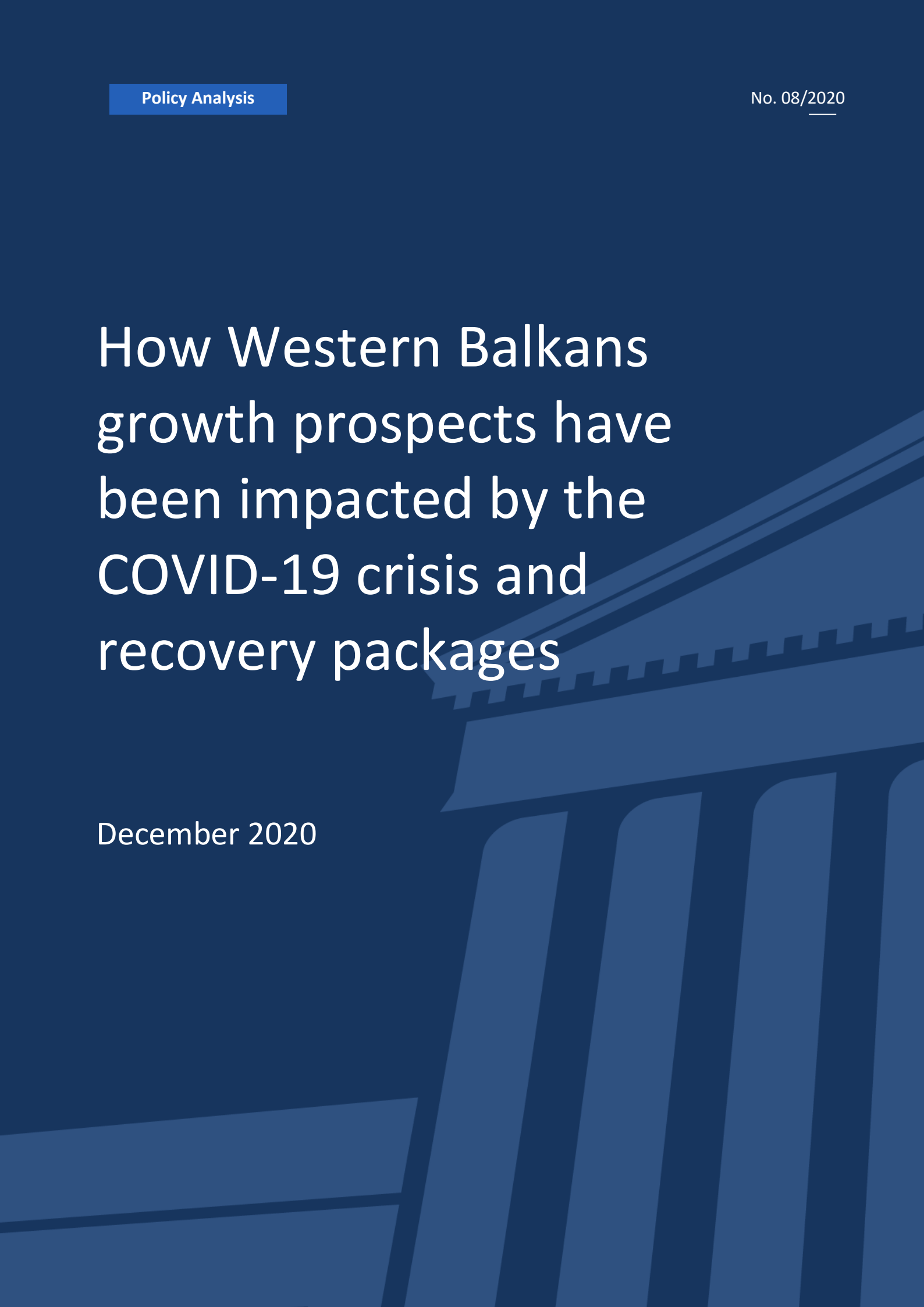


How Western Balkans growth prospects have been impacted by the COVID-19 crisis and recovery packages

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HOW WESTERN BALKANS GROWTH PROSPECTS HAVE BEEN IMPACTED BY COVID-19 CRISIS AND RECOVERY PACKAGES

Introduction

2020 has been a year for the books. The global COVID-19 pandemic shattered pre-existent economic forecasts and standards of living in the four corners of the globe. From strict national lockdowns and fatigued health institutions to dissolved businesses, the world is in disarray. This report looks into the Western Balkans in particular, with a further deeper dive into the Kosovar national reality. The report analyzes general crisis mitigating policies and economic recovery tools adopted in the region, and assess their impact, still within the uncertainty of how long the pandemic will call for unprecedented measures.

How has the developing region been affected by the Coronavirus pandemic? Which mitigating measures did government take, and to what significant impact? How have the privileged neighborly ties to the EU proven beneficial in matters of aid and economic relief? What do expert organizations forecast for the region and for the Republic of Kosovo in specific? The analysis tackles these indicative issues using up-to-date figures and comparative studies between Western Balkans countries themselves and vis-à-vis EU Member States.

The report will start by analyzing the financial crisis at hand and the recession the region is entering, to then look at EU support in the aftermath of the crisis outbreak, and finally present expert proposals on how to expect economic recovery to evolve moving forward.

I. Disarray of health, economy and finance globally and in the Western Balkans

The global economy is set for an all-inclusive nose-dive. Business experts note the dim reality that “Contrasting with the situation during the financial crisis, global GDP growth will not only stagnate but will fall by more than 2% – after global growth of over 3% was forecast just a few months ago”¹. Not only the health sector risks being overburdened, but the negative impact has already overflowed, for instance, into job terminations, business losses and deferrals of social security contributions. Governments have stepped up with temporary relief measures, which increasingly take on an *ad hoc* nature as the pandemic endures and the second wave peaks in Europe.

In line with this, the pandemic risks **hampering sustainable development goals**. As inflows of external private financing drop, and are expected to drop lower as domestic spending will continue to rise given government financing mitigation measures instead of sustainable development objectives. Developing countries are expected to enter massive debt, indicates the OECD Coronavirus Impact report², given lower remittances and domestic spending to cover enduring public health and economic crises. Such is the case of the Western Balkan region, one which proudly displayed promising economic outlooks before the world came to know what COVID-19 is. **The World Bank forecasted a 4% GDP growth rate for Kosovo in 2020, before the world know what Covid-19 was.** While it is still too early to tell the final extent of the damage,

¹ Roland Berger, “This Crisis Is Different – Comparing The Coronavirus Crisis With The Financial Crash”, 24 April 2020, available at https://www.rolandberger.com/en/Point-of-View/Point-of-View-Details_65664.html.

