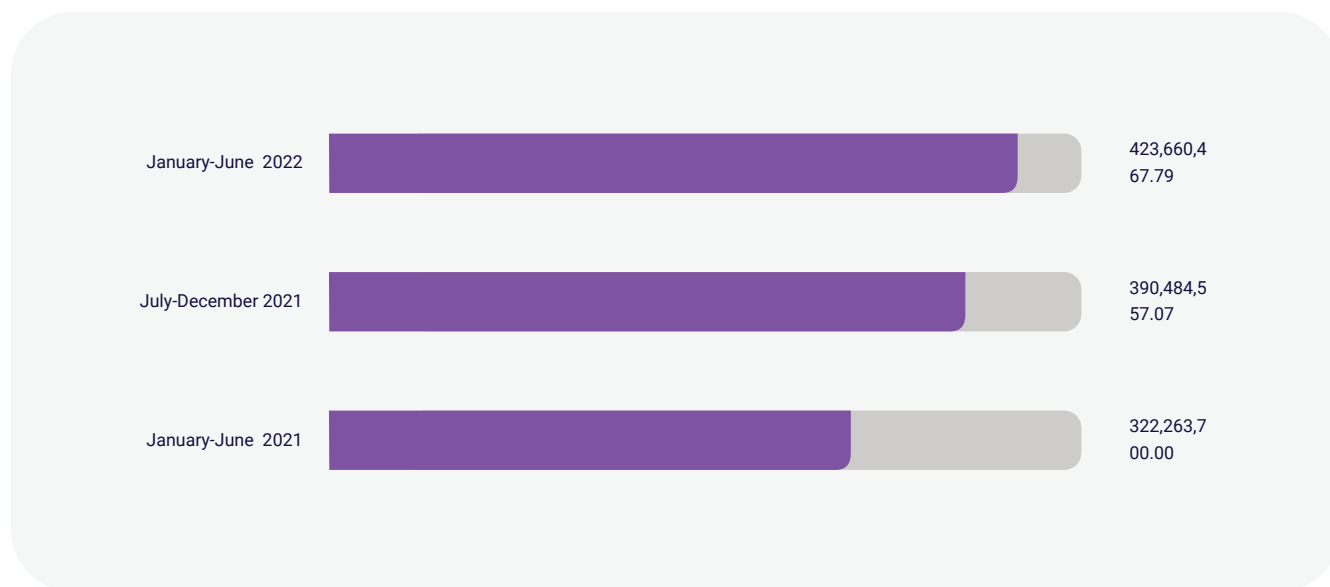
¹² <https://itp-prizren.com/tenants/>

¹³ VDecision on setting the conditions and criteria for the partial implementation of measure 2.4, accessed at: <https://mf.rks-gov.net/desk/inc/media/64326E76-4375-4241-8FA3-D6C1EB226CE6.pdf>

¹⁴ Kosovo Customs, Foreign trade data, accessed at: <https://dogana.rks-gov.net/per-doganen/statistikat-dhe-arritjet/>

Even compared to the second half of 2021, exports for the period January-June 2022 were estimated at over €30 million higher, compared to the period of July-December 2022.¹⁵ It is important to note that the increase in exports occurred in added value sectors, compared to previous periods, when Kosovo's exports were dominated by sectors with little or no added value.

Figure 3: The amount of Kosovo's exports, in six-month periods, 2021-2022



Source: Kosovo Customs, 2022

For sub-measure 2.5 Rural Revival through agriculture and agro-tourism, €2.5 million were allocated¹⁶, but this measure has not yet been operationalized.

In the Sub-measure Recovery of hotelier sector and closed businesses, there is no data on the number of beneficiaries and businesses operating in this sector, for the six-month period of 2022. According to KAS, during Q1 of 2022, 46 enterprises that were operating in the hotelier and catering services sector were closed, while 279 new enterprises were registered in this sector.¹⁷ As a result, the profitability and functionality of the sector remains positive, given that more enterprises were registered than wound-down in this period.

¹⁵ Ibid.

