

The impact of COVID-19 pandemic on the Kosovo budget

JUNE 2020



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Executive Summary

Kosovo entered the crisis caused by COVID-19 with a very low public debt, however, since the application of the fiscal rule in 2014, this year it is expected that the budget deficit will exceed the allowable limit for the first time. Despite exceeding the deficit limit, Kosovo continues to have the lowest level of public debt in the region. The increase in the budget deficit comes as a result of decline in revenues, but also increase of spending, since the caretaker government approved an emergency fiscal package and a second package for economic recovery is expected to be approved by the new government. While the first package was partially implemented through government budget transfers, the second budget package cannot be implemented without a budget review in the Kosovo Assembly. Considering that 2/3 majority vote of MPs is needed at the Assembly for the approval of international loans, addressing of the economic crisis in full, cannot be done without the support of this institution. If the international loans are not approved by the Assembly, public expenditures will decrease and this will further accelerate the economic downturn. In 2020, Kosovo is expected to have the lowest public spending as a percentage of Gross Domestic Product (GDP).

Despite planning to increase spending, the category of capital investment as a category which helps to foster economic growth will have a significant decrease compared to what was planned. In addition to the central level, the pandemic is expected to negatively affect the income at the local level as well. Municipalities will be affected in budgetary aspect through several channels such as: a) reduction of the general grant and the grant for the capital city; b) decrease in own source revenues; and c) decrease in capital investment from the central level.

COVID-19 has brought a rare situation where significant financial means of taxpayers in Kosovo are used for partial recovery of businesses and workers in the private sector. According to the International Monetary Fund (IMF), in the emergency package fiscal measures have rightly focused on mitigating the effect of the crisis. However, now that the rules for state aid to the private sector are almost suspended in Kosovo and the world, this situation brings new risks for budget management. The big increase in subsidies, as one of the least legally regulated categories, could create room for abuse of public funds.

The purpose of this report is to present the impact of the COVID-19 pandemic on the Kosovo budget, but also the opportunities and risks of economic and social recovery caused by the pandemic through public spending.

1. Introduction

On February 28, 2020, the Government of Kosovo took the first decision on budget allocation in order to prevent a public health emergency situation caused by the COVID-19 pandemic.¹ Around two weeks after this decision, the first case of COVID-19 infection appeared in Kosovo.² Meanwhile, outside of the regular legal deadlines, the government approved the draft budget for 2020 and at the same time the "Plan for readiness and response against the Coronavirus" with a budget of 10 million Euros.³ On March 11, decisions on the first measures in response to the Coronavirus were taken. These measures included the suspension of air and land transportation, ban on entry and exit through several municipalities, closure of schools, bars, shopping malls, markets, suspension of concerts and sporting events, and reduction of staff in public sector.⁴ In addition to restricting business activity, at the end of March they started restricting the movement of citizens.⁵ All these measures had an impact on the economic well-being of citizens and the functioning of the private sector.

To address the economic and social situation created as a result of measures to suspend and restrict the activity of most businesses in the private sector, the Government of Kosovo approved the Emergency Fiscal Package of 179.6 million Euros.⁶ In terms of budget, Kosovo entered the pandemic with a very low public debt - around 20 percentage points lower than the debt allowed under the law, and this allowed considerable fiscal space to address the crisis. However, entering into new loan agreements and exceeding the rule for the budget deficit limit became impossible alternative because the ruling coalition suffered a no-confidence vote in the Kosovo Assembly.⁷ Likewise, in order to accommodate the above-mentioned package in the budget, a transfer of a significant amount of the budget was required and to do this it would be necessary to include the Assembly of Kosovo in some cases. Another limitation in terms of creating a budget leverage for addressing the crisis was the very high percentage of the budget allocated for capital investments that was a continuation from previous years. The GAP Institute has conducted analysis of budget allocations before the COVID-19 pandemic.⁸

The purpose of this report is to present the impact of the COVID-19 pandemic on the Kosovo budget as well as the and legal restrictions and opportunities that the Government of Kosovo has for addressing the crisis in the budgetary aspect. The first part contains a review of the legal basis on the restrictions and opportunities of the executive branch regarding crisis management. It is followed by an overview of the impact of crisis on revenues, expenditures and the fiscal deficit of 2020. This section also contains a summary of the impact of pandemics on budget revenues for January-May 2020. In a separate section we analyzed the differences in projections of the International Monetary Fund (IMF) and the Ministry of Finance (MoF) on impact of pandemic on the budget. In the other part we analyzed the potential impact of the crisis on municipal finances, municipal budget projects to address the crisis and the impact of the crisis on projects implemented by ministries in municipalities. In the last part, we presented the main budget measures for addressing the crisis in Kosovo and some measures from other countries.

1 Government of the Republic of Kosovo, Decisions of Meeting No. 4, Source: <https://bit.ly/2zHDurM>

2 Koha.net, Two positive cases of Coronavirus in Kosovo, Source: <https://bit.ly/3d0QSo9>

3 The Government of the Republic of Kosovo, the Government of Kosovo approved the Draft Law on Budget for 2020, Source: <https://bit.ly/302lpNn>

4 Government of the Republic of Kosovo, Decisions of Meeting No. 9, Source: <https://bit.ly/2Blwn3T>

5 Government of the Republic of Kosovo, Decisions of Meeting No. 15, Source: <https://bit.ly/36MB0US>

6 Government of the Republic of Kosovo, Decision of Meeting No. 19, Source: <https://bit.ly/3cjkLjq>

7 Koha, The motion of no confidence was passed, Kurti Government has fallen, Source: <https://bit.ly/2U7foNU>, accessed on 4 June 2020

8 GAP Institute, Priorities of the Kosovo budget before the COVID-19 pandemic, Source: <https://bit.ly/2XYnvOI>

2. Legal restrictions for budget management in times of crisis

According to the Law on Public Financial Management, the Government and the Ministry of Finance have a number of competencies but also restrictions in terms of budget cuts and transfers while managing unforeseen expenses. In a situation where there is a macroeconomic shock, such as the COVID-19 crisis, or in the event of a natural disaster, with the approval of the government by excluding funds from own source revenues, the Minister of Finance may reduce the allocated funds, or funds for projects based on budget for 2020.⁹ Through this legal opportunity, the MoF can create funds to finance fiscal measures, however there are some restrictions related to their transfer.

