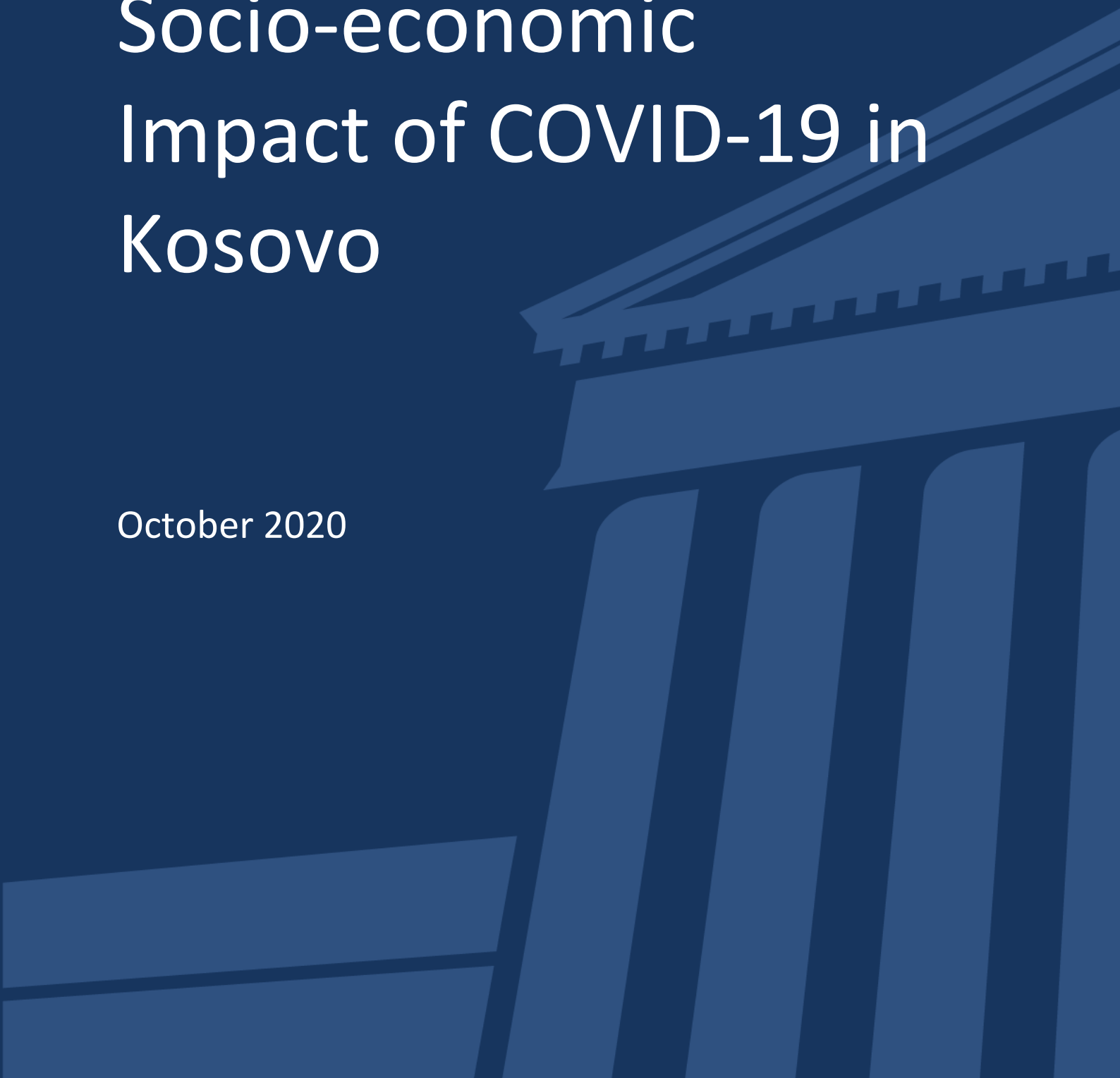


Socio-economic Impact of COVID-19 in Kosovo

October 2020





GROUP FOR LEGAL
AND POLITICAL
STUDIES

Group for Legal and Political Studies

is an independent, non-partisan and non-profit public policy organization based in Prishtina, Kosovo.

Our mission is to conduct credible policy research in the fields of politics, law and economics and to push forward policy solutions that address the failures and/or tackle the problems in the said policy fields.

legalpoliticalstudies.org

Policy Analysis 06/2020

Socio-economic Impact of COVID-19 in Kosovo

Author: Marije Luitjens Tol

October 2020

© Group for Legal and Political Studies, October, 2020.

The opinions expressed in this document do not necessarily reflect those of Group for Legal and Political Studies donors, their staff, associates or Board(s). All rights reserved. No part of this publication may be reproduced or transmitted in any form or by any mean without the permission. Contact the administrative office of the Group for Legal and Political Studies for such requests.

Group for Legal and Political Studies
“Rexhep Luci” str. 16/I
Prishtina 10 000, Kosovo
Website: www.legalpoliticalstudies.org
E-mail: office@legalpoliticalstudies.org
Tel/fax.: +381 38 234 456

*Affiliated International Research Fellow, Group for Legal and Political Studies

SOCIO-ECONOMIC IMPACT OF COVID-19 IN KOSOVO

I. INTRODUCTION

Prior to the official announcement of the first case of COVID-19 in the Kosovo, the government declared measures to close schools, ban public gatherings, and restrict incoming European flights on March 13.¹ The government was initially hailed for taking these quick actions to counter the spread of COVID-19, as the situation appeared to be under control. Despite this, a dispute within the government arose on the 18th of March. As a result, the young coalition government led by Prime Minister Albin Kurti was voted out of power on the 25th of March through a no-confidence motion.² After a turbulent period, the constitutional court approved the installment of a new government led by Avdullah Hoti, which was confirmed on June 3rd.³ Shortly after, Hoti announced via his Facebook that “full circulation [of goods and people] is allowed, but with care, both inside and with other countries in the region”.⁴ With the opening of restaurants, bars and shops, life on the streets quickly seemed to go back to normal. Soon after this decision, the official number of confirmed COVID-19 cases began to increase rapidly, leading to a peak of active cases⁵ between June and August.⁶ Despite this, the media largely focuses on the political crisis unfolding in the country, leaving out issues concerning the pandemic, both regarding the handling of cases and in regard to the widespread socio-economic impact so far.⁷