¹⁶ Decision 20/50 of the Government of Kosovo, Official Gazette, 23.12.2021, accessed at <https://gzk.rks-gov.net/ActsByCategoryInst.aspx?Index=3&InstID=3&CatID=30>

¹⁷ New and re-registered enterprises, accessed at: https://askdata.rks-gov.net/pxweb/sq/ASKdata/ASKdata__Statistical%20business%20register_Statistical%20repertoire/enterprises01.px/



Measure 3 - Support to Households

The social and human impact of the COVID-19 pandemic was contemplated to be mitigated through the Economic Revival Package, however, the sub-measures proposed and implemented within the family support measure are insufficient. In order to combat the inequalities exacerbated by the pandemic, the Government has foreseen a number of measures aimed at increasing social support for families most in need.

Measure 3 – Support to Households, in the amount of 50 Million Euros, contains the following sub-measures:

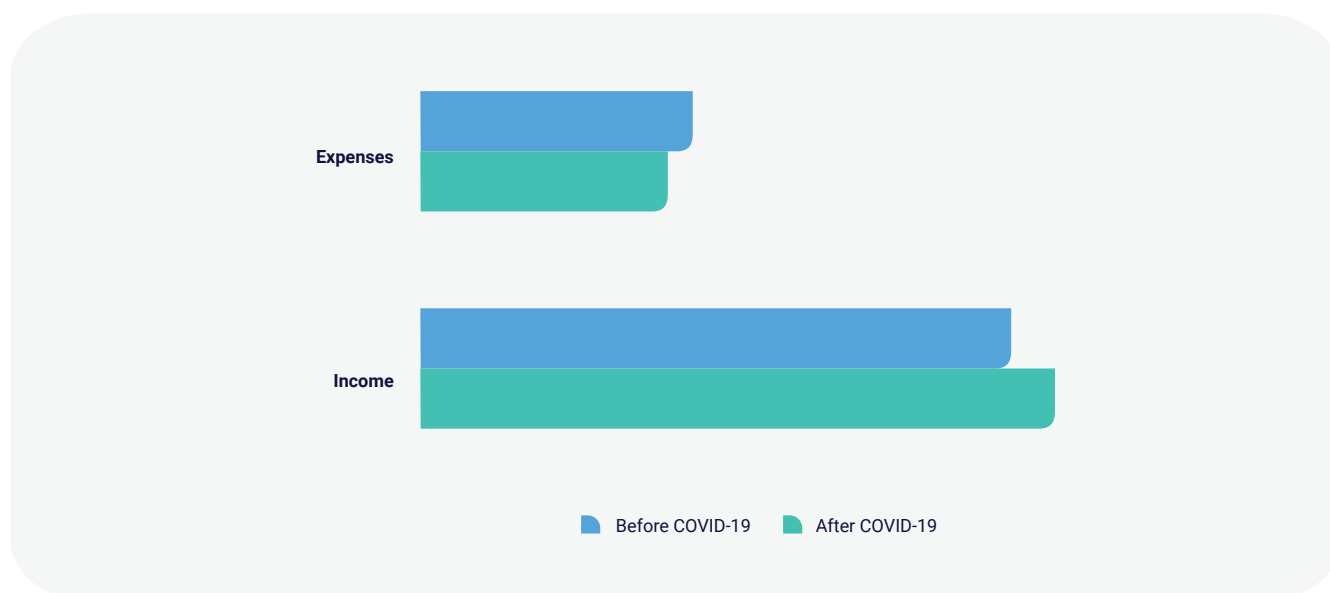
1. Support for families who have lost the head of the family - in the amount of 4 Million Euros
 - Support to all families who have lost the head of the family to COVID-19
2. Support to pensioners and families under social assistance - at the amount of 17 Million Euros
 - Pensioners' allowances are to be paid, so no pensioner will have a pension below 100 Euros, and support shall be provided to families under social assistance at 30% above the regular level.
3. Social Assistance Scheme Reform - at the amount of 12 Million Euros
 - Reforming the social assistance scheme, in cooperation with the World Bank, with the aim of expanding it to include more families in need. The total value of the project is expected to be around 47 Million Euros.
4. Food coupons for families in need - in the amount of 4 Million Euros
 - For 6 consecutive months, in cooperation with UNDP and EU funding, 7,500 families most in need shall be offered a food voucher worth 60-70 Euros, depending on the size of the family.
 - Such support should be extended to another 3,000 families from non-majority communities, with IOM support.
5. Allowances for new mothers unemployed - in the amount of 3 Million Euros
 - Under this scheme, all women who upon giving birth are not employed, shall benefit from support at the level of the minimum wage for 6 consecutive months=.
6. Support to Household Liquidity - in the amount of 10 Million Euros
 - To cope with family liquidity, we shall subsidize consumer loans up to 3000 Euros.

