

Coronavirus response in 2021: building back better

Update on Kosovo (14 December 2021)



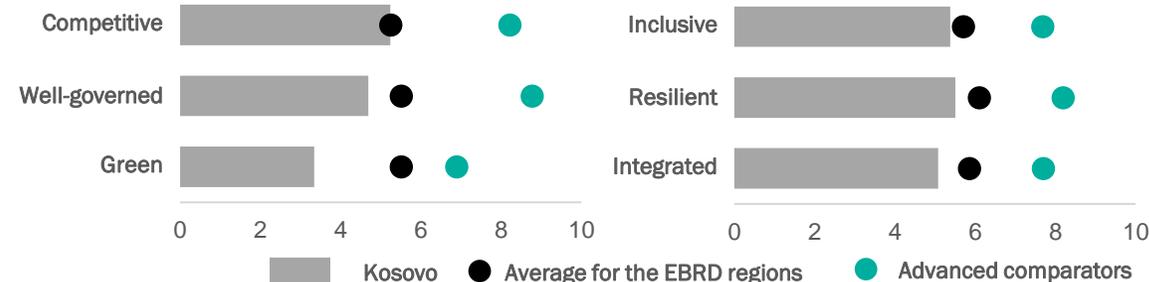
Covid-19 policy response

- Kosovo implemented a mitigation and recovery package (MRP) worth around 4.3 per cent of GDP in 2020, focusing on income support for vulnerable individuals, budgetary support for the healthcare sector and support for firms through wage subsidies and easier access to borrowing.
- The MRP for 2021 is around 3.1 per cent of GDP. It includes additional spending on the healthcare sector (mainly for the procurement of vaccines) and transfers to households and firms, as well as increased capital expenditure on healthcare and education.

Macroeconomic indicators (per cent)

	2018	2019	2020	Short-term indicators
GDP growth	3.8	4.9	-5.3	EBRD GDP growth forecast (Nov 2021) 2021: 7.7%; 2022: 4.5%
Annual inflation (year end)	2.9	1.2	0.1	Quarterly GDP growth: 4.2% (Q1) and 16.3% (Q2) y/y in 2021
Government balance/GDP	-2.8	-2.9	-7.8	Goods export growth : 60.5% y/y (January-October 2021)
Current-account balance/GDP	-7.8	-5.8	-6.7	Annual inflation: 5.7% (October 2021)
Net foreign direct investment/GDP	-3.4	-2.7	-4.2	Passenger flight arrivals: up 123% y/y from 2020 and 88% of 2019 levels (January-September 2021)
Public debt/GDP (year end)	17.0	17.6	24.1	
Unemployment rate (year end)	29.6	25.7	27	

EBRD assessment of transition qualities (ATQs), 2021¹



Building back better: key ongoing initiatives

Well-governed	• A draft Law on the Commercial Court was prepared in March 2021 with a view to increasing the effectiveness of trade dispute resolution.
Green	• Progress has been made on adopting an auctions scheme to allocate licences for renewables to replace the feed-in-tariff system.
Inclusive	• Public employment services are being revamped to offer better services to jobseekers.
Resilient	• The electricity network system operator, KOSTT, began to operate independently in December 2020.
Integrated	• An agreement on the cooperation of Albania-Kosovo electricity markets was signed in October 2021, setting out the organisation of cross-border transmission capacity. • Kosovo and North Macedonia signed an implementation agreement on joint customs control at the countries' railway crossing. • Border controls for people travelling between Albania and Kosovo were removed in November 2021.
Digital	• A legal framework for cybersecurity is being developed to ensure the security of network and information systems.

Key short-term priorities

- The authorities should continue to strengthen public governance, including that of state-owned enterprises, and improve the business climate.
- Further efforts towards a green transformation of the energy sector are critical.
- Financial stability should be carefully monitored following the phase-out of regulatory measures and government support.

To learn more about the EBRD's support for Kosovo, visit: <https://www.ebrd.com/kosovo.html>.

¹ For more details on ATQs, see EBRD (2021), *Transition Report 2021-22: System Upgrade: Delivering the Digital Dividend*, London.