At the request of the heads of budgetary organizations, the Ministry of Finance and the Government may transfer only 15 to 25% of budget allocations from one category to another and this excludes the transfer to the category of wages and salaries.¹⁰ There is also an additional restriction in the category of capital investments. In case of reallocation of amounts within different capital projects, such reallocation can only be done within the same sub-program.¹¹ However, any budget transfer that exceeds this percentage or any budget transfer between budget organizations, requires the approval of the Assembly of Kosovo.¹² Also, each new capital project, requires an approval from the Assembly. Taking advantage of these legal opportunities, the MoF has managed a part of the Emergency Fiscal Package, but due to restrictions, this package cannot be fully managed without the involvement of the assembly.¹³

The minister can avoid the above mentioned restrictions if during the last quarter of the year, budget organizations have underspent compared to the cash flow plan. In this case, with the reasoning of the budget organization and the approval of the government, it is possible to transfer the reduced budget funds within the same organization or in other organizations.¹⁴ However, these funds cannot be transferred for new capital projects, they cannot exceed 5% of the total amount of budget allocations and own source revenues, incomes dedicated from loans are excluded.¹⁵ The Minister is also not restricted in the case of transfer of contingents to the MoF and the amount of these contingents this year is 36.8 million Euros.

While the government can transfer funds of up to 25% for one budget category, any transfer that exceeds 25% of a single budget allocation of the relevant institution, requires the involvement of the Assembly. The Assembly is also required for the approval of new credit agreements and whenever the deficit limit rule is exceeded. The budget deficit in the budget planning for 2020 is 2% of GDP, which is at the same time the maximum allowed

⁹ The Law on Public Financial Management, Article 36

¹⁰ The Law on Public Financial Management, Article 30

¹¹ Law No. 07/L-001 on budget allocations for the budget of the Republic of Kosovo for 2020, Article 16

¹² Law No. 07/L-001 on budget allocations for the budget of the Republic of Kosovo for 2020, Article 15

¹³ Interview with the Minister of Finance, Mr. Besnik Bislimi, 15 May 2020

¹⁴ This excludes funds from own source revenues, dedicated revenues and loans

¹⁵ Law No. 07/L-001 on budget allocations for the budget of the Republic of Kosovo for 2020, Article 15 par 3

limit of the budget deficit.¹⁶ In order to surpass the deficit ceiling, the Government of Kosovo must propose introduction of new loans and increase of budget deficit limit to the Assembly of Kosovo.^{17 18} Increase in deficit should not exceed the impact of events in the relevant period. Unlike the increase of the limit, which can be approved by a simple majority vote of the Assembly, approval of the new loans requires 2/3 majority vote.¹⁹

Regardless of the option to increase the budget deficit, the budget is also subject to the Law on Public Debt, which does not allow the increase of the total debt for more than 40% of the GDP. However, although an increase in the deficit limit is planned, in the medium term the total debt is expected to be around 27% of GDP or about 13 percentage points below the allowed limit.²⁰ Also, even after the projected increase in the debt, Kosovo is expected to have the lowest public debt in the region.²¹ According to the government program, the total debt ceiling is expected to increase from 40 to 50% in the next three years.²²



At the request of the heads of budgetary organizations, the Ministry of Finance and the Government may transfer only 15 to 25% of budget allocations from one category to another and this excludes the transfer to the category of wages and salaries.

¹⁶ Law No. 04/L-194 amending the Law No. 03/L-048 on the management of public finances and responsibilities, as amended by laws No. 03/L-221 and No. 04/L-116, Article 22A

¹⁷ Ibid, Article 22B

¹⁸ If in a period of six months the nominal tax revenues are lower than in the same period of the previous fiscal year, the Government may propose to the Assembly to exceed the budget deficit.

¹⁹ Constitution of Kosovo, Article 18,

²⁰ Law No. 03/L - 175 on public debt, Article 5

²¹ Western Balkans Regular Economic Report, No.17 | Spring 2020, The Economic and Social Impact of COVID-19, Source: <https://bit.ly/30zlzyx>

²² The Government of Kosovo. Governance Program 2021-2023, Source: <https://bit.ly/2zshe4R>

3. Changes in the Kosovo budget as a result of the COVID-19 pandemic

Kosovo budget revenues in the period January-May 2020 according to MoF data²³ were around 621 million Euros or 106 million Euros (14.6%) less than in the same period of 2019.²⁴ Whereas only in the period March-May 2020, which represents the period of COVID-19 pandemic when most of the activities in the private and public sector in Kosovo were suspended, budget revenues were 337 million Euros or 133 million Euros (28.2%) lower than those in the period March-May 2019. These data show that the decline in budget revenues, as expected, was caused in the period of pandemic when economic activity was low. If this decline in revenues during the pandemic would not be neutralized to some extent by good performance in January and February, about 27 million Euros more than in the previous year, then the decline in budget revenues in the first half of 2020 would be even higher.