In the midst of all, another political crisis presented itself at the end of June. With the de-escalation period starting, the Kosovo-Serbia dialogue picked up pace again: a meeting between Thaçi and Vucic was scheduled to take place in the White House on June 27th, led by the US special envoy Richard Grenell.⁸ According to Grenell, the meeting would focus on solving the economic disputes between Serbia and Kosovo, leaving the European Union in charge of the political dialogue.⁹ On the 24th of June, Thaçi, accompanied by Hoti and various other government representatives, was on his way to the USA when the Specialist Prosecutors Office published a press statement filing an indictment against among others Hashim Thaçi and Kadri Veseli.¹⁰ While the indictment still has to be accepted by the judge, Thaçi is accused of war crimes and the murder of nearly a hundred people. Despite denying these allegations, the political crisis

¹ 2020. Kosovo confirms first COVID-19 cases, Montenegro last virus-free country in Europe. *Daily Sahab*, [online] Available at: <<https://www.dailysabah.com/world/europe/kosovo-announces-first-coronavirus-cases>> [Accessed 10 September 2020].

² Walker, S., 2020. Kosovans look on aghast as government falls while coronavirus bites. *The Guardian*, [online] Available at: <<https://www.theguardian.com/world/2020/mar/26/kosovo-government-falls-in-vote-of-no-confidence>> [Accessed 10 September 2020].

³ Sopi, A., Osmani, T., Bami, X., 2020. Kosovo Parliament Confirms New Govt Under Hoti. *Balkan Insight*, [online] <<https://balkaninsight.com/2020/06/03/kosovo-parliament-confirms-new-govt-under-hoti/#gsc.tab=0>> [Accessed 11 September 2020].

⁴ Hoti, A. Status update. *Facebook*, [online] Available at: <<https://www.facebook.com/avdullah.hoti/posts/3347484125312918>> [Accessed 10 September 2020].

⁵ Despite initial decline spread of COVID-19 is currently still unfolding and numbers are once again increasing. On the 13th of October 2020 there are 16345 confirmed infections and 649 confirmed deaths (see 6).

⁶ OECD, 2020. The Covid-19 Crisis in Kosovo. *OECD*, [online] Available at: <<https://www.oecd.org/south-east-europe/COVID-19-Crisis-in-Kosovo.pdf>> [Accessed 13 October 2020]; 2020. Our World in Data, *Oxford University* [online] Available at: <<https://ourworldindata.org/coronavirus#coronavirus-country-profiles>> [Accessed 13 October 2020].

⁷ Mehmeti, J., 2020. Media should focus on COVID-19, not political drama. *Prishtina Insight*, [online] <<https://prishtinainsight.com/media-should-focus-on-covid-19-not-political-drama/>> [Accessed 18 September 2020].

⁸ Bami, X., 2020. Grenell: US to lead Kosovo-Serbia Talks on Economy, EU on Politics. *Balkan Insight*, [online] Available at: <<https://balkaninsight.com/2020/06/19/grenell-us-to-lead-first-part-of-serbia-kosovo-talks/>> [Accessed 18 September 2020].

⁹ Ibid.

¹⁰ 2020. Press Statement. *Kosovo Specialist Chambers & Specialist Prosecutor's Office*, [online] Available at: <<https://www.scp-ks.org/en/press-statement>> [Accessed 18 September 2020].

in Kosovo has deepened further, overshadowing the widespread impact that COVID-19 has on the country's well-being.¹¹

While a significant drop in the national economy is expected, the Economic Recovery Package is yet to be formalized fully, as the Draft Law on Economic Recovery only passed a first reading the Assembly on October 12.¹² In order to take the right measures to bounce back from the damage the pandemic leaves behind, it is crucial to understand the socio-economic consequences of COVID-19, which is the main focus of this policy analysis. To discuss the socio-economic consequences of COVID-19 thoroughly, the analysis is first of all divided in two parts: the first part of the paper focuses on the impact that is currently visible in Kosovo, while the second half discusses the possible long-term socio-economic effects of COVID-19. Within both parts, the impact is analyzed along three levels: nationwide level, household level and business level.

II. SETTING THE STAGE: THE SOCIO-ECONOMIC IMPACT OF COVID-19 IN KOSOVO

a. Socio-economic consequences on national level

While it should not be understood as a direct consequence, the spread of COVID-19 led to a change of government in the midst of the pandemic. As written in a recent GLPS study, it appears that the opposition to the change that ex-prime minister Albin Kurti represented, successfully managed to topple the government after a disagreement on the management of the spread of COVID-19.¹³ As a result, a new government led by PM Hoti has been sworn in the beginning of June. Despite this, as argued by the Europe Policy Advisory Group (BiEPAG)¹⁴, the new government lacks legitimacy, an opinion shared by a large part of the Kosovan society. In these times of crisis however, a stable political situation is required to deal with the ongoing health crisis and to limit the socio-economic consequences.

On top of the ongoing political turmoil, the already vulnerable Kosovan national economy is likely to drop significantly. Already before the crisis, the average level of unemployment persisted above 30%.¹⁵ In return, about 30% to 40% of the employees work without formal contract, and therefore without social security.¹⁶ The World Bank has estimated that formal economic activity will contract by 4,5%, instead of the 4% growth that was envisioned prior to the pandemic.¹⁷ This is however based on the assumption that the “pandemic and required containment recede by the end of June for the region”, after which a recovery of economic

¹¹Mehmeti, J., 2020. Media should focus on COVID-19, not political drama. *Prishtina Insight*, [online]

<<https://prishtinainsight.com/media-should-focus-on-covid-19-not-political-drama/>> [Accessed 18 September 2020].