² OECD, “The impact of the coronavirus (COVID-19) crisis on development finance”, 24 June 2020, available at <http://www.oecd.org/coronavirus/policy-responses/the-impact-of-the-coronavirus-covid-19-crisis-on-development-finance-9de00b3b/>.

economic recession is a given and the European Commission expects the Western Balkan regional GDP to decrease 4 to 6%.

The six countries of the Western Balkans make up a market of close to 18 million people. The countries display fast-growing economies which are open to trade and labelled as sound investments. The young and skilled populations are an extra incentive for positive future forecasts. However, as all around the world, the global health pandemic crushed growth prospects and signaled a major change in domestic investment priorities. **All countries of the region are expected to experience negative growth** as public infrastructures continue to cope with the economic downturns of the COVID-19 pandemic. The World Bank explains that the region has been “plunged into a deep recession, with drops in both domestic and foreign demand, coupled with disruptions in supply chains, forcing all six countries in the region into negative growth territory for 2020”³. Moreover, the World Bank notes that the emergency fiscal and social support measures adopted for individuals and business make for 1 to 6.7% of GDP in each of the six countries⁴. It further predicts an economic growth forecast of 4.8% in 2020, as the pandemic still stands and delays economic recovery.

The implementation of **mitigation measures has proven to be a delicate balancing act** between economic recovery and public health considerations. For instance, the World Bank notes that unemployment and poverty rates rose in the region, the former by 0.5% and the latter with an estimated 300,000 people falling into poverty in Albania, Kosovo, Montenegro, and Serbia. Albeit a large poverty figure, it is less than half had confinement measures not been implemented. Indeed the pandemic and recession have worsened labor market conditions and interrupted citizens’ welfare improvements, even if mitigation measures cushioned the blow. On the other hand, confinement measures have paused cash flows necessary for the well-functioning of several sectors. An example is that full or partial lockdowns paused domestic **supply and demand flows** and led numerous small businesses to face liquidity. While supportive macroeconomic policies tried to counter negative effects, recovery is still afar.

The OECD overview report on the COVID-19 crisis in the Western Balkans⁵ stresses that a deceleration of both public and private investment and a halt in remittances are expected. Lesser **investments** - be it public, private or in the form of foreign direct investment - will constrain economic growth, namely job creation and technological advances. On **remittances** as an extreme driver in Western Balkan economies, financing domestic demand and investment and making up 10% of the GDP in the countries at hand, international travel restrictions and rising unemployment will certainly difficult inflows. Overall, the public health crisis and further restrictive measures have affected wide-ranging sectors such as SMEs, tourism, labor markets, trade and investment.

In reaction to this reality, governments in the six countries adopted **immediate aid measures to counter the economic downward spiral**. Notably, fiscal stimulus packages sought to subsidize certain salaries, central banks provided liquidity to banks, and other financial institutions assisted companies and citizens. This is needed in the Western Balkans even more than in Western European countries since, in the former, vulnerable active population relying on self-employment, part-time work or informal incomes is higher. The European Commission’s

³World Bank, “Press Release - Recession Deepens as COVID-19 Pandemic Threatens Jobs and Poverty Reduction in Kosovo”, 22 October 2020, available at <https://www.worldbank.org/en/news/press-release/2020/10/22/recession-deepens-as-covid-19-pandemic-threatens-jobs-and-poverty-reduction-in-kosovo>.

⁴World Bank, “Press Release - Recession Looms for Western Balkans as Countries Respond to COVID-19”, 29 April 2020, available at <https://www.worldbank.org/en/news/press-release/2020/04/29/recession-looms-for-western-balkans-as-countries-respond-to-covid-19>.

⁵OECD, “OECD overview of the COVID-19 crisis in the Western Balkans”, 7 May 2020, available at <https://www.wb6cif.eu/2020/05/07/the-covid-19-crisis-in-the-western-balkans/>.

2020 Report on Kosovo actually praised the measures taken by the Central Bank of Kosovo to help borrowers by postponing individual credit reimbursements and facilitated credit restructuring⁶.

Across the Western Balkan region, government reactions were prompt and appropriate. However, as is the case with too many countries worldwide, this does not equate to immediate economic recovery. The recovery path ahead will be long and will depend on support from main partners. The report will delve deeper into the case of Kosovo, which reflects that reliance.

II. The case of Kosovo's COVID-19 economic recovery policy

Economic state of affairs

The Coronavirus pandemic, which hit Europe in early 2020 and endures well into the end of the year, strained Kosovo's health system and prompted nation-wide confinement measures. The government reacted quickly and in line with EU recommendations, both in matters of public health measures and economic recovery instruments.

As things stand in the Republic of Kosovo, the **real GDP growth** in the second quarter of 2020 was 9.28% less compared to that of the second quarter of 2019⁷. Instituti GAP notes that "The decrease in revenues, together with the increase in expenditures, will lead to exceeding of the budget deficit rule for the first time"⁸. Conversely it also notes that, despite the heightened deficit, Kosovo showcases the lowest level of public debt in the region. It can be argued as owing to it being a small economy with no specific production and benefitting from large external funds.

Looking at **unemployment rates** as another macroeconomic indicator to assess the crisis impact on the country, results are telling. Before the health outbreak, the average level of unemployment was above 30%, of which 30-40% were informal contracts without social security assurances. The World Bank estimates that **formal economic activity will contract** by 4.5%, instead of the 4% growth that was envisioned prior to the pandemic⁹. In Kosovo, taking only April 2020 into consideration, 32,377 new jobseekers were registered, bringing the number of jobseekers in the Employment Agency to 37,392 in the first four months of 2020¹⁰. Evidently, the gradual reopening of the economy after containment measures will not restore the labor market to pre-pandemic figures. The **supply and demand flows and standing economic activities have been irreversibly affected**.

The impact of Covid-19 has also **acutely affected the private sector**. A July 2020 survey by the American Chamber of Commerce (AmCham) in Kosovo¹¹ found 39% of enterprises closed entirely, 30.7% were working with reduced capacity and 13.8% with reduced work schedules. Enterprises noted financial losses (77.78. %) and lack of liquidity (43.72%) as their major concerns. Further, the AmCham Kosovo survey reports that sectors experiencing largest financial losses are the wholesale (74.42%) and retail trade (76.04%), given cut consumer demand. In line

⁶ European Commission, "Kosovo 2020 Report", 6 October 2020, available at https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/kosovo_report_2020.pdf, pg.56.

⁷ Republic of Kosovo, "Government Accounts Statistics - Gross Domestic Product Q2 2020", September 2020, available at <https://ask.rks-gov.net/media/5615/gross-domestic-product-gdp-of-the-expenditure-and-production-approach-q2-2020.pdf>.

⁸ Instituti GAP, "The impact of COVID-19 pandemic on the Kosovo budget", 16 June 2020, available at <https://www.institutigap.org/news/2571>.