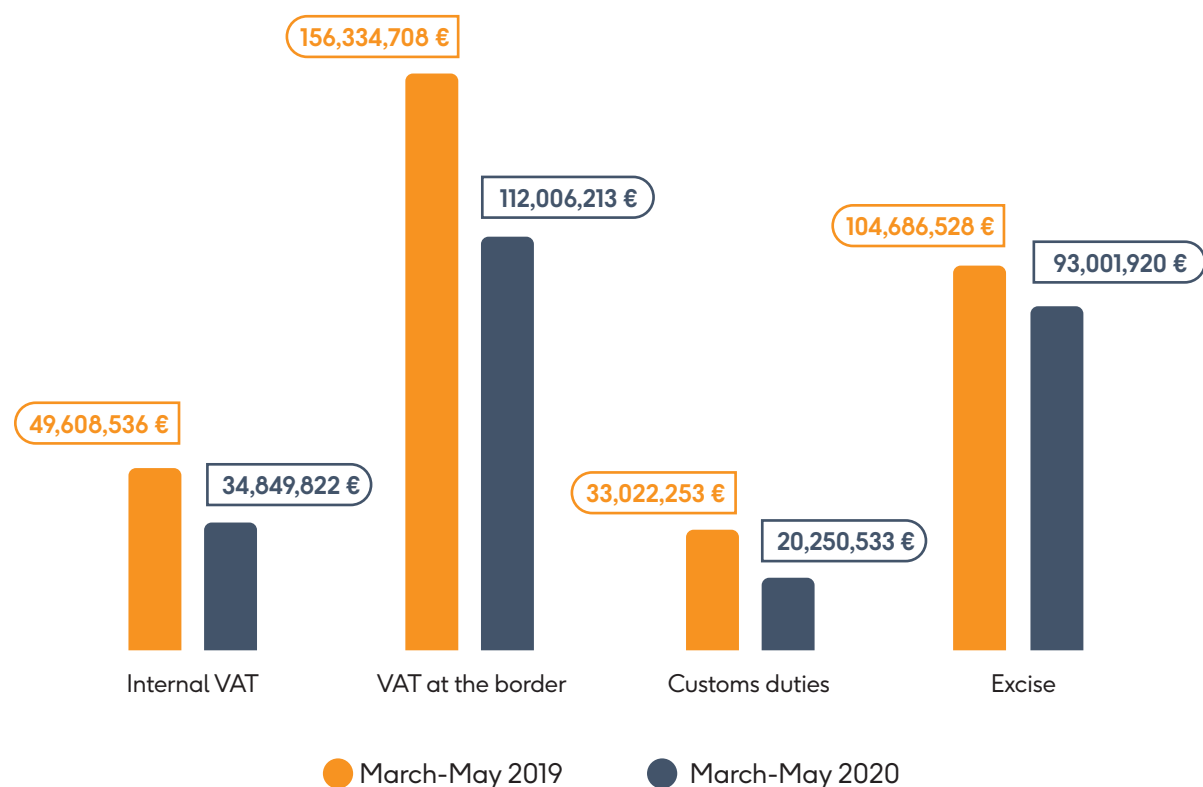
In budget revenues from indirect taxes, which are a source of around 80% of annual revenues, compared to the previous year, there is a decrease with over 59 million Euros or 29% in the period March-May 2020 in revenues from Value Added Tax. (VAT). The decline is mainly in VAT collected at the border (44 million Euros). Revenues from customs duties have decreased by about 12.8 million Euros or 39%. Meanwhile, a slight decrease during the period March-May 2020 compared to the same period of last year was observed in excise revenues with around 11.7 million Euros or 11%. The decline in oil prices in international markets also had an impact in the decline in revenues from indirect taxes during this period. Although the imported quantity of fuels was almost the same, in April 2020 the ratio between the value of these products and the imported quantity was 0.24 (Euro/unit), while in April 2019 the ratio was 0.52 (Euro/unit).²⁵ The Stabilization and Association Agreement (SAA), which provides successive tariff reductions applied to goods imported from Europe, has an impact on the decline in revenues from customs duties. However, based on previous years, its impact on this decline, should be lower than that of pandemics.

²³ Based on the average extracted from the 2019 data.

²⁴ Ministry of Finance. Treasury. Monthly fiscal series. Source: <https://bit.ly/37jucyr>. We referred to the same data in the following section as well.