¹²2020. Economic recovery package passes first reading at seventh attempt. *Prishtina Insight*, [online] Available at: <<https://prishtinainsight.com/economic-recovery-package-passes-first-reading-at-seventh-attempt/>> [Accessed 13 October 2020].

¹³Luitjens-Tol, M., Perez, A., 2020. Opportunities for Political Gain: The Instrumentalization of Covid-19 in Four Balkan Countries. *GLPS*, [online] Available at: <http://www.legalpoliticalstudies.org/wp-content/uploads/2020/06/GLPS_PolicyAnalysis032020-1.pdf> [Accessed 18 September 2020].

¹⁴Maksimović, S., 2020. Is the new Kosovo government a chance for Belgrade-Pristina dialogue to continue? *European Western Balkans*, [online] Available at: <<https://europeanwesternbalkans.com/2020/06/05/is-the-new-kosovo-government-a-chance-for-belgrade-pristina-dialogue-to-continue/>> [Accessed 19 September 2020].

¹⁵OECD, 2020. The Covid-19 Crisis in Kosovo. *OECD*, [online] Available at: <<https://wbcrti.info/object/news/20646/attach/COVID-19-Crisis-in-Kosovo.pdf>> [Accessed 13 October 2020].

¹⁶Ibid.

¹⁷World Bank, 2020. Kosovo's Economy Projected to Contract by 4.5 Percent in 2020 Due to COVID-19. *World Bank*, [online] Available at: <<https://www.worldbank.org/en/news/press-release/2020/04/29/kosovo-economy-projected-to-contract-by-45-percent-in-2020-due-to-covid-19>> [Accessed 5 October 2020].

activity would only become visible in the final quarter of 2020.¹⁸ With the ongoing spread of the virus, this scenario is becoming increasingly unlikely, making place for even more negative predictions. On June 18, the government adopted the Draft Law on the Revision of the Budget and announced the expectation for the GDP to shrink by 3%.¹⁹ The IMF however projects the GDP to shrink by 5%, with the current account deficit widening to 7,4% over the course of this year.²⁰ On top of this, the Ministry of Finance and Transfers announced in June that the revenue budget had significantly decreased between March and May. The GAP Institute confirms this, arguing that in this period the budget revenues in 2020 have lowered 28.2%, equal to €133 million, in comparison to 2019.²¹

In response to the foreseen economic crisis the government has announced an emergency response package on 30 March. The emergency support package comprises about €170.6 million (3% of the total GDP) to support individuals, firms, and municipalities affected by the COVID-19 crisis.²² Despite these measures, the Friedrich Naumann Stiftung states it seems insufficient to soften the impact, for the following reasons: “firstly because there are different delays in implementing it, secondly because its value should be higher to meet the increasing needs for help, and thirdly because other measures to boost the economy should be taken as we are slowly opening and going back to normality”.²³ While normality seems to have returned partially, the spread of the virus seems to be picking up pace again. As a result, new measures have been announced by the government on September 25, which include the approval allocation of additional funds of almost €4 million to compensate the Kosovo police force for the increased commitment during the COVID-19 pandemic.²⁴ On October 13, Armend Zemaj, the Minister of Health, moreover threatened gastronomic business with closure if COVID-19 rules are broken. Zemaj states that “now that the infection curve is rising in Europe and the World, and when closure and quarantine measures are being returned to those countries at high risk of infection, we as Kosovo must not leave anything to chance”.²⁵ In light of the current economic losses, new quarantine measures will have a devastating effect on Kosovo’s fragile economy.

b. Socio-economic consequences on household level

Along with the drop in national economy, the household income has also significantly lowered. While there is no official data available yet on the percentage of people that lost their job, a

¹⁸World Bank, 2020. Kosovo’s Economy Projected to Contract by 4.5 Percent in 2020 Due to COVID-19. *World Bank*, [online] Available at: <<https://www.worldbank.org/en/news/press-release/2020/04/29/kosovo-economy-projected-to-contract-by-45-percent-in-2020-due-to-covid-19>> [Accessed 5 October 2020].

¹⁹2020. The Government adopts the Draft Law on the Revision of the 2020 Budget. *The Prime Ministers Office*, [online] Available at: <<https://kryeministri-ks.net/en/the-government-adopts-the-draft-law-on-the-revision-of-the-2020-budget/>> [Accessed October 13 2020].

²⁰European Commission, 2020. Commission Staff Working Document on providing Macro-Financial Assistance to enlargement and neighbourhood partners in the context of the COVID-19 pandemic crisis. *European Commission*, [online] Available at: <https://ec.europa.eu/info/sites/info/files/economy-finance/mfa_covid-19_omnibus_swd_en.pdf> [Accessed 5 October 2020].

²¹GAP, 2020. The impact of COVID-19 pandemic on the Kosovo budget. *GAP Institute*, [online] Available at: <https://www.institutigap.org/documents/88191_Covid_budget.pdf> [Accessed October 5 2020].

²² OECD, 2020. The Covid-19 Crisis in Kosovo. *OECD*, [online] Available at: <<https://wbcrti.info/object/news/20646/attach/COVID-19-Crisis-in-Kosovo.pdf>> [Accessed 13 October 2020].

²³Bërksulli, D., 2020. Kosovo during pandemic COVID-19: Effects and Expectations. *Friedrich Naumann Stiftung*, [online] Available at: <<https://westbalkan.fnst.org/content/kosovo-during-pandemic-covid-19>> [Accessed 4 October 2020].

²⁴2020. Government approves new measures to prevent the spread of COVID-19 and allocates additional funds to members of the Kosovo Police. *The Prime Minister Office* [online] Available at: <<https://kryeministri-ks.net/en/government-approves-new-measures-to-prevent-the-spread-of-covid-19-and-allocates-additional-funds-to-members-of-the-kosovo-police/>> [Accessed 13 October 2020].