⁹ Group for Legal and Political Studies, "Socio-economic Impact of COVID-19 in Kosovo", October 2020, available at http://www.legalpoliticalstudies.org/wp-content/uploads/2020/10/PolicyAnalysis_MLT_.pdf, pg.5.

¹⁰ Instituti GAP, "The impact of COVID-19 pandemic on the labor market", 7 June 2020, available at <https://www.institutigap.org/news/2558>.

¹¹ American Chamber of Commerce in Kosovo, "THE ECONOMIC IMPACT OF COVID-19 IN KOSOVO", July 2020, available at: <https://www.amchamksv.org/wp-content/uploads/2020/07/Recap-The-Economic-Impact-of-COVID19-in-Kosovo.pdf>, pg.3.

with this, the GAP Institute reported that in March 2019 the wholesale industry and retail trade employed about 80 000 employees, whereas in March 2020 only about 43 000¹².

In line with the **deteriorating indicators**, sound economic recovery programmes with macroeconomic policies are fundamental. The goals encompass protecting jobs, helping SMEs, and supporting the most vulnerable productive sectors. The bright side is Kosovo entered 2020 and the crisis with what the World Bank labels “**fiscal buggers**”¹³, namely high government deposits, relatively low public debt, to start off on the right foot to combat spillover effects of the pandemic via large public expenditure. Indeed the government has dedicated large amounts of the public budget to mitigate the crisis, be it by deferring tax payments or announcing an emergency response package and an Economic Recovery Programme. Nevertheless, the World Bank also recalls that a prolonged outbreak and containment measures may lead to a more severe recession and a larger revenue shortfall, further limiting the fiscal space for policy response.

The economic state of affairs and fallout experienced is also visible in **revenue collection decrease**. As per data from the Tax Administration of Kosovo, *revenues fell steeply from January to May 2020, with, only EUR 184 million collected (EUR 25 million less than the same period in 2019), despite a noted increase in January and February 2020 compared to 2019 (10% more), before the pandemic outbreak in the country. This fall is explained by aid policies enacted by the government such as deferred tax payment to those most vulnerable, but also by a decline in business turnovers during this difficult period. Compared to the year before, revenue is projected to drop more than 10% in 2020 in Kosovo, a number which could still rise should containment measures be prolonged*¹⁴. A shrunken tax revenue signals a shrunken government budget which is particularly worrying when fiscal space is already limited given large expenditure on recovery programmes and temporary socioeconomic relief measures.

How can the government plan ahead more practically?

As argued before in this report, implementation of mitigation measures has proven to be a delicate balancing act between economic recovery and public health considerations. There is no right or wrong answer when facing such an unprecedented crisis. That being said, the biggest consensus in government measures to prepare for the upcoming situation is to allow for fiscal space to remain for **targeted socioeconomic relief measures for the most vulnerable groups**. The most vulnerable groups in this crisis are those who have felt the impact of the pandemic most strikingly in their life – be it losing their job or entering huge debt due to larger electricity or health bills for instance. Softening the economic impact with regards to poverty and social impact is vital to support a longstanding economic recovery of the country.

Another means to practically prepare for the future is to not waste time, efforts or public money on supporting businesses with outdated models. Argues McKinsey that “**keeping unviable companies alive may prevent seizing the crisis as an opportunity to adapt** and pivot to lasting changes, such as an increased requirement for digitization and automation. Countries with fewer protections in place that are focusing on protecting employees while providing lower long-term support for companies may give themselves the opportunity for a fresh start—and shape more future-proof economies as a result”¹⁵. As such, the Covid-19 turn-around could be optimized as a

¹²*Ibid*, pg.7.

¹³World Bank, “Kosovo’s Economy Projected to Contract by 4.5% in 2020 Due to COVID-19”, 29 April 2020, 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>.

¹⁴American Chamber of Commerce in Kosovo, “THE ECONOMIC IMPACT OF COVID-19 IN KOSOVO”, July 2020.

¹⁵McKinsey, “The \$10 trillion rescue: How governments can deliver impact”, 5 June 2020, available at: <https://www.mckinsey.com/industries/public-and-social-sector/our-insights/the-10-trillion-dollar-rescue-how-governments-can-deliver-impact#>.

starting point to incentivize competitive, innovative and greener business models which would put Kosovo in the forefront for the years to come. A bet on digitalization is likewise important since, during and potentially after the Covid-19 pandemic, much more bureaucratic and administrative matters will be handled via e-mail or online platforms.

Effective delivery of measures and protection schemes is also fundamental when preparing for a difficult and uncertain period ahead. Announcing packages is a tiny percentage of the work to be done before it actually proves to have a consequential and practical impact on the economy. Ensuring aid reaches vulnerable populations, business owners are aware of financial liquidity support and the number of citizens filing for unemployment get benefits is, among others, the real bulk of the job. A recommendation along these lines is to strengthen or create institutions dedicated to quick social support or assistance disbursement channels. Additionally, online tracking of status of request can increase public confidence in the government and prevent complaints.

All such suggestions pertain the measures in place insofar, which are those of social and economic relief. A whole other layer of planning for the situation ahead comes into play when looking into the post-Coronavirus world - and that preparation, indeed, starts now. As mentioned above, if a government adopts a practical approach to the situation at hand, then it can see opportunities. Citing Deputy Finance Minister Ilir Aliu, "There is a strategy to support women's businesses, information technology, and start-ups, it is time to focus our effort on production and exports"¹⁶. Firstly, the fact that the need to refocus and reset efforts enables laying the ground for green and digital incentives. **Government investment should be stepped up or redirected into energy efficiency and digitalization**, along with incentives to support companies in adopting clean energy and/or new technologies. Secondly, **build national resilience** by supporting small or local businesses and therein cutting dependence on large supply chains of essential goods.

There is only so much planning the government of Kosovo can do in this extremely uncertain situation. The proposals laid out above encompass expert ideas on how to optimize the measures already put in place to ensure they lead to as much practical results as possible nation-wide. Estimations for years to come are a guessing game at this point, but evidence of progress and positive and/or negative impact achieved can be assessed by looking at the COVID-19 containment measures implemented by the government, and the complementary recovery measures adopted.

Containment measures

In March 2020 the Hoti government **declared a public health emergency** and introduced measures to prevent the spread of the virus and halt infection rates. Restrictions included curfews, gathering bans, closure of schools, universities, restaurants, cafés and non-essential shops, as well as the suspension of public transport and closing of borders. As in most EU countries, measures were gradually lifted from early May 2020. Yet rising infection rates by July called for reintroduction of some limitations, including mandatory facemasks and testing requirements for travelers entering Kosovo.