Submeasure 3.1, which contemplates support to families that have lost the head of the family due to the COVID-19 pandemic, has been fully implemented and has covered all families which applied to benefit from this measure. The total number of households that have benefited from sub-measure 3.1 is reported to be 3,396. However, even though this measure has provided assistance to families in need, it remains non-inclusive, as it leaves aside families that have lost other family members who contributed to the family budget, but were not necessarily the head of the family.

Sub-measures 3.2 and 3.5 were converted from temporary measures to longer term measures. Support to pensioners and families in social assistance, which contemplated social assistance or pensions not under the amount of €100, has been implemented as a measure, and continued as a state policy for an indefinite period. During the month of May 2022, during the month according to KAS, 25,482 families, with over 100,000 members, benefited from the social assistance scheme, while 149,794 individuals benefited from the basic age pension scheme. This represents a significant number of citizens of Kosovo.

Despite this, considering that the hike in prices faced by the Kosovo economy is enormous, this support scheme should be reviewed in order to accommodate the inflation of the last year. In general, for Kosovan families, monthly incomes have declined after the COVID-19 pandemic, while expenses have increased, as seen in the figure below.

Figure 4: Income and expenses before and after the COVID-19 pandemic for Kosovan families



Source: Central Bank of Kosovo, 2022

These data and the continuous increase in the prices of basic items (food and non-alcoholic beverages), which in Kosovo constitute about 40% of the expenses of each household¹⁸, represent a wake-up call for the revision of long-term measures which were instituted under such ERP measures.

Equally, the support to unemployed new mothers is considered a welcome and successful measure, and as such, it was contemplated for further continuation. In addition to this measure, within the framework of supporting women with children, the Government also begun implementing a program of child allowances. Over 13,000 women have benefited from this measure until the expiry of this emergency measure for economic revival. However, the design of measures to support women must be done carefully, so that it does not serve as an incentive to increase the

¹⁸ Kosovo Statistics Agency, accessed at: <https://ask.rks-gov.net/sq/agjencia-e-statistikave-te-kosoves/add-news/rezultatet-e-anketes-mbi-te-ardhurat-dhe-kushtet-e-jeteses-eu-silc-2018>

burden of care for women, and does not serve to cement the traditional role of women within the family. The monitoring of the measure of support to unemployed new mothers should be conducted rigorously, so as to ensure that this measure does not serve to reduce opportunities for women to access the labor market, when they are interested in doing so.

Proper implementation of sub-measure 3.3 has the potential to have a major impact on improving social welfare in the country. A revision of social schemes should ensure that they target the most needy families and individuals, and that they serve not as a barrier to families in situations of poverty but as an opportunity to improve their well-being. The proper implementation of this measure is necessary and as such may have a long-term economic impact.

The implementation of sub-measure 3.4, which envisages Food Coupons for families in need, was conducted according to the initial design and was carried out in cooperation with NGOs providing social welfare services.¹⁹ This measure provided support for the food consumption of families in need through coupons up to €50. In addition, the coupons were valid for the use of products produced in Kosovo, and indirectly supported local producers.

Support to family liquidity, through sub-measure 3.6, has subsidized 10% of consumer loans up to €10,000 for Kosovar families. Although this measure is in principle appropriate to increase the liquidity of families in times of uncertainty, it must be carefully monitored to prevent the misuse of loan applications, and to avoid further inflation rise. By February 2022, over 3,000 families have benefited from this measure, and in April 2022, the Government allocated another €7.3 Million for this measure.²⁰

As a measure that aims to increase liquidity and controlled borrowing, in the amount of up to €10,000, this measure can have a positive effect on families. According to CBK, the average amount of approved household loans in Kosovo is €5,400²¹, which is within the limit foreseen by this measure, and with an average duration of over 5 years, which signals the long-term impact of this measure undertaken.