²⁵2020. Zemaj demands the return of the 12-hour schedule for the Kosovo Police. *Koha Ditore* [online] Available at: <<https://www.koha.net/arberi/241203/zemaj-kerkon-kthimin-e-orarit-12-oresh-per-policine-e-kosoves/>> [Accessed 13 October 2020].

survey study by the UNDP indicates that 8% of the respondents have lost their jobs, while 22% of the people indicated to have a reduced number of working hours.²⁶ The employees working in the construction sector (23%) and in the hospitality sector (14%) have had to suffer most job losses.²⁷ There has moreover been a significant increase in registered jobseekers. In April alone, the Employment Agency registered 32,377 new jobseekers, reaching a high of 37,392 registered jobseekers between January-April 2020.²⁸ The OECD affirms that this number has increased by six-fold between January and April, as compared to the same period in 2019.²⁹ By May 11th, over 170,000 employees already applied for salary compensation, unemployment benefits and other social welfare measures as part of the emergency support package.³⁰ While remittances also play an important role in a large number of Kosovan households, these are also expected to drop further or disappear completely.³¹ With the virus spreading further over the course of the summer, the majority of tourism-based income will be absent in 2020. The UNWTO expects at least a 58% to 78% fall in international tourism globally.³² In Kosovo, the travel and tourism industry is one of the sectors hit hardest by the pandemic.³³ This will have a significant impact not only on the national GDP, but also on households, creating the possibility of falling into poverty. While it is not merely related to the economic problems, more than half of the respondents from a Rapid Socio-Economic Impact Assessment performed by the UNDP claim to have had difficulties accessing a number of basic social and health services, or even while aiming to get getting food.³⁴ In response, the government announced the possibility to withdraw 10% of the pension savings, in order to cope with the financial difficulties posed by the pandemic.³⁵

A clear gender gap has become clear during the spread of the virus, where women are disproportionately affected. For starters, while currently nearly half of the total amount of jobseekers are women (16,820), this number is expected to rise even further due to the employment barriers female jobseekers encounter and the already high rate of women's economic inactivity.³⁶ The UNDP assessment has further revealed an increased burden of

²⁶UNDP Kosovo, 2020. Rapid Socio-Economic impact assessment of COVID-19 in Kosovo. *UNDP*, [online] Available at: <<https://www.ks.undp.org/content/kosovo/en/home/library/poverty/rapid-socio-economic-impact-assessment-of-covid-19-in-kosovo.html>> [Accessed 5 October 2020].

²⁷ OECD, 2020. The Covid-19 Crisis in Kosovo. *OECD*, [online] Available at: <<https://www.oecd.org/south-east-europe/COVID-19-Crisis-in-Kosovo.pdf>> [Accessed 5 October 2020].

²⁸GAP, 2020. The Impact of the COVID-19 Pandemic on the Labor Market. *GAP Institute*, [online] Available at: <https://www.institutigap.org/documents/50161_covid_labormarket_F.pdf> [Accessed 5 October 2020].

²⁹ OECD, 2020. The Covid-19 Crisis in Kosovo. *OECD*, [online] Available at: <<https://www.oecd.org/south-east-europe/COVID-19-Crisis-in-Kosovo.pdf>> [Accessed 5 October 2020].

³⁰ OECD, 2020. The Covid-19 Crisis in Kosovo. *OECD*, [online] Available at: <<https://wbcrti.info/object/news/20646/attach/COVID-19-Crisis-in-Kosovo.pdf>> [Accessed 13 October 2020].

³¹OECD, 2020. The Covid-19 Crisis in the Western Balkans: Economic impact, policy responses, and short-term sustainable solutions. *OECD*, [online] Available at: <<http://www.oecd.org/south-east-europe/COVID-19-Crisis-Response-Western-Balkans.pdf>> [Accessed 5 October 2020].

³²UNWTO, 2020. Impact Assessment of the Covid-19 Outbreak on International Tourism. *UNWTO*, [online] Available at: <<https://www.unwto.org/impact-assessment-of-the-covid-19-outbreak-on-international-tourism>> [Accessed 13 October 2020].

³³2020. Economic Impact of Covid-19 Pandemic on the Hospitality Sector in Kosovo. *Swiss Agency for Development and Cooperation*, [online] Available at: <https://ppse-kosovo.org/file/repository/COVID_19_Impact_on_Hospitality_Sector_ENG.pdf> [Accessed 5 October 2020].

³⁴UNDP Kosovo, 2020. Rapid Socio-Economic impact assessment of COVID-19 in Kosovo. *UNDP*, [online] Available at: <<https://www.ks.undp.org/content/kosovo/en/home/library/poverty/rapid-socio-economic-impact-assessment-of-covid-19-in-kosovo.html>> [Accessed 5 October 2020].

³⁵Demi, A., 2020. Access to 10% of our pensions will not revive the Kosovo economy. *Prishtina Insight*, [online] Available at: <<https://prishtinainsight.com/access-to-10-of-our-pensions-will-not-revive-the-kosovo-economy/>> [Accessed 13 October 2020].

³⁶GAP, 2020. The Impact of the COVID-19 Pandemic on the Labor Market. *GAP Institute*, [online] Available at: <https://www.institutigap.org/documents/50161_covid_labormarket_F.pdf> [Accessed 5 October 2020].

domestic duties on women.³⁷ While often having to working from home, the full-time care for children, and other domestic duties have often become a burden for women during the pandemic. Besides that, over the course of the last months during the pandemic, the percentage of domestic violence, largely targeting women, has increased significantly. The UNDP study further reads that “56% of the respondents think there is an increase of domestic violence while 35% do not know where to seek help in case they or someone experiences domestic violence”.³⁸ At the end of May 2020, UN Women reports that around 550 female survivors of domestic violence have been admitted to shelters as a result of the pandemic.³⁹