Although certain measures have been indeed lifted, the **economy is still suffering given continued constraints to investments and overall private consumption**. Similarly, important Diaspora-driven financial flows which feed Kosovo's consumption-based growth model are also constrained. The Kosovar Diaspora is a vital element of domestic consumption, making up EUR

¹⁶OBC Transeuropa, "Kosovo: economic losses and opportunities after COVID-19", 25 May 2020, available at: <https://www.balkanicaucaso.org/eng/Areas/Kosovo/Kosovo-economic-losses-and-opportunities-after-COVID19-202193>.

526 million between January-July 2020¹⁷. Should Diaspora remittances increase as expected and international travel eased, matched with the government's fiscal policy response, a deeper recession could be avoided.

In parallel to tight restrictions to curb infections, the government approved incentive policies in support of slow but steady economic recovery, as detailed below.

Recovery measures: laws, draft laws, national plans and initiatives

On 30 March 2020, the Government of Kosovo approved the **Decision on the Emergency Fiscal Measures**¹⁸. It supports taxpayers, employees and businesses during the crisis with additional social protection and assistance measures, as well as flexibility for loans and tax payments. It sought to mitigate the social and economic effects of the COVID-19 crisis. The allocated amount of EUR 180 million and pertains mostly short-term measures.

This initial emergency package was followed, on 3 April 2020, by the **Operational Plan on Emergency Fiscal Package**. The detailed plan by the Ministry of Finance and Transfers lays out procedures for each beneficiary and level of assistance. The plan includes¹⁹:

- Support for businesses: Monthly salaries coverage in April-May 2020 (total allocated amount of EUR 41 million), up to 50% rent subsidies for SMEs, financial liquidity support to microenterprises and self-employed (EUR 15 million), interest-free loans repayable until 31 December 2020 for state-owned enterprises facing financial difficulties;
- Support for individuals: government coverage of pension contributions for April-May 2020 (EUR 8 million);
- Support for minorities: supporting initiatives and projects aimed at improving the lives of ethnic minorities affected by the public health emergency in the country (EUR 2 million).
- Social assistance support: allowance doubled for March-May 2020, (EUR 7.65 million), monthly assistance of EUR 130 for each citizen unemployed due to the pandemic (EUR 4 million).

In addition, the Kosovo Assembly endorsed a **Draft Law on Economic Recovery**, which seeks to mobilize around EUR 1.2 billion in the 2020-2021 period to assist the recovery from the negative fallout caused by the pandemic²⁰. Exceptional measures include allowing withdrawals of 10% of pension savings (Article 6), and reduced VAT rates for hotel supplies, restaurants and catering services (Article 7). The draft-law still has to go through a Commission for Legislation Immunities and Mandates reading and then a second Assembly reading before final adoption.

In keeping with the Programme, the government approved the **Plan for the Implementation of the Economic Recovery Programme** in August 2020. With a recovery package

¹⁷ OECD, "THE COVID-19 CRISIS IN KOSOVO", 1 October 2020, available at <https://www.oecd.org/south-east-europe/COVID-19-Crisis-in-Kosovo.pdf>.

¹⁸ KPMG, "Kosovo COVID-19: Emergency Fiscal Measures Package", 7 April 2020, available at: <https://home.kpmg/al/en/home/insights/2020/04/kosovo-covid-19--emergency-fiscal-measures-package.html#:~:text=On%2030%20March%202020%2C%20the,COVID%2D19%20situation%20in%20Kosovo.&text=M onthly%20salaries%20coverage%20will%20be,period%20of%20April%2DMay%202020.>

¹⁹ Republic of Kosovo, OPERATIONAL PLAN ON EMERGENCY FISCAL PACKAGE, 3 April 2020, available at <https://mf.rks-gov.net/desk/inc/media/29F8FA6F-8E46-483E-A8C1-76E47F3B2D9E.pdf>.

²⁰ Republic of Kosovo, DRAFT LAW ON ECONOMIC RECOVERY - COVID-19, available at http://www.kuvendikosoves.org/Uploads/Data/Documents/ProjektligjiperrimekembjenekonomikeCOVID-19_CDHzU5wMhV.pdf [Accessed 05 November 2020].

of EUR 365 million, the aim is to support businesses, create jobs and fuel demand. The total amount is chiefly dedicated to measures such as²¹:

- EUR 67 million to increase employment, particularly among workers less probable of finding employment during the crisis;
- EUR 67 million to cover 50% of firms' rental expenses and offering professional guidance on adjusting to the new way of business (i.e. online operations, telework);
- EUR 15 million to ease the tax burden on firms to improve their short-term liquidity, and postpone or cancel tax penalties;
- EUR 5 million to cover 5% of pension contributions businesses pay to employers.

On top of the grandiose Economic Recovery Programme, two important laws were recently passed. On 14 August the Assembly ratified the **Law NO. 07/L-023 on Loan Facility Agreement between the EU and Kosovo for Macro Financial Assistance**. The EU financial assistance serves "to ease the Partner's external financing constraints, alleviate its balance of payments and budgetary needs, strengthen its foreign exchange reserve position and help the Partner address the current external and financial vulnerabilities"²². The loan amounts to EUR 100 million and is to be disbursed in two installments upon proof compliance of the first bulk.

That same day, the Kosovo Assembly adopted the **Law NO. 07/L-006 on Preventing and Combating Covid-19 Pandemic**²³, which provides a solid legal framework for the implementation of needed public health measures. Among others, it lists sanctions applicable to institutions and individuals who do not comply with isolation or quarantine requirements, as well as validating restrictions on freedom of movement.

Can these recovery measures **impact relaxation of business cycle and public revenues** in general? In the short term, recovery measures will merely (and justifiably) amount to government expenditure to support businesses, create jobs and stimulate aggregate demand. Over the long-term, we will be able to start seeing its benefits once temporary relief measures are lifted and the economy starts rebounded. Given the tax deferral policies, tax obligations for specific firms will be postponed or cancelled which means revenue shall start to come in soon. Slowly but surely, the economy will be reopened and cash flows will restart. Although the fiscal measures enacted limit public revenue during the pandemic, they allows for businesses to stay afloat until the worst of the crisis passes and, once the economy fully reopens, it is clear that the economic shock was contained by such emergency or recovery packages.

Similarly, social assistance measures enact allows citizens themselves to stay afloat and above the poverty lines. **The seeds planted in 2020 will plant positive developments to be collected in 2021 once the economy reopens and temporary fiscal measures are lifted**. With regards to the business cycle, businesses began to adapt to the abnormal (now, new) conditions as the economy slowly reopened in May, with some sectors being worst hit than others – for instance the travel, hospitality and dining sectors are those directly impacted by resurgence of containment measures as the second wave hits Europe. Within the impossibility of fully relaxing disrupted business cycle, the incentives within the Operational Plan on Emergency Fiscal

²¹ Kosovo Prime Minister Office, "The Government approves the Plan for the implementation of the economic recovery, 13 August 2020, available at <https://kryeministri-ks.net/en/the-government-approves-the-plan-for-the-implementation-of-the-economic-recovery/>.