²⁵ The Kosovo Customs. Trade Balance 2019-2020. Source: <https://bit.ly/2AuExeV>

Figure 1. Budget revenues from indirect taxes, March-May 2019-2020

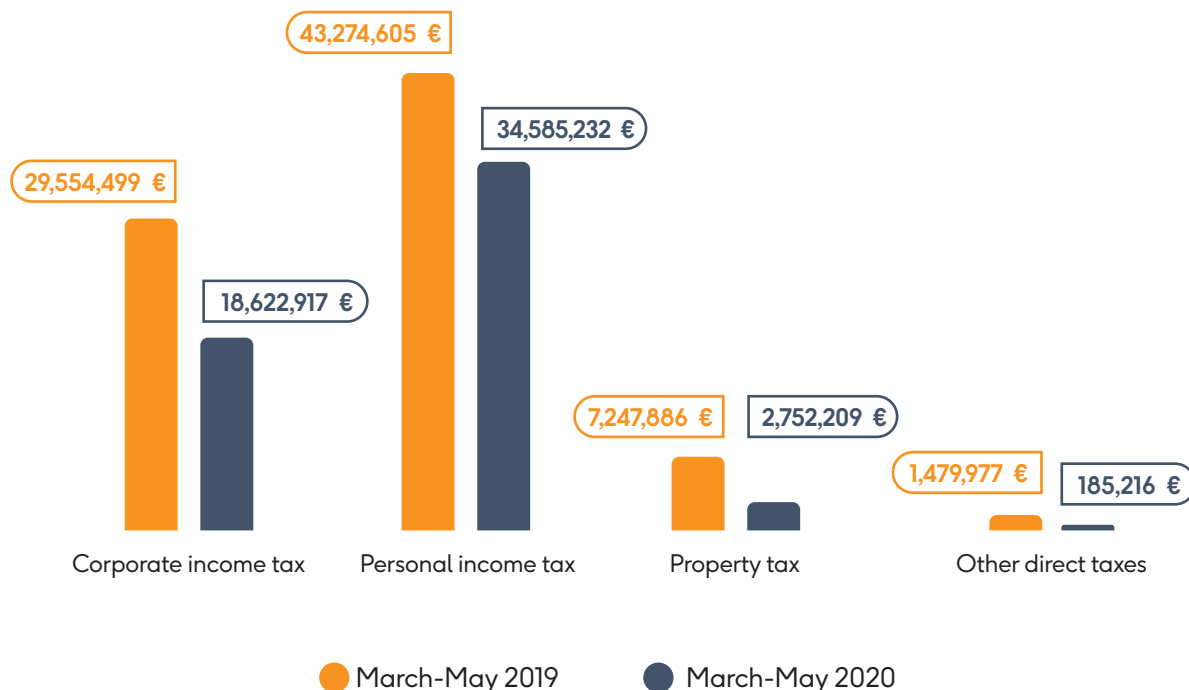


SOURCE: GAP INSTITUTE USING MOF DATA

In the budget revenues from direct taxes, the most significant decrease in the period March-May 2020 compared to the same period of the previous year was in revenues from corporate income tax with about 11 million Euros or 37%. Similarly revenues from personal income tax have decreased by about 8.7 million Euros or 20%. Also, in terms of property tax the revenues have decreased by about 4.5 million Euros or 62%. However, this category is also influenced by the government's decision to extend the deadlines for paying property taxes for citizens.²⁶ A part of these funds can be accumulated during the rest of the year, which neutralizes the total annual decline in these revenues.

²⁶ Ministry of Finance. Decision No. 20/2020. Source: <https://bit.ly/2ArlRvj>

Figure 2. Budget revenues from direct taxes, March-May 2019-2020

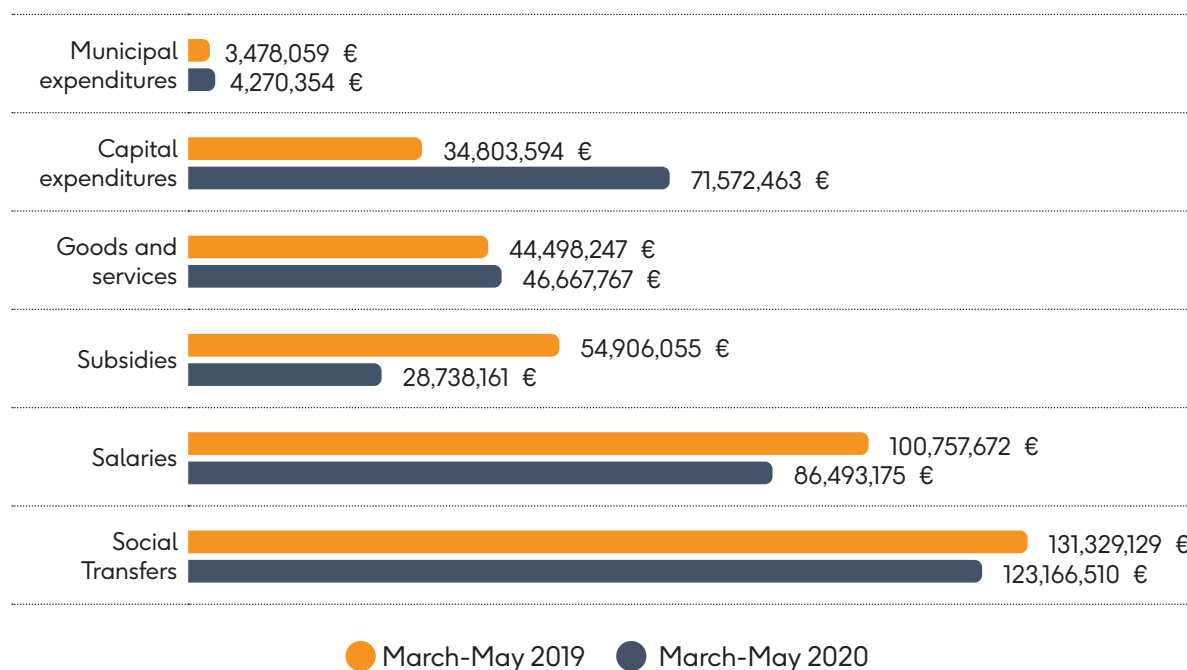


SOURCE: GAP INSTITUTE USING MOF DATA

In terms of budget expenditures in 2020, specifically the period January-May, total expenditures in economic categories were 716 million Euros or 14.1 million Euros (2%) higher than those in the same period of last year. Based on the economic categories, we notice that in the period January-May at the central level, the expenses for wages and salaries have increased (17.7 million Euros or 12%), subsidies and transfers (35 million Euros or 15%), while there is a decrease in goods and services. (2 million Euros or 3%) and capital expenditures (25.9 million Euros or 36%).