Another important observation is the impact of the pandemic on the mental well-being of Kosovo's citizens. Besides the psychological impact of the crisis itself, the strict curfew has also restricted people from being able to attend regular sessions with mental health care specialists. The UNDP assessment shows that people between the age of 25 and 44 appears to be the most affected group,⁴⁰ though it should be kept in mind that the older generation might not wish to convey such difficulties. For the younger generation, another issue presents itself in the form of the closing of school. There is a well-founded fear that this decision may have led to a persisting gap in education. While the actual consequences of the closure are to be seen, the UNDP study shows that the vast majority of the respondents (96%) were able to regularly attend distance learning.⁴¹ Among the reasons for missing out on education, insufficient equipment (31%) or a lack of internet connectivity were among the most prevalent ones (21%). A later study by Admovere⁴² however presented a very different picture, the report reads that in Ferizaj alone from 52% of the 828 Roma, Ashkali and Egyptian students have not been able to attend online classes. In Lipjan also more than a quarter of the 441 students did not attend classes.⁴³ After school closure of more than 6 months, the majority of schools⁴⁴ in Kosovo are opened again since mid-September.⁴⁵ All schools adhere to the latest COVID-19 rules and will be closed again if the epidemiological situation deteriorates.⁴⁶

³⁷UNDP Kosovo, 2020. UN Kosovo Team Report reveals the COVID-19 impact. *UNDP Kosovo*, [online] Available at: <<https://www.ks.undp.org/content/kosovo/en/home/presscenter/pressreleases/2020/06/10/un-kosovo-team-report-reveals-the-covid-19-impact.html>> [Accessed 5 October 2020].

³⁸UNDP Kosovo, 2020. Rapid Socio-Economic impact assessment of COVID-19 in Kosovo. *UNDP*, [online] Available at: <<https://www.ks.undp.org/content/kosovo/en/home/library/poverty/rapid-socio-economic-impact-assessment-of-covid-19-in-kosovo.html>> [Accessed 5 October 2020].

³⁹UN Women, 2020. Women survivors of violence receive vital support from shelters in Kosovo during the pandemic. *UN Women*, [online] Available at: <<https://eca.unwomen.org/en/news/stories/2020/5/women-survivors-of-violence-receive-vital-support-from-shelters-in-kosovo-during-the-pandemic>> [Accessed 5 October 2020].

⁴⁰UNDP Kosovo, 2020. Rapid Socio-Economic impact assessment of COVID-19 in Kosovo. *UNDP*, [online] Available at: <<https://www.ks.undp.org/content/kosovo/en/home/library/poverty/rapid-socio-economic-impact-assessment-of-covid-19-in-kosovo.html>> [Accessed 5 October 2020].

⁴¹UNDP Kosovo, 2020. UN Kosovo Team Report reveals the COVID-19 impact. *UNDP Kosovo*, [online] Available at: <<https://www.ks.undp.org/content/kosovo/en/home/presscenter/pressreleases/2020/06/10/un-kosovo-team-report-reveals-the-covid-19-impact.html>> [Accessed 5 October 2020].

⁴²A peacebuilding NGO with a specific focus on education and transitional justice.

⁴³Memeti, A., Jasharaj, D., 2020. The Challenges of the Roma, Ashkali, Egyptian community in Kosovo during the Covid-19 pandemic. *Admovere*, [online] Available at: <<http://admovere.org/wp-content/uploads/2020/07/ENG--Sfidat-e-komunitetit-rom-ashkali-dhe-egjiptian-ne-kosove-gjate-pandemise-COVID-19-ENG-02-1.pdf>> [Accessed 5 October 2020].

⁴⁴While schools under the Kosovo curriculum opened after an initial 2-week delay on September 14, the Serb-majority municipalities in Kosovo, schools started earlier in compliance with the rules of the Serbian Education Ministry on September 1, disregarding the Kosovo government decision. ([see here](#))

⁴⁵2020. Minister Rame Likaj presented the decision for the beginning of the school year 2020/2021. *Ministry of Education, Science and Technology*[online] Available at: <<https://masht.rks-gov.net/en/article/ministri-rame-likaj-prezantoi-vendimin-per-fillimin-e-vitit-shkollor-20202021>> [Accessed 13 October 2020].

⁴⁶OECD, 2020. The Covid-19 Crisis in Kosovo. *OECD*, [online] Available at: <<https://www.oecd.org/south-east-europe/COVID-19-Crisis-in-Kosovo.pdf>> [Accessed 5 October 2020].

It is crucial to acknowledge that the vulnerable communities in Kosovo (e.g. Roma, Ashkali, Egyptians) are especially hit hard by the pandemic. As Admovere⁴⁷ writes, “the reveals ‘systemic’ issues faced by Roma, Ashkali and Egyptian communities”. There is often limited access to health care and majority of income comes from the informal economy. A UNDP study indicates that only 10% of Roma above the age of 16 have health insurance.⁴⁸ On top of that, in during the lockdown period in Kosovo, the informal economy has almost come to a complete hold. In regard also to the Serb community in Kosovo, the ethnic divisions are highlighted during the spread of COVID-19, for example through the announcement of contingency measures. While announcing the first measures, Serbian translation was offered, though the Kosovo Ministry of Health failed to present the later movement restrictions (‘90-minute rule’) in Serbian as well. While later, and on the official governments’ website, translation was offered, the lack of information did not go unnoticed by the Kosovo Serb citizens.⁴⁹

Government measures - October 2020

- **Support to vital workers:** Vital health and safety personnel such as doctors, police officers and firefighters will receive €300 per month in additional wages from the government during the crisis. Likewise, workers at pharmacies, grocery stores and other essential businesses will receive €100 per month in additional wages from the government during the crisis.
- **General economic support:** All payments to social welfare recipients will be doubled during April and May. Likewise, the Kosovo Central Bank suspended loan repayments for individuals until at least 30 April, while payments to public utility companies have also been suspended. Citizens will be allowed to withdraw up to 10% of their contributions to the pension trust for a period of four months.
- **Tax policy:** The Tax Administration of Kosovo has extended the deadline to file and pay tax liabilities and pension contributions until 30 June. Additionally, taxpayers affected by the crisis will be able to apply for an extension of tax payment deadlines for up to three years. On 18 May, the Ministry of Finance and Transfers announced that all interest on unpaid property taxes would be suspended until 2021.
- **Support for crisis-related unemployment:** The government has guaranteed that all individuals who lose their jobs due to the COVID-19 crisis will receive monthly payments of €130 from April to June.
- **Education:** Despite opening of schools, an online learning platform is designed, that can be used by students unable to attend school due to the COVID-19 crisis. Likewise, the government is currently working with internet service providers to provide all students with free internet access.