²² Official Gazette of the Republic of Kosovo, LAW NO. 07/L-023 ON RATIFICATION OF THE LOAN FACILITY AGREEMENT BETWEEN THE EUROPEAN UNION AND KOSOVO FOR MACRO FINANCIAL ASSISTANCE FOR KOSOVO, 25 August 2020, available at <https://gzk.rks-gov.net/ActDocumentDetail.aspx?ActID=30822>, Point 2.

²³ Official Gazette of the Republic of Kosovo, "LAW NO. 07/L-006 ON PREVENTING AND COMBATING COVID-19 PANDEMICS IN THE TERRITORY OF THE REPUBLIC OF KOSOVO", 25 August 2020, available at <https://gzk.rks-gov.net/ActDocumentDetail.aspx?ActID=30819>

Package and the Plan for the Implementation of the Economic Recovery Programme are vital to prevent a total collapse - the former targets all layers of society with immediate support (businesses, individuals, minorities) and the latter already looks into the recovery stage. Ilir Aliu, Deputy Minister of Finance, describes the Emergency Fiscal Package as one "aimed to allow businesses to remain operational, so it will have an economic impact even after the pandemic crisis"²⁴, besides offering an important strong safety net for informal contracts. The two major plans announced by the government are complementary.

On the how to best make for a smooth recovery, Nora Hasani from the German-Kosovar Business Association (KDWV) stresses that the "The government should use the recovery package not only to save jobs, but also to create new ones by attracting FDI, they could do so by developing comprehensive FDI policies and support mechanisms, such as tax incentives that include exemption from customs duties, various tax holidays, and specific tax relief measures to companies that export"²⁵. Such recommended measures have already been adopted by many countries worldwide, notably incentives in the form of tax-exempt days.

It has indeed been a particularly cluttered period for the Republic of Kosovo, with **political instability affecting the country even before the pandemic** given the unexpected leadership change and interim government. As the European Commission reports on 2020 findings, "Due to this volatile political context and the necessary focus on the pandemic response, there was overall limited progress on EU-related reforms in Kosovo"²⁶. Faced with no realistic end in sight as the second wave currently peaks, the government has taken constructive decisions to push the country in the right direction. Notably, in the **field of education**, the Ministry of Education and Science announced on 9 September a joint digital distance-learning platform for pre-university students in Kosovo and Albania²⁷. Also noteworthy, in the **field of foreign investment**, is the statement signed between Kosovo and the US International Development Finance Corporation for an Investment Incentive Agreement on 21 September, which secures over USD 1 billion in local projects²⁸.

Comparison with neighboring country and developing EU Member State

Reverting back to the Western Balkan region, similar economic measures were approved and implemented in neighboring countries. For comparative purposes **to better understand the containment measures and incentive policies adopted by Kosovo**, let us look into those adopted by neighboring Albania and by former-Yugoslav state, now EU Member State Slovenia.

Still reeling from the aftermath of the 26 November 2019 earthquake, the **Republic of Albania** declared "a state of natural disaster"²⁹ once the COVID-19 health crisis hit. The national status officially lasted until 24 June 2020. The country implemented a nation-wide lockdown from March to May 2020, and then gradually opened up the economy, schools and other public facilities. The Albanian government has insofar passed two **economic recovery plans** to minimize the negative impact of COVID-19 and move towards a sustainable development path. In February 2020 the National Response Plan and the National Strategic Preparedness & Response Plan

²⁴OBC Transeuropa, "Kosovo: economic losses and opportunities after COVID-19", 25 May 2020.

²⁵*Ibid.*

²⁶ European Commission, "Key findings of the 2020 Report on Kosovo", 6 October 2020, available at https://ec.europa.eu/commission/presscorner/detail/en/country_20_1797.

²⁷ OECD, "THE COVID-19 Crisis in Kosovo", 1 October 2020.

²⁸*Ibid.*

²⁹ WHO, "COVID-19 Health System Response Monitor – Albania", available at <https://www.covid19healthsystem.org/countries/albania/livinghit.aspx?Section=5.1%20Governance&Type=Section> [Accessed 5 November 2020].

(SPRP) were issued, and later updated in May 2020³⁰. The aim was to mitigate the multi-sectoral impacts of the pandemic and to ensure those most vulnerable are taken care of.

The Council of Ministers of Albania has issued around 17 normative acts with the force of law to combat the COVID-19 pandemic since March 2020, reports the Institute of Political Studies³¹. To support those more vulnerable the government established, for instance:

- A minimum salary of ALL 26,000 per self-employed person rendered without income due to the pandemic;
- A one-time payment of ALL 40,000 to those unemployed due to business closures³²;
- Allocated a total of EUR 88 million to banks for business or individuals loans awarded to entities impacted by the lockdown;
- Upped moratoriums on debt repayments

In line with this, besides the socioeconomic lockdown, both Kosovo and Albania have in common the emergency adoption of **employment-related measures and economic stimulus measures**. Also in common between the two countries is the fact that both doubled social schemes amidst the COVID-19 pandemic.

Switching gears, we now look into **Slovenia's response to the unprecedented crisis** as another comparative case study. As a developing country, also formerly part of Yugoslavia, yet an EU Member State since 2004, understanding measures adopting here gives further indications of economic recovery plans of European countries.

In Slovenia, we find once again similar expenditure, tax and social assistance measures. The National Assembly of Slovenia adopted the first COVID-mitigating legislative package on 2 April. The rapid financial assistance measures sought to relief the population at large with social assistance and assurances. These include³³:

- One-time crisis bonus for pensioners receiving below EUR 700, for students, families with three or more children, families with less than three children with lower income, and persons from vulnerable groups with low income;
- 80% coverage of pay compensation for those laid-off due to the pandemic;
- Monthly basic income in the amount of EUR 350 in March and EUR 700 in April and May for self-employed workers, farmers and religious workers whose business was affected by the crisis;
- 30% reduction of wages of high-level officials.

Another legislative package was adopted on 29 May which, for instance, awarded national tourism vouchers and extended wage compensation for temporary lay-offs. Complementary packages were further adopted on 9 July and 23 September, both enabling extended assistance for those most affected by the crisis and adding resources to optimize health accessibility and

³⁰ UN Albania, "COVID-19 SOCIO-ECONOMIC RECOVERY & RESPONSE PLAN", 8 July 2020, available at https://reliefweb.int/sites/reliefweb.int/files/resources/ALB_Socioeconomic-Response-Plan-2020.pdf.