¹⁹ Public call for non-governmental organizations and other entities providing social services to vulnerable categories of society through food packages at [2B4DCDBE-3B9F-49CE-895E-1B1227597DBA.pdf](https://rks.gov.net/2B4DCDBE-3B9F-49CE-895E-1B1227597DBA.pdf) (rks.gov.net)

²⁰ Government Decision on the allocation of budget funds for measure 3.6 No. 10/69 in [Vendim-i-mbledhjes-se-72-te-Qeverise-se-Republikes-se-Kosoves-1.pdf](https://rks.gov.net/Vendim-i-mbledhjes-se-72-te-Qeverise-se-Republikes-se-Kosoves-1.pdf) (rks.gov.net) (Accessed June, 2022)

²¹ Central Bank of Kosovo, Debt Burden of Households in Kosovo, accessed at: https://bqk-kos.org/wp-content/uploads/2022/04/01BQK_NBEF-1.pdf

Measure 4 - Support to the Public sphere

Support to the public sector, especially health care and education, is essential in the phases of economic recovery. These sectors have been greatly impacted during the COVID-19 pandemic, and have been essential to the economic and social recovery from this pandemic. In addition to the support of the public sector, this measure envisages that through such support, the public services offered in Kosovo would also be improved.

Measure 4 – Support to the Public sphere, at the amount of 112 Million Euros, contains the following sub-measures:

1. Support to Health Care - at the amount of 53 Million Euros
 - This measure provides for the purchase of vaccines and other expenses related to the management of the pandemic. Likewise, the allocation of funds for the purchase of essential drugs, as well as to cover the cost of specialized medical staff.
2. Support to Education - in the amount of 9 Million Euros
 - This measure should cover the gap created in own revenues of public universities during the pandemic, allow for the purchase of textbooks for students, and provide 1 Million Euros in scholarships for students studying science, technology, engineering and mathematics.
3. Support to Culture and Sports - at the amount of 5 Million Euros
 - This measure envisages the support of cultural and sports projects.
4. Support to security - in the amount of 10 Million Euros
 - For the advancement of the KSF towards a modern army, to allow for the fulfillment of its mission, there shall be support for the purchase of military equipment and devices.
5. Support to the Diaspora - in the amount of 5 Million Euros
 - It provides for the coverage of the cost of border insurance policies for all emigrants coming to Kosovo.
6. Support to Publicly Owned Enterprises - in the amount of 30 Million Euros
 - This measure envisages the crediting of public enterprises to enable the implementation of the recovery plan.

Sub-measure 4.1, in terms of vaccination of the population against the COVID-19 pandemic, has been successful, ranking Kosovo as the country with the highest level of vaccination in the region. This has allowed for an easier return to *the new normal* of the economy, thus ensuring that there is no shutdown. However, the vaccination rate has stagnated with cases falling in the first half of 2022. Under the framework of this measure, the workers of the health sector were also supported with salary additions for 3 months in 2021. However, the health care sector itself found this measure to be insufficient, and requiring that the salary increase in this sector become permanent.

Sub-measure 4.2, targeting the STEM sectors in education, is rather appropriate, and according to reports, it has been implemented by MESTI, but there are no official data on the implementation of this measure. The long-term impact, especially on the labor market, may be analyzed in the years to come.

The sub-measure for support to culture and sports has encountered problems in its implementation by the Ministry of Culture, Youth and Sports. The allocation of funds for the execution of this measure had been made by the Government of Kosovo, however, the irregularities reported during the application and selection of beneficiary NGOs within this measure caused MCYS to reinstate the procedures²².

Although of great importance, sub-measure 4.4 is considered to be too poor in covering for the needs in the security sector in Kosovo. This being the case, the Government has established a Security Fund, for which a bank account was opened, to request contributions from the citizens of Kosovo. The manners of utilization of such funds allocated and collected in the fund remain to be evaluated in the future.