See [here](#) and [here](#)

c. Socio-economic consequences on business level

Government’s data indicates that the strict lockdown has affected around 36,000 businesses, which are currently struggling to stay active.⁵⁰ As a result, about 60,000 workers have been affected by this – either in the form of losing their job or have limited working hours. Already at

⁴⁷Luzha, D., 2020. Pandemic reveals ‘systemic’ issues faced by Roma, Ashkali and Egyptian communities. *Prishtina Insight*, [online] Available at: <<https://prishtinainsight.com/pandemic-reveals-systemic-issues-faced-by-roma-ashkali-and-egyptian-communities/>> [Accessed at 5 October 2020].

⁴⁸UNDP Kosovo, 2020. Rapid Socio-Economic impact assessment of COVID-19 in Kosovo. *UNDP*, [online] Available at: <<https://www.ks.undp.org/content/kosovo/en/home/library/poverty/rapid-socio-economic-impact-assessment-of-covid-19-in-kosovo.html>> [Accessed 5 October 2020].

⁴⁹Popović, S., 2020. COVID-19 in the Western Balkans: Sharpest measure yet during Orthodox Easter weekend. *European Western Balkans*, [online] Available at: <<https://europeanwesternbalkans.com/2020/04/17/covid-19-in-the-western-balkans-sharpest-measure-yet-during-orthodox-easter-weekend/>> [Accessed 25 September 2020].

⁵⁰Berisha, A. Kosovo: economic losses and opportunities after COVID19. *Balcani e Caucaso*, [online] Available at: <<https://www.balcanicaucaso.org/eng/Areas/Kosovo/Kosovo-economic-losses-and-opportunities-after-COVID19-202193>> [Accessed 5 October 2020].

the end of March, over 12,000 employees were inactive at the risk of losing their jobs.⁵¹In a survey commissioned and executed by among others the Kosovo Chambers of Commerce⁵², 95% of the total 462 enterprises qualified the impact of COVID-19 as negative, of which almost 60% indicated the crisis to have a very negative effect.⁵³ Up to 92% of the respondents moreover indicated that their sales have suffered significantly due to the crisis.⁵⁴Between January-March of 2020, the Kosovo Tax Administration showed a sharp reduction in the number of workers within the industries⁵⁵ that employ the biggest number of workers. This is in line with the above-mentioned survey, where “83.6% of surveyed enterprises said that the crisis has reduced their ability to operate, with 39% having closed entirely, 30.7% working with reduced capacities and 13.8% operating with reduced work- schedules”.⁵⁶On top of that, up to 14000 enterprises applied for rent subsidies by May 11, as part of the Emergency Fiscal Package.⁵⁷

Especially small businesses are hit hard by the pandemic, where micro enterprises have been most affected by full closure (54.4%), in contrary to medium and large enterprises which have mainly been forced to reduce capacities.⁵⁸ Up to 40.6% of the medium sized enterprises have had to downsize as a consequence of the crisis, in contrary to 33% of the large enterprises.⁵⁹The tourism and travel, and the hospitality sector has been hit particularly hard: due to the inactivity of the hospitality sector, after two months already 3,683 small and medium size businesses have suffered 13 million loss in turnover, and a further loss of 10 million is to be expected. An increased rate of disappearance of small businesses thus seems inevitable.⁶⁰ In CoC survey, more than half (59.4%) of the questioned enterprises are concerned about their ability to survive the crisis.⁶¹ While the hospitality sector has been hit hard, the construction sector experiences a threat of survival, as 75% of the enterprises are afraid of going bankrupt.⁶²

The pandemic disproportionately impacts the informal economy in Kosovo. The high rate of informality in Kosovo's economy impacts a significant number of workers which leads to other issues, as informal businesses/workers have little protection and are not eligible for “support

⁵¹2020. Economic Impact of Covid-19 Pandemic on the Hospitality Sector in Kosovo. *Swiss Agency for Development and Cooperation*, [online] Available at: <https://ppse-kosovo.org/file/repository/COVID_19_Impact_on_Hospitality_Sector_ENG.pdf> [Accessed 5 October 2020].

⁵²And by the American Chamber of Commerce in Kosovo; Kosovo German Chamber of Commerce; European Investors Council; Kosovo Manufacturing Club.

⁵³ 2020. Survey on COVID-19 impact on Kosovo enterprises. *Recura*, [online] Available at: <<https://www.amchamksv.org/wp-content/uploads/2020/04/Study-on-the-impact-of-COVID-19-on-Kosovo-Businesses.pdf>> [Accessed 7 October 2020].

⁵⁴Ibid, pg. 8.

⁵⁵These industries are those of wholesale and retail trade, construction and processing industry

⁵⁶ 2020. Survey on COVID-19 impact on Kosovo enterprises. *Recura*, [online] Available at: <<https://www.amchamksv.org/wp-content/uploads/2020/04/Study-on-the-impact-of-COVID-19-on-Kosovo-Businesses.pdf>> [Accessed 7 October 2020].

⁵⁷ OECD, 2020. The Covid-19 Crisis in Kosovo. *OECD*, [online] Available at: <<https://wbcrti.info/object/news/20646/attach/COVID-19-Crisis-in-Kosovo.pdf>> [Accessed 5 October 2020].

⁵⁸ 2020. Survey on COVID-19 impact on Kosovo enterprises. *Recura*, [online] Available at: <<https://www.amchamksv.org/wp-content/uploads/2020/04/Study-on-the-impact-of-COVID-19-on-Kosovo-Businesses.pdf>> [Accessed 7 October 2020].

⁵⁹Ibid.