³¹ Institute for Political Studies, *no title*, 24 June 2020, available at http://isp.com.al/index.php/2020/06/25/covid-19-pese-tregues-kritike-ndaj-standardeve-te-shtetit-te-se-drejtjes/?fbclid=IwAR30I6BpwCjW_cdnPjfWSwmd_iOnwS1jKUOnvphfJwD-MHKyyCKKC_f4dU4.

³² KPMG, "Albania - Government and institution measures in response to COVID-19", 24 June 2020, available at <https://home.kpmg/xx/en/home/insights/2020/04/albania-government-and-institution-measures-in-response-to-covid.html> [Accessed 5 November 2020].

³³ European Commission, "Policy measures taken against the spread and impact of the coronavirus", 12 October 2020, available at https://ec.europa.eu/info/sites/info/files/coronavirus_policy_measures_12_october.pdf.

sick leaves. Additionally, noteworthy measures with impact into 2021 include: allowances for employees in social assistance institutions and professionals working with COVID patients, tax measures such as corporate tax deferral with impact of up to 2 years, and public guarantees measures such as loan deferrals of loans up to 12 months.

Undeniably, mitigating measures like the ones detailed above are crucial to avoid deeper recession and get countries back on track. Notwithstanding, economic recovery is necessarily linked to dissipation of the pandemic, which itself is dependent on a vaccine. It is imperative to recognize that the Western Balkans' road to recovery is positively aided by the emergency funds and sustained recovery plans adopted by the EU for the region. The EU is the region's main trading partner, and how the EU responded to the crisis and aided partners is analyzed next.

III. EU recovery package for relief and sustainable development of the Western Balkans

The COVID-19 public health and economic crisis not only weakened EU Member States, but also the EU as a whole in its role of taking care of countries – members and partners. The cumbersome post-crisis economic recovery path has been disputed as a EU27 unanimous group.

The EU's image as global superpower is at stake – the **ability to deliver on a collective European economic recovery as a single market will validate its credibility**. Both to Member States and third countries alike, who often turn to other global powers for economic opportunities. As underlined by the German Presidency of the European Council, "the EU has a special responsibility for the countries of the Western Balkans, as well as for our southern and eastern neighborhood and our neighboring continent Africa. Only if the EU effectively and visibly demonstrates its capability to act and its added value in its efforts to overcome the COVID-19 pandemic and comprehensively strengthen resilient crisis prevention systems across the board will it be able to perform as a credible actor on the global stage"³⁴.

EUR 3.3 billion emergency aid package, March 2020

The economies of EU neighborhood and Member States are interdependent. EU-Western Balkans cooperation goes far beyond what other trading or political partners offer the region. As a region of strategic interest for the EU, Brussels must prove to the six hopeful candidate countries that the long accession process of regulatory alignment and structural reforms is worth the cost.

Perhaps directly related to this context, the European Commission made available an **emergency EUR 3.3 billion aid package of health support to the Western Balkans in March 2020** as part of the global response to the Coronavirus outbreak. Of the total amount³⁵:

- EUR 38 million are of immediate support to tackle the health emergency (i.e. delivery of protective medical equipment);
- EUR 374 million are reallocated from the Instrument for Pre-Accession Assistance to help structural socio-economic recovery of the region for businesses and citizens;
- EUR 455 million are dedicated to a regional economic reactivation package in close cooperation with the International Financial Institutions;

³⁴ German Presidency of the Council of the EU, "Together for Europe's recovery Programme for Germany's Presidency of the Council of the European Union 1 July-31 December 2020", *no date*, available at <https://www.eu2020.de/blob/2360248/e0312c50f910931819ab67f630d15b2f/06-30-pdf-programm-en-data.pdf>, pg. 21.

³⁵ European Commission, "EU mobilises immediate support for its Western Balkan partners to tackle coronavirus", 30 March 2020, available at https://ec.europa.eu/neighbourhood-enlargement/news_corner/news/eu-mobilises-immediate-support-its-western-balkan-partners-tackle-coronavirus_en.

- EUR 8 million from the Instrument contributing to Stability and Peace to support COVID-19 response measures for migrants, refugees and asylum seekers in the Western Balkans;
- EUR 1.7 billion package of assistance from the European Investment Bank.

Additionally, in the six Western Balkan countries being privileged partners, the **EU included them in its crisis mechanisms and instruments**, such as the Health Security Committee, Joint Procurement Agreements, Union Civil Protection Mechanism, Solidarity Fund, and consular assistance in repatriation. Kosovo welcomed the offer to access key EU instruments in the context of the COVID-19 response – the country is currently member of the Joint Procurement Agreement on medical countermeasures, observer in the EU Health Security Committee, and nominated a correspondent to the European Centre for Disease Prevention and Control³⁶.

Of the abovementioned total 3.3 billion EU aid package for the Western Balkans, **Kosovo was allocated specific amounts** for immediate health support and socio-economic recovery mitigation. Firstly, EUR 5 million for immediate aid to strengthen the capacity of the health-care system and to procure medical equipment, including 30 respirators, 5 fully equipped ambulances and 400 hospital beds. Secondly, EUR 63 million in support of socio-economic recovery redirected from IPA funds. Lastly, the EU EUR 100 million approved in Macro-Financial Assistance for Kosovo.

EUR 9 billion Economic Investment Plan, October 2020

The European Commission persisted its support to the Western Balkans in tackling COVID-19 and the post-pandemic recovery by recently proposing an Economic Investment Plan. The plan released on October 2020 builds off the enlargement package and overall assessment of reform progress and proposed to bring the **Western Balkan countries economically closer to the EU**. Olivér Várhelyi, EU Commissioner for Neighbourhood and Enlargement, describes it as “closing the development gap between our regions, ultimately speeding up the process of EU integration”³⁷. A total package of EUR 9 billion was mobilized from the IPA III (2021-2027), dedicated to **supporting 6 key elements**: sustainable transport connectivity, human capital, private sector competitiveness, inclusive growth, green transition, and digital future.

The goal is to heighten intraregional economic cooperation and trade to explore the economic potential of the region, as well as align long-term recovery with green and digital development. The Commission explains that “the Economic Investment Plan will provide EU financial support to economic growth to ensure convergence with the EU's economic criteria and improved living conditions for the citizens of the region”³⁸. The proposal seeks to make the Western Balkans region an **attractive, competitive, green and digital hub** for investments.

The Economic Investment Plan is intrinsically linked to two things. Firstly, **good governance**. Since the proposal builds off the enlargement package, real commitment and sound deliverables on structural reforms within the rule of law, human rights or public administration is essential for sustainable economic growth. A credible delivery on socioeconomic reforms will optimize access to investments and competitiveness. Secondly, **environment and climate**. The European Commission's Green agenda for the Western Balkans³⁹ covers decarbonization, depollution, biodiversity promotion, and green transport solutions, much like EU energy support will now be

³⁶ European Commission, “Kosovo 2020 Report”, 6 October 2020, available at https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/kosovo_report_2020.pdf, pg.82.