In the period from the beginning of the pandemic, expenditures in economic categories there were 485 million Euros or 4.7 million Euros (1%) lower than in the period March-May 2019. At the central level, in the period March-May 2020, when the government intervened in the economy through the Emergency Fiscal Package, compared to the previous year, there was an increase in the category of subsidies and transfers for over 34.3 million Euros (22.6%), which increase is influenced mainly by the category of subsidies (26.1 million Euros or 91.1% increase) and less by that of social transfers (8.2 million Euros or 6.6% increase). Also, the category of wages and salaries has increased by 14.3 million Euros or 16.5%. Meanwhile, capital investments have been halved from 71.5 million Euros in March-May 2019 to 34.8 million Euros in 2020. Similarly, utility costs have decreased with 792 thousand euros or 18.6%.

Figure 3. Budget expenditures from the central level, March-May 2019-2020



SOURCE: GAP INSTITUTE USING MOF DATA

3.1 The impact of COVID-19 on the annual budget according to MoF planning in the document of the Mid-Term Expenditure Framework (MTEF) 2021-2023

To alleviate the damage caused by the COVID-19 pandemic to citizens and businesses, knowing that a large number of them have been forced to suspend their activity for more than a month, the Government of Kosovo, similar to governments in other countries, has approved an Emergency Fiscal Package. The package approved on March 30, 2020 by the Government of Kosovo, with an amount of around 179.6 million Euros, targets citizens in the worst economic situation, employers and employees.²⁷

In April 2020, the Government of Kosovo submitted a proposal to amend the initial budget for 2020 as a result of the damage caused to the economy by the COVID-19 pandemic.²⁸ However, the document of MTEF 2021-2023 published later by the MoF, contained changes in projections related to revenues and budget expenditures for 2020, so the data that will be analyzed in this report are from this document.²⁹ Specifically, the MTEF 2021-2023 presents projections regarding the impact that the situation created on annual revenues from the decline in economic activity, failure to implement a part of capital investments, the impact on current

²⁷ Government of the Republic of Kosovo, Decision of Meeting No. 19. Source: <https://bit.ly/3cjkLiq>

²⁸ Government of the Republic of Kosovo, Decision of Meeting No. 23. Source: <https://bit.ly/2XQVajq>

²⁹ Ministry of Finance (2020). "Mid-Term Expenditure Framework 2021-2023". Source: <https://bit.ly/2TDQOnQ>

expenditures, and more. As presented below, there are also differences between the MoF projections in the MTEF and those of the IMF.

The projections of the MoF presented in MTEF 2021-2023, envisage lower expenditures for capital investments and expenditures for goods and services in 2020 of around 134 million Euros. It also envisages an increase in debt, unlike the 2020 budget law for around 257 million Euros. As a result, there is currently a projected budget of about € 391 million that could be used to cover the cost of emergency package and new measures from a Fiscal Recovery Package, as well as to cover other planned expenditures in the budget law for which there are insufficient funds due to the decline in budget revenues. However, the government has room to reallocate and increase the budget for such measures in cooperation with the Assembly, since there are legal possibilities for even greater reallocation of the budget and increase of financing from loans.

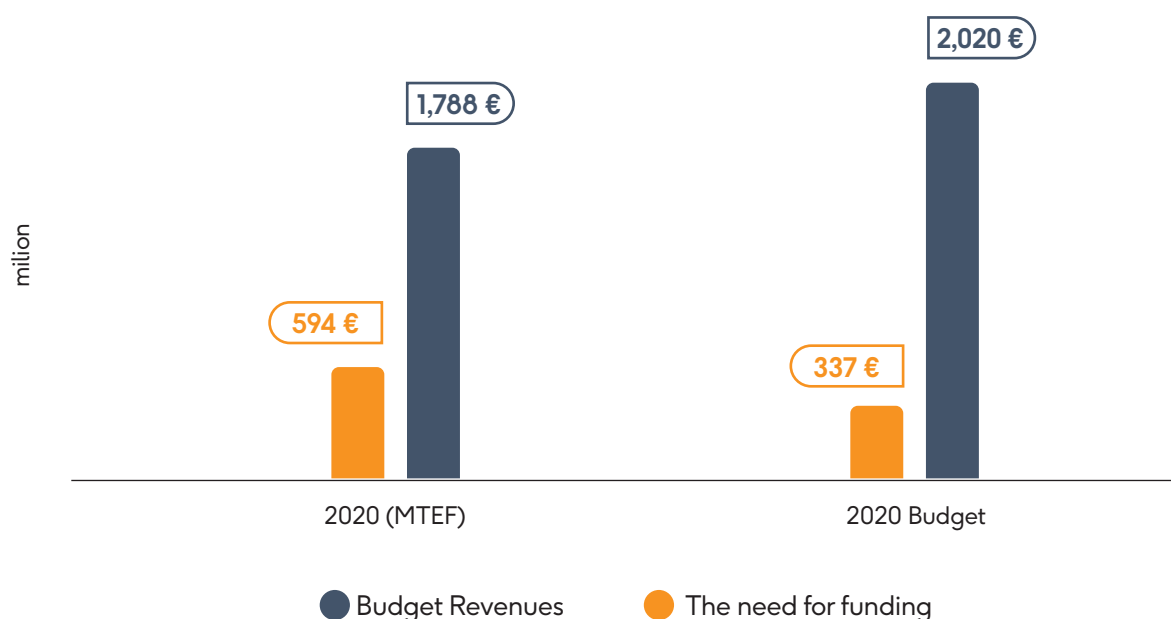
Expenditures for 2020 are expected to be around 2.38 billion Euros, which is 25 million Euros or 1% higher than the projection in the 2020 budget law. According to the World Bank, in 2020 Kosovo is expected to be the country with the lowest public spending in the region as a percentage of its GDP.³⁰ Meanwhile, revenues are projected to decrease from 2.02 billion Euros initially envisaged, to about 1.79 billion Euros, or about 232 million Euros or 12% less. As a result, the need for funding has increased significantly by about 257 million Euros or 76% more than in the 2020 budget law. In relative terms, the budget deficit according to the fiscal rule for 2020 will be about 6.7% of GDP, which exceeds by 4.7 percentage points the limit for the budget deficit as defined by the Law on Management of Public Finance and Responsibilities.³¹ Meanwhile in the Government Program 2020-2023 presented by the new government, the budget deficit is projected to be 6.5%, so for 0.2 percentage points lower than in MTEF 2021-2023. Given that the fiscal limit is expected to deviate by 4.5 percentage points, the reestablishment of the cap should be done within a five-year period.³² However, according to the current government's program, the restoration of the cap is expected to be done within three years.