⁶⁰Swiss. Contact, 2020. Estimating the Economic Impact of COVID-19 on Kosovo's Hospitality Sector. *Swiss Contact* [online] Available at: <<https://www.swisscontact.org/en/country/kosovo/news/news-detail/news/estimating-the-economic-impact-of-covid-19-on-kosovos-hospitality-sector.html>> [Accessed 7 October 2020].

⁶¹ 2020. Survey on COVID-19 impact on Kosovo enterprises. *Recura*, [online] Available at: <<https://www.amchamksv.org/wp-content/uploads/2020/04/Study-on-the-impact-of-COVID-19-on-Kosovo-Businesses.pdf>> [Accessed 7 October 2020].

⁶²Ibid.

from a budget compromised of the taxpayer's money".⁶³In 2019, Kosovo's informal economy was estimated to constitute 31% of its GDP,⁶⁴ or around 80,000 workers.⁶⁵ On top of that, between 30-40% of employees within the informal economy work without contracts or social security. In this light, as these businesses are not registered and are hence not eligible for any government support, and the recovery process is thus expected to take longer, if possible, at all.⁶⁶

Government relieve measures – October 2020

- **Support to private sector activity and employment:** Eligible firms will receive EUR 170 per month for each employee on their payroll for March and April. Likewise, firms will receive EUR 206 for each new employee hired on a minimum one-year contract during the crisis.
- The government has approved the **Economic Recovery Programme**, which allocated **EUR 365 million** in funds to support businesses, create jobs and stimulate aggregate demand.
- To help businesses and citizens that were financially affected by the pandemic, on March 30, 2020, the Government of Kosovo approved the **Emergency Fiscal Package worth roughly 179 million Euros** ([See here](#))
- The government **allocated EUR 67 million** to achieve its commitment **to increase employment**, with a specific focus on groups of workers with a lower probability of finding employment during the crisis.
- Firms can receive **subsidies covering 50% of their rental expenses** and can now access professional support to help them operate effectively during the pandemic, including guidance on moving operations online, working from home and digitising key business practices.
- Micro-enterprises and self-employed workers can apply to receive credit guarantees valued up to EUR 10 000. The Kosovo Central Bank has suspended loan repayments for firms until at least 30 April 2020.
- **EUR 15 million** is allocated **to ease the tax burden on firms** to improve their short-term liquidity. Tax obligations for specific firms will be postponed or cancelled, penalties for late tax payments due to the pandemic have been removed, and the government will cover 5% of pension contributions.
- **Support for particular sectors:** The Ministry of Agriculture, Forestry and Rural Development has allocated EUR 5 million for grants and subsidies to increase agricultural production during the crisis.

See [here](#), [here](#) and [here](#)

III. THE LONG-TERM CONSEQUENCES: CAN A SOCIO-ECONOMIC CRISIS BE AVOIDED?

a. Socio-economic impact on a nationwide level

In order to rapidly aid economic recovery, the first fiscal emergency package announced by the care-taker government is currently implemented. The second recovery package could however not be implemented without a budget review in the Kosovo Assembly. As indicated by the GAP Institute, the delay in the approval of the budget review has caused the economy to further deteriorate.⁶⁷ Despite a delay, the reviewed budget has been accepted by the Assembly and has officially been published on August 7.⁶⁸ In addition to the Fiscal Emergency Package, the

⁶³Berisha, A. Kosovo: economic losses and opportunities after COVID19. *Balcani e Caucaso*, [online] Available at: <<https://www.balcanicaucaso.org/eng/Areas/Kosovo/Kosovo-economic-losses-and-opportunities-after-COVID19-202193>> [Accessed 5 October 2020].

⁶⁴ OECD/ETF/EU/EBRD, 2019. Kosovo: Small Business Act profile. *OECD*, [online] Available at: <<https://www.oecd-ilibrary.org/sites/dd53f292-en/index.html?itemId=/content/component/dd53f292-en>> [Accessed 5 October 2020].

⁶⁵Berisha, A. Kosovo: economic losses and opportunities after COVID19. *Balcani e Caucaso*, [online] Available at: <<https://www.balcanicaucaso.org/eng/Areas/Kosovo/Kosovo-economic-losses-and-opportunities-after-COVID19-202193>> [Accessed 5 October 2020].

⁶⁶ OECD, 2020. The Covid-19 Crisis in Kosovo. *OECD*, [online] Available at: <<https://www.oecd.org/south-east-europe/COVID-19-Crisis-in-Kosovo.pdf>> [Accessed 5 October 2020].

⁶⁷ GAP, 2020. The impact of COVID-19 pandemic on the Kosovo budget. *GAP Institute*, [online] Available at: <https://www.institutigap.org/documents/88191_Covid_budget.pdf> [Accessed 5 October 2020].

⁶⁸2020. LAW ON AMENDING AND SUPPLEMENTING THE LAW No. 07/L-001 ON BUDGET APPROPRIATIONS FOR THE BUDGET OF REPUBLIC OF KOSOVO FOR YEAR 2020. *Official Gazette Of the Republic of Kosovo*, [online] Available at: <<https://mf.rks-gov.net/desk/inc/media/C967DC09-044E-4CED-8391-4DB711241381.pdf>> [Accessed 7 October 2020].

Government of Kosovo in has created an Economic Recovery Plan of €365 million.⁶⁹ Following this, Thaçi announced to immediately make the decree to execute the payments for Kosovan citizens, aiming to mitigate the consequences of the pandemic.⁷⁰

The spread of COVID-19 can moreover partially be held accountable for the instability of the current government. Despite this, it remains to be seen if Hoti's regime will be able to deal with the increasing spread of the virus, and in what ways the trust in the young government might be impacted. The ongoing political turmoil, in combination with a severe expected drop in the national economy and the continuing spread of the virus, might be the perfect cocktail for civil unrest.

b. Socio-economic effect on household level

Despite the promise of an emergency package, the UNDP assessment showed that only 3% of those who have lost their jobs received unemployment benefits from the government, and 2% to have received financial support from the municipality.⁷¹ Moreover, the decision to entitle citizens to withdraw 10% of pension savings might benefit a part of the population, but it should not be forgotten that due to the high unemployment and informal economic activity, half of the population do not have savings in the pension trust.⁷² This in combination with the rising number of COVID-19 cases poses a bleak picture for a large number of households. Besides the financial situation, the existing data indicates a staggering increase in domestic violence, which, besides the immediate physical and mental risks, holds various longer-term risks as increasing mental health issues.