³⁷ European Commission, “Press Release - Western Balkans: An Economic and Investment Plan to support the economic recovery and convergence”, 6 October 2020, available at https://ec.europa.eu/commission/presscorner/detail/en/IP_20_1811.

³⁸ European Commission, “Q&A - Questions and Answers: Economic and Investment Plan for the Western Balkans”, 6 October 2020, available at https://ec.europa.eu/commission/presscorner/detail/en/QANDA_20_1819.

³⁹ https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/green_agenda_for_the_western_balkans_en.pdf

conditioned by its climate neutrality by 2050 goal. This second key item of the European Commission's proposed Economic Investment Plan is, in turn, linked to digitalization.

IV. Expert forecasts on what's to come: IMF, World Bank, OECD, other

The unprecedented nature of the year 2020 means unprecedented levels of uncertainty when economic forecasting what is to come for the Western Balkan region. This chapter presents indexes and forecasts from three expert organizations, as well as key ideas circulating in civil society, on the impact of containment measures and recovery initiatives for getting developing countries back on the good track they were on.

Let us start by delving into general **economic forecast data on Kosovo** specifically. Focus Economics notes a deep contraction of the Kosovar economy due to the pandemic but expects a steep recovery next year – “the reopening of the economy should unleash pent-up spending and capital outlays. Moreover, strengthening foreign demand should buttress the external sector. (...) We see the economy expanding 4.8% in 2021, which is down 0.6 percentage points from last month's forecast, and 4.1% in 2022”⁴⁰. However, such a positive outlook is dependent on the possibility of future increased infection waves.

On real GDP growth, the World Bank's annual estimates and forecasts reports that, in 2020, Kosovo should **expect a -4.5 percent change and then a 5.2 percent change in 2021**, signaling a slight rebound⁴¹. To note, the **uncertainty risk when presenting outlook figures** would tilt figure negatively, should the pandemic linger beyond expected and the Eurozone, to which Kosovo is dependent on, face an even tougher recession. The *World Economic Outlook* report of by International Monetary Fund paints a different picture – is expects **Kosovo's GDP to shrink by 5% in 2020, followed by a 7.5% rebound in 2021**. With regards to fiscal revenues, the forecast is a 12% decrease in 2020 due to falls in tax revenue and custom duties. Further forecasts by the IMF predict that exports will fall 17% due to the global recession, as will **remittances fall by 10%** in 2020 (they usually amount to 15% of national GDP). Most pressing, Foreign Direct Investments and other **external financial flows crucial for Kosovo are expected to be cut in half**, estimating at 3.6% of GDP in 2020⁴².

In addition to that, prolonged restrictive measures could intensify **negative spillovers in Kosovo's economic outlook, linked to trade relations, good education and learning rates and general human capital development**. Another risk quite poignant for Kosovo is that continued tightened global financing conditions obstruct countries with large external financing needs facing debt-servicing costs. Forecast data also stress that, since public expenditure is going to necessary recovery programmes, limited fiscal space will remain for budget-financed public investment, such as the initially planned and announced railway and road projects in the context of the normalization of relations with Serbia.

In the Republic of Kosovo, the pandemic and containment measures put in place have severely strained investment, private consumption exports and remittances from the Diaspora. When economic recovery takes off, private **consumption is expected to rebound faster** (the World Banks expects it to fall slightly by 0, 2%), while service exports and investment will take longer to recover, necessarily leading to a **deep loss in public revenues**⁴³.

⁴⁰FocusEconomics, “Kosovo”, available at <https://www.focus-economics.com/countries/kosovo>[Accessed 20 November 2020].

⁴¹ World Bank Group/EBRD, Global Economic Prospects, June 2020, Pg.207.

⁴²IMF, “Republic of Kosovo: Request for Purchase Under the Rapid Financing Instrument-Press Release; Staff Report; and Statement by the Executive Director for the Republic of Kosovo”, 16 April 2020, available at: <https://www.imf.org/en/Publications/CR/Issues/2020/04/16/Republic-of-Kosovo-Request-for-Purchase-Under-the-Rapid-Financing-Instrument-Press-Release-49339>.

⁴³ World Bank, “Kosovo's Economy Projected to Contract by 4.5% in 2020 Due to COVID-19”, 29 April 2020.

Firstly, the **World Bank** argues in its Spring 2020 report on The Economic and Social Impact of COVID-19 that “The Western Balkans region is projected to enter a recession in 2020 whose magnitude vitally depends on the duration of the COVID-19 outbreak in Europe”⁴⁴. As such, legislative and policy efforts in the region must continue the tricky balancing act of combating the public health pandemic itself and limiting economic damage.

A first proposal moving forward is to equip national healthcare systems appropriately to ensure capacity and self-sufficiency. In parallel, fiscal and financial safety net measures for business and individuals affected by lockdown measures is key to facilitating economic recovery. Economic aid packages, however, come with a price – the World Bank estimates “deficits will increase from 4 to 10 percent of GDP for most [Western Balkan] countries”⁴⁵. The international organization also proposes the movement encourage private financing to support firms, more in the form of soft investments.

Another note-worthy item is that of tourism. The World Bank expects Montenegro, Albania, and Kosovo to be particularly affected here given their high reliance on this sector – “all three countries direct and indirect tourism receipts are estimated to account for 15 to more than 25% of GDP”⁴⁶. Kosovar tourism however, has a silver lining here as international travel restrictions ease, seeing that “80% of its travel service exports are driven by Diaspora tourism”⁴⁷.

In being a partner of Kosovo, the World Bank has committed to mobilize over EUR 120 million to support Kosovo manage and mitigate the impact of COVID-19⁴⁸. The program of activities includes meeting urgent health sector needs, protecting household incomes, redirecting already-approved funds in benefit of SMEs, and budget support for economic recovery.

Secondly, the **International Monetary Fund (IMF)** explains that the pandemic and lockdown measures gravely harmed Kosovo’s economic prospects – “The economy is expected to contract by 5% in 2020 as tourism receipts, remittances, exports of goods, and FDI will decrease due to travel restrictions and the effect of COVID-19 in trading partners and remittance-originating countries. The deteriorated economic outlook is expected to result in external and fiscal financing gaps”⁴⁹. To counter this bleak scenario, the IMF approved a EUR 51.6 million financial assistance package under the Rapid Financial Instrument. Along the same lines as the World Bank’s proposals, the aim of the IMF financial assistance package is to strengthen the healthcare system of Kosovo, and to mitigate negative effects on the sectors and social groups most vulnerable to the economic and financial crisis.

