

Coronavirus response in 2021: building back better

Update on Kosovo (16 June 2021)



Covid-19 policy response

- A **mitigation and recovery package (MRP) worth around 4.3 per cent of GDP** was implemented 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 in 2021 is around 3.1 per cent of GDP**, including additional spending on the healthcare sector (mainly for the procurement of vaccines), transfers to households and firms, and increased capital expenditure on healthcare and education.
- **Regulatory flexibility was introduced for the banking system**, including a loan repayment moratorium (that ended in June 2020) and the relaxed classification of restructured loans (extended to March 2021).

Macroeconomic indicators (%)

	2018	2019	2020	Short-term indicators
GDP growth	3.8	4.9	-4.1	EBRD GDP growth forecast (June 2021) 2021: 4.0%; 2022: 5.0%
Annual inflation (end-year)	2.9	1.2	0.1	Exports of goods: 64.9% y/y (Jan-Apr 2021)
Government balance/GDP	-2.9	-2.8	-7.7	Exports of services: 0.7% y/y (Q1 2021)
Current-account balance/GDP	-7.6	-5.5	-7.5	Annual inflation: 1.9% (April 2021)
Net FDI/GDP	-3.4	-2.7	-4.2	
Public debt/GDP (end-year)	17.0	17.6	24.4	
Unemployment rate (end-year)	29.6	25.7	25.6	

EBRD assessment of transition qualities (ATQs), 2020¹



Building back better: key ongoing initiatives

Well-governed	• A programme was adopted in 2020 to reduce the administrative burden on citizens and businesses by simplifying, merging and abolishing licences and permits.
Green	• Progress has been made on introducing an auction 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 job seekers.
Resilient	• The electricity network system operator, KOSTT, began to operate independently in December 2020.
Integrated	• Kosovo joined the newly formed Kosovo-Albania Control Bloc within the European transmission network in May 2020, increasing the possibility of trade in electricity.
Digital	• The legal framework on cybersecurity is being developed to ensure the security of network and information systems.

Key short-term priorities

- Maintain targeted fiscal support for companies and households, but also invest and attract private-sector participation in vital infrastructure.
- Improve the governance of state-owned enterprises (SOEs) by updating the state ownership policy and improving the monitoring of SOE performance.
- Strengthen and streamline public administration to improve the business climate and tackle informality and corruption.

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 (2020), [Transition Report 2020/21: The State Strikes Back](#), London.