The government has announced to be working on an improved online education platform, which is crucial if schools are forced to close again due to a worsening epidemiological situation. While it remains to be seen if a gap in education presents itself, it should be kept in mind that other risk factors are also at stake while following online education. The social distancing in place while learning from home can also negatively affect children in different ways. In April, UNICEF published a technical note, warning for the increased dangers that children risk online – as online cyberbullying or online sexual exploitation.⁷³ Despite re-opening of the schools, it is important to not lose focus of this matter. Lastly, the unequal impact of COVID-19 on different communities, and the failure of offering anti-pandemic measures in both Albanian and Serbian, has the potential to negatively impact ethnic relations in the country.

The enormous impact that COVID-19 has on the most vulnerable communities (as among others Ashkali, Roma and Egyptian communities) should not be taken lightly, as there is a severe risk of poverty and hunger for those living at the margins of the Kosovo society.

⁶⁹2020. The Government approves the Plan for the implementation of the economic recovery. *The Prime Ministers Office*, [online] Available at: <<https://kryeministri-ks.net/en/the-government-approves-the-plan-for-the-implementation-of-the-economic-recovery/>> [Accessed 13 October 2020].

⁷⁰2020. Presidenti Thaçi dekretin Ligjin për Buxhetin. *Telegrafi*, [online] Available at: <<https://telegrafi.com/presidenti-thaci-dekretin-ligjin-per-buxhetin/>> [Accessed 5 October 2020].

⁷¹UNDP Kosovo, 2020. Rapid Socio-Economic impact assessment of COVID-19 in Kosovo. *UNDP*, [online] Available at: <<https://www.ks.undp.org/content/kosovo/en/home/library/poverty/rapid-socio-economic-impact-assessment-of-covid-19-in-kosovo.html>> [Accessed 5 October 2020].

⁷²Demi, A., 2020. Access to 10% of our pensions will not revive the Kosovo economy. *Prishtina Insight*, [online] Available at: <<https://prishtinainsight.com/access-to-10-of-our-pensions-will-not-revive-the-kosovo-economy/>> [Accessed 13 October 2020].

⁷³ 2020. COVID-19 and its implications for protecting children online. *UNICEF*, [online] Available at: <<https://www.unicef.org/sites/default/files/2020-04/COVID-19-and-Its-Implications-for-Protecting-Children-Online.pdf>> [Accessed 7 October 2020].

c. Socio-economic effect on business level

Already at the end of March, a report published by the Swiss Agency for Development and Cooperation indicated that 3,683 small businesses were directly impacted by the COVID-19 measures.⁷⁴ As the hospitality (including travel and tourism) and construction sector are hit particularly, it is expected that most changes will become visible there. It is therefore likely that a direct impact will include the disappearance of small business, as it becomes increasingly difficult to sustain economically. In turn this would lead to a further increase in the unemployment level. On July 21st, Jusuf Azemi, the president of the Private Sector Union, claimed that the “state's carelessness towards businesses and workers has caused 10% of businesses in Kosovo municipalities, mainly in the gastronomy sector, to go bankrupt”.⁷⁵ After the approval of the new budget, the government commits to implementing the Emergency Fiscal Package and the new Economic Recovery Package. It is however crucial to implement both packages correctly, in order to avoid further economic downfall. The informal economy is also hit hard, and the crisis is likely to deepen further. While registered businesses are at least eligible for Government aid, the businesses in the informal economy have no safety net to fall back on.

IV. CONCLUSION AND RECOMMENDATIONS

With the numbers still increasing, it remains crucial to strive for the right measures to counter a further spread of the pandemic, while not increasing the risk of further socio-economic deprivation. It is hence of great importance to realize the correct implementation of the Emergency Fiscal Package and the Economic Recovery Package as soon as possible, to make sure that the fiscal help arrives to those in need. Aiming to remain most businesses afloat, it is important to create safe working environments, where distance can be maintained and further spread of the virus is limited. Besides that, it is important to include the communities at the margins, and make sure that the most vulnerable are included in the distribution of care.

It is important to spread awareness that the current situation appears to put a disproportionate burden on women, in order to alleviate this burden. As the government is currently working on the provision of stable online education, it is also important to focus on the provision of reliable internet connections. On top of that, awareness needs to be spread regarding the importance of safe online environments. This is in line with raising awareness on the consequences of social isolation. It could be beneficial to create an online anonymous coaching system, whereby those in need could anonymously request a coaching session.

⁷⁴2020. Economic Impact of Covid-19 Pandemic on the Hospitality Sector in Kosovo. *Swiss Agency for Development and Cooperation*, [online] Available at: <https://ppse-kosovo.org/file/repository/COVID_19_Impact_on_Hospitality_Sector_ENG.pdf> [Accessed 5 October 2020].

⁷⁵2020. Pandemia falimenton 10% të bizneseve nëpër komuna. *Gazeta Express*, [online] Available at: <<https://www.gazetaexpress.com/pandemia-falimenton-10-te-bizneseve-neper-komuna/>> [Accessed 7 October 2020].

Policy Analysis

Policy Analysis in general is a policy advice paper which particularly aims to influence the key means through which policy decisions are made in both local and central levels of government. The purpose of Policy Analysis is to address, more in-depth, a particular problem, to examine the arguments related to a concerned policy, and to analyze the implementation of the policy. Through Policy Analysis, Group for Legal and Political studies seeks to stimulate wider comprehensive debate on the given issue via presenting informed policy-relevant choices and recommendations to the key stakeholders and parties of interest.



**GROUP FOR LEGAL
AND POLITICAL
STUDIES**

legalpoliticalstudies.org