30 Western Balkans Regular Economic Report, No.17 | Spring 2020, The Economic and Social Impact of COVID-19, Source: <https://bit.ly/30zlyzx>

31 Law No. 04/L-194 amending the Law No. 03/L-048 on the management of public finances and responsibilities, as amended by laws No. 03/L-221 and No. 04/L-116, Article 22A

32 Law No. 04/L-194 amending the Law No. 03/L-048 on the management of public finances and responsibilities, as amended by laws No. 03/L-221 and No. 04/L-116, Article 12

Figure 4. Budget financing



The amount foreseen for capital investments according to the initial projections presented in MTEF 2021-2023 has been reduced from 672 to 583 million Euros, or about 89 million Euros or 13% less. The reason for the reduction of the budget of capital expenditures is expected to be in the delays in carrying out procedures for some capital projects, due to the low level of economic activity during pandemics, but also due to the need to transfer some funds to the programs that cover one of the measures of the Emergency Fiscal Package. The extent to which capital expenditures will be affected also depends on the form of financing of interventions in the economy by the government and the timing of the end of pandemic. The level of implementation of capital investments in general was quite low even before the pandemic. In 2019, only 68% of planned capital investments were implemented.³³

Currently, according to the MoF, in terms of capital investments, the central level has suspended all new capital investments.³⁴ Out of a total of 51 million Euros envisaged for these capital investments, the institutions that will receive the most budget are Ministry of Finance 14.7 Million Euros, Ministry of Infrastructure and Environment (MIE) 9.3 million Euros, Ministry of Health (MoH) 4.7 million Euros, University of Prishtina 4.1 million Euros, Ministry of Defense 3.2 million Euros, and several other institutions.³⁵ In the MoF, these funds do not coincide with any specific capital investment, but it is about contingencies in the amount of 13.2 million Euros. Whereas, in MIE, most of this budget was envisaged for investment in municipalities where the affected projects are presented as in Figure 10. In the Ministry of Health, among the suspended projects is the one for purchasing of equipment for the microbiology department worth 1.2 million Euros and performance payment schemes for capitation with a budget of 552 thousand Euros. In the UP, however, a large number of capital projects will be affected, such as the renovation of faculty buildings and similar infrastructure projects, while the Ministry of Defense will possibly be affected in the project of weapons systems worth about 3.2 million Euros.

³³ Ministry of Finance, Annual Financial Report of the Republic of Kosovo Budget 2019, Source: <https://bit.ly/2MUWBkR>

³⁴ Radio Free Europe. The pandemic suspends new capital projects. Source: <https://bit.ly/2XAGD4t>.

³⁵ See Annex 1

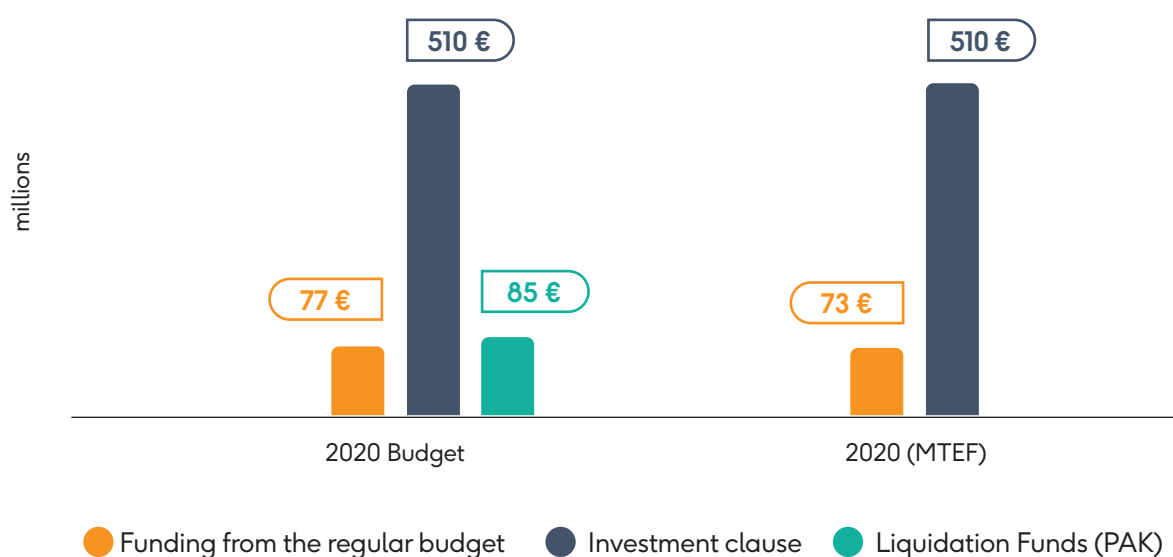
Figure 5. New central level capital projects