Considering the importance of the Diaspora in the economic progress of the country, the sub-measure which supports emigrants by easing the financial burden of the border insurance policy is rather welcome, and has been extended for implementation in 2022. In 2022, migrants can apply for this service through the online platform.²³ However, the improvement of travel conditions, especially long waits at the border, are major concerns of the Diaspora, who consider them as barriers to their visits. Reducing the financial burden, without reducing the burden of times of wait, is seen as a flawed policy.

The funds for the implementation of the sub-measure for the support of public enterprises have been allocated by the Government of Kosovo²⁴ however, their implementation has not been full. It is extremely important to support enterprises in the energy sector, due to the issues resulting from global energy problems as a result of the war in Ukraine. The Government of Kosovo has already returned €20 collected as dividends from KOSTT to this company, since KOSTT showed liquidity problems. On the other hand, Trepça JSC and Telecom JSC have benefited from this measure. Since these enterprises are still operational, the sub-measure to support them has had a minimal impact.



²² https://www.mkrs-ks.org/?page=1,6,2714#.Ys_H0HZBzEZ

²³ <https://masa4-5.rks-gov.net/>

²⁴ Decision no. 01/53 of the Government of Kosovo, Official Gazette, 31.12.2021, accessed at <https://gzk.rks-gov.net/ActsByCategoryInst.aspx?Index=3&InstID=3&CatID=30>

Measure 5 - Investment in infrastructure and environment

This measure envisages that around 100 Million Euros would be dedicated to investments in strategic projects mainly related to road and railway infrastructure, as well as investments in environmental protection. As sectors of vital importance for Kosovo, the investment and execution of this measure is necessary.

Investments in the improvement of railway infrastructure are necessary to support the development of industry, and above all, of manufacturing and exports.

In terms of the environment, Kosovo urgently needs investments in environmental protection and industry improvement, in order not to damage the environment and to avoid environmental problems in the future.



Conclusions

The implemented recovery packages and measures were not enacted upon extensive public consultation, and were mainly focused on direct payments to citizens. The proposed measures were not consulted with citizens, and there was a clear list of expectations for each measure. This made the process of monitoring the measures difficult, since there was no reference point to compare progress with the results achieved.

The Government was not entirely open to civil society and other social actors. On the one hand, the political figures of the Government published infographics and data regarding the execution of the measures, while on the other hand, they did not agree to meetings with the civil society, while obtaining information was extremely difficult.

There was no proper planning of the measures, and there was no set of economic, environmental and social criteria before designing the packages. The revival package had no economic, environmental and social criteria.

The implementation of a significant part of the measures remained incomplete or partial. The 5th revival measure was not implemented at all, while some of the measures were only partially implemented. Among those measures that were implemented, there was no assessment or evaluation of their impact on the economy, environment and social protection.

The recovery package had no effect on the recovery of the economy, and did not address the root causes of the crisis. The package did not have a transformative effect on the economy, nor on the lifestyle, in order for the effect to be long-lasting.

Recommendations

To assess and monitor the impact of the Economic Recovery Package, timely data must be collected and published. The Government of Kosovo, through the Statistics Agency of Kosovo, must ensure that the data are reliable and published on time.

Inclusiveness still remains an issue in Kosovo. Although ERP has contemplated some measures to improve inclusiveness, inequalities of different levels remain visible and need to be addressed through long-term policies.

In order to allow for an evaluation of the impact of measure 1, the labor market data should be published, as well as the conduct of follow-up studies, for the beneficiaries of the skills development and employment growth schemes.

The beneficiaries of measure 2 should be monitored, and it must be ensured that the implementation of this measure is in line with the projected impact on the economic improvement of the private sector. Special focus should be given to the implementation of export support, ensuring that Kosovo maintains the momentum created in increasing the value of exports.

Support for education and employment should also be achieved with long-term policies to reduce the skills gap and address labor shortage concerns.

Measure 3, with its sub-measures still in implementation, should ensure that it is inclusive and reduces inequalities. Long-term policy measures must ensure that they address inequalities and not deepen them.

Investments in infrastructure and environment should be aimed towards a green economy, which does no harm to the environment, but also ensures the integration of Kosovo in global infrastructure value chains. Being timely to intervene, it must be ensured that investments are in line with the best practices of a green and environmentally friendly economy.



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