Thirdly, the Organisation for Economic Co-operation and Development (OECD) assesses economic impact, policy responses, and short-term sustainable solutions in its Spring 2020

⁴⁴ World Bank, “The Economic and Social Impact of COVID-19”, WESTERN BALKANS REGULAR ECONOMIC REPORT - no.17, Spring 2020, available at <http://documents1.worldbank.org/curated/en/606131588087679463/pdf/The-Economic-and-Social-Impact-of-COVID-19-Western-Balkans-Outlook.pdf>, pg.1.

⁴⁵ World Bank, “Western Balkans Regular Economic Report”, Fall 2020, available at <https://www.worldbank.org/en/region/eca/publication/western-balkans-regular-economic-report>.

⁴⁶ World Bank, “The Economic and Social Impact of COVID-19”, WESTERN BALKANS REGULAR ECONOMIC REPORT - no.17, Spring 2020.

⁴⁷*Ibid.*

⁴⁸World Bank, “Kosovo’s Economy Projected to Contract by 4.5% in 2020 Due to COVID-19”, 29 April 2020.

⁴⁹ IMF, PRESS RELEASE NO. 20/149, 10 April 2020, available at [https://www.imf.org/en/News/Articles/2020/04/10/pr20149-kosovo-imf-executive-board-approves-us-million-emergency-support-address-covid-19-pandemic#:~:text=shqip-IMF%20Executive%20Board%20Approves%20US\\$2456.5%20Million%20in%20Emergency%20Support,Address%20the%20COVID%20D19%20Pandemic&text=The%20COVID%20D19%20pandemic%20will,by%205%20percent%20in%202020.0.](https://www.imf.org/en/News/Articles/2020/04/10/pr20149-kosovo-imf-executive-board-approves-us-million-emergency-support-address-covid-19-pandemic#:~:text=shqip-IMF%20Executive%20Board%20Approves%20US$2456.5%20Million%20in%20Emergency%20Support,Address%20the%20COVID%20D19%20Pandemic&text=The%20COVID%20D19%20pandemic%20will,by%205%20percent%20in%202020.)

report on the COVID-19 crisis in the Western Balkans⁵⁰. Much like the expert organization mentioned before, the OECD singles out domestic supply and demand flows, disruption in exports, deceleration of public and private investment, tourism suspension and lower remittances as key impacting elements. The quick reactions across all six Western Balkan countries with immediate monetary policy tools and fiscal stimulus packages are praised in preventing sharper economic fallout. However, no matter how beneficial the aid packages are they will lead to fiscal deficit and accumulation of debt.

In the short-term, the report suggests governments take immediate actions to foster sustainable solutions for structural constraints. This ranges from cooperation mechanisms with tourism sector actors, employment initiatives facilitating telework and connectivity, boosting distance learning tools, promoting widespread digital transition, and seeking an all-inclusive approach to health which is environmentally conscious. In fact, all such proposed items are in tune with the five priorities in the EU's October 2020 Economic Investment Plan for the Western Balkans in the amount of EUR 9 billion.

Lastly, the proposed forecast most commonly put forth by individuals is that of using this 'reset' moment to focus on **prioritizing a new and green economic model when devising economic recovery action**. On the EU side, European Commission Vice-President Frans Timmermans stressed that "every Euro we invest must flow into a new economy rather than old structures"⁵¹, which goes in line with the EU's European Green Deal and transition to a climate-neutral economy.

This approach was also materialized in the Commission's recovery plan for the Western Balkans, which lays as founding principles the need to invest in the digital and green sectors, both on matters of education, investment, energy, connectivity and generalized support to businesses. The best way to ensure a long-lasting return to growth in the future is by framing the investment plans and strategies looking onward, thus adapting to the new normal, the online way of doing business and keeping competitiveness and innovation.

V. CONCLUDING REMARKS

The effects of the COVID-19 public health pandemic and economic crisis are far from over. Not only is the pandemic's second wave peaking in Europe currently, but vaccine distribution is a distant hope and partial lockdowns are being re-instated. Business losses and disrupted financial flows will persist, and the need to incur in public deficit to put up economic recovery measures will persist as well.

The governments in the six Western Balkans countries have taken the correct approach, and face the unavoidable consequence of the delicate balancing act between the need to fully reopen the economy and the need to protect citizens. Both sides of the coin have vulnerable populations, be it the suddenly unemployed or medically fragile. The lack of a straight right answer is distressing, as this report points out. Expert organizations put forth short and long-term proposals for growth progress yet the problem remains that public spending is in shambles and in front of governments is a whole lot of uncertainty.

What is certain is that the socioeconomic impact would have been much worse had lockdown measures not been taken, and had economy incentive programmes been adopted.

⁵⁰ OECD, "THE COVID-19 CRISIS IN THE WESTERN BALKANS - Economic impact, policy responses, and short-term sustainable solutions", *no date*, available at <https://www.wb6cif.eu/wp-content/uploads/2020/05/COVID-19-Crisis-Response-Western-Balkans.pdf>.

⁵¹ EURACTIV, "Timmermans promises green recovery to EU lawmakers", 22 April 2020, available at <https://www.euractiv.com/section/energy-environment/news/timmermans-promises-green-recovery-to-eu-lawmakers/1457518/>.

General approaches were quite similar, how they differ is precisely in the impact policies, initiatives, programmes or draft laws have on the country depending on its growth model and dependencies. Looking particularly at Kosovo, the high dependence on tourism did not play in its favor, but the high dependence on Diaspora cash flows did. A very important mitigating impact was the aid package adopted by the EU for the six Western Balkans partner countries. The immediate relief did cover some essentials, and did appease the EU's need to prove a privileged relationship with the EU27 is worth the time-consuming structural reforms demanded.

With the economic state of affairs in Kosovo currently at disarray, governments are encouraged to focus on implementation and consequential application or delivery of announced Emergency packages and Recovery programmes. The pressing recommendations pertain ensuring those most vulnerable are granted tailored relief socioeconomic measures to prevent long-lasting poverty effects in the country. Another priority is to refocus financial support on building national resilience and on competitive business models. A strong country is a competitive country, and that passes through a strong economy. In turn, a strong economy relies on new and innovative technologies and business models, those which are aligned with sustainable development – namely energy efficiency and clean energy. Understanding this context and taking it into consideration will allow for government to practically think of solutions for the economy now, and post-pandemic. As always, looking ahead is key - looking ahead with an eye on innovation and competitiveness.

This report sought to contextualize the regional situation, detail the Kosovar case, and from there assess what is at stake and how to constructively counter the crisis. The light at the end of the tunnel will come with the announcement of a vaccine and, until then, World Bank, IMF and OECD short-term proposals based on estimated forecasts will have to suffice. When this chapter in history is said and done, there is hope and motivation for it to a greener and more sustainable one, and that positive note is the one to concentrate on.

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.



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