Ministry of Finance and Transfers	14,741,643 €
Ministry of Infrastructure and Environment	9,278,231 €
Ministry of Health	4,626,317 €
University of Prishtina	4,130,060 €
Ministry of Defense	3,250,000 €
Ministry of Education Science and Technology	3,125,902 €
Ministry of Regional Development	2,500,000 €
Ministry of Culture, Youth and Sports	2,266,696 €
Kosovo Memorial Complex Management Agency	1,292,000 €
Ministry of Internal Affairs and Public Administration	1,060,000 €
Ministry of Justice	931,451 €
Kosovo Prosecutorial Council	590,000 €
Air Navigation Services Agency	548,254 €
Office of the President	500,000 €
Kosovo Property Comparison and Verification Agency	431,500 €
Ministry of Agriculture, Forestry and Rural Development	400,000 €
Ministry of Economy, Labor, Trade, Industry, Entrepreneurship and Strategic Investments	320,000 €
Central Election Commission	235,000 €
Independent Mining and Minerals Commission	136,500 €
Independent Media Commission	130,000 €
Kosovo Assembly	95,000 €
Energy Regulatory Office	72,000 €
Ombudsperson Institution	58,500 €
National Audit Office	33,000 €
Academy of Justice	30,000 €

SOURCE: GAP INSTITUTE USING 2020 BUDGET LAW DATA

If the primary source of funding is loan, that is if the international agreements negotiated by the government - such as the one with the IMF or the World Bank (WB) - are approved in Assembly, and we do not have an economic shutdown again due to the COVID-19 virus, then the suspension of capital investments for 2020 and the reallocation of funds could be lower. However, the Government Program 2020-2023 presented by the new government in June this year, emphasizes that the sub-expenditures from the 2020 budget will be 180 million Euros, that is even higher than the projections presented in MTEF 2021-2023.³⁶ Regarding the source of financing capital expenditures, the only change according to MTEF 2021-2023 is the complete removal of funding from liquidation funds from the PAK in the amount of 85 million Euros. In this situation, over 87% of capital investment projects will be from the regular budget.

Figure 6. Financing of capital expenditures

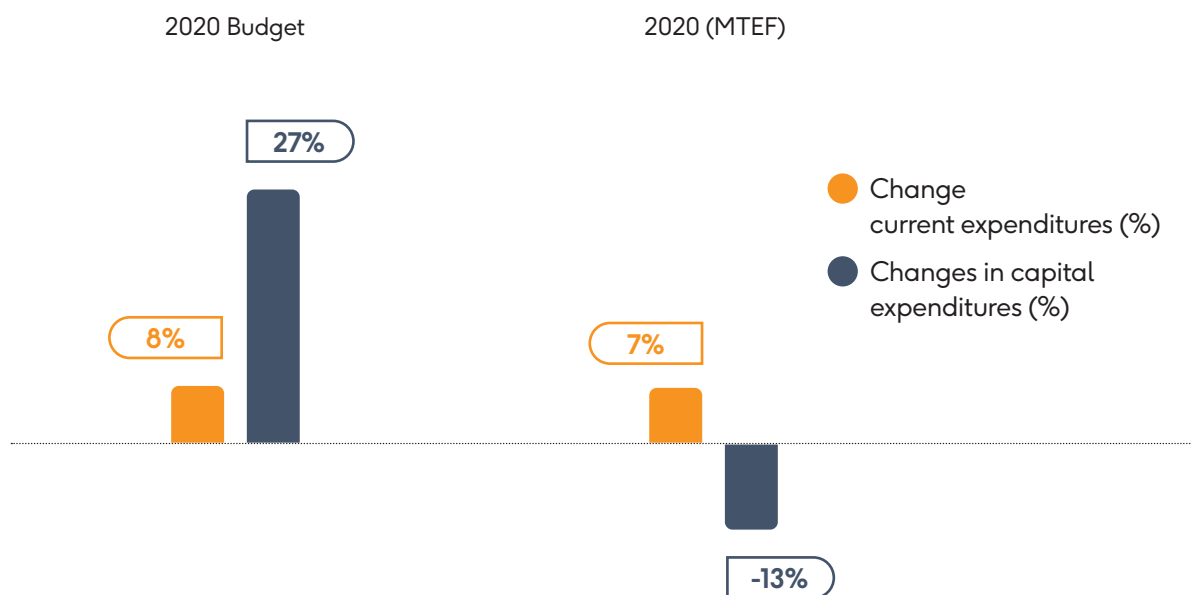


The amount of current expenditures in MTEF has increased to 1.77 billion Euros or 113 million Euros (7%) more than in the initial budget law. In the category of current expenditures, the increase stems mainly from the measures of the Fiscal Emergency Package through the increase of the category of subsidies and transfers such as the increase of pensions, additional salaries for healthcare workers, police, sales sector, and more.³⁷

³⁶ The Government of Kosovo. Governance Program 2020-2023. Source:

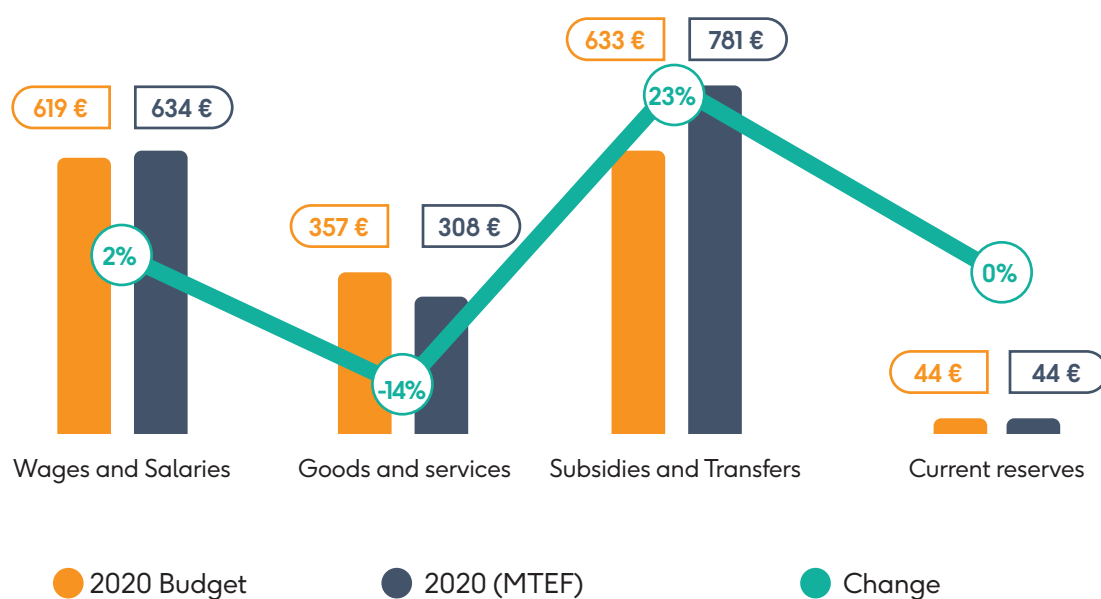
³⁷ See Annex 2

Figure 7. Changes in current and capital expenditures



Specifically, in current expenditures, as shown in Figure 8, the category of wages and salaries is projected to increase by 15 million Euros or 2% compared to the initial budget for 2020, the category of goods and services will decrease by 49 million Euros or 14%, while the category of subsidies and transfers will increase by 148 million Euros or 23%. The increase in the category of subsidies, especially in the form of assistance to the private sector, contains risks that these funds will not be used for the common good but for interest groups.³⁸

Figure 8. Increase in current costs

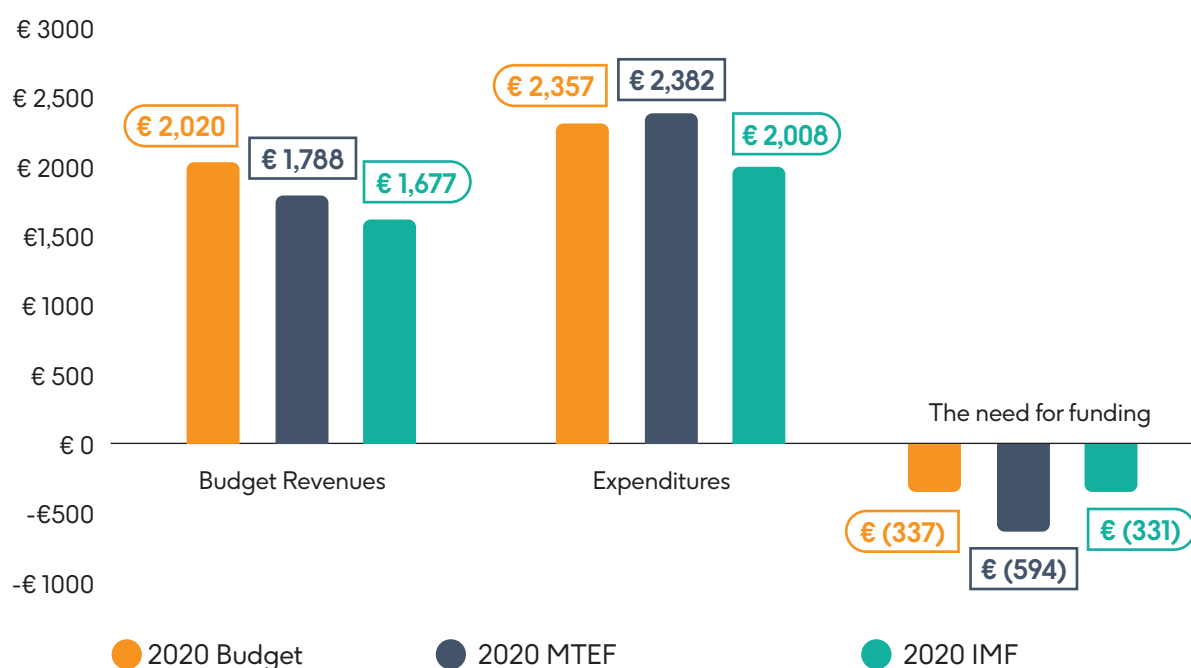


³⁸ Transparency International, Getting ahead of the curve, Source: <https://bit.ly/3cZeRUV>

3.2 Differences in projections for the impact of crisis on the budget according to the IMF and MoF

Due to forecasts of greater economic downturn, the IMF-projected that budget revenues will be about 111 million Euros lower than MoF projections. This is because the IMF has projected greater declines in tax revenues and especially in value added tax where it has projected about 55 million Euros less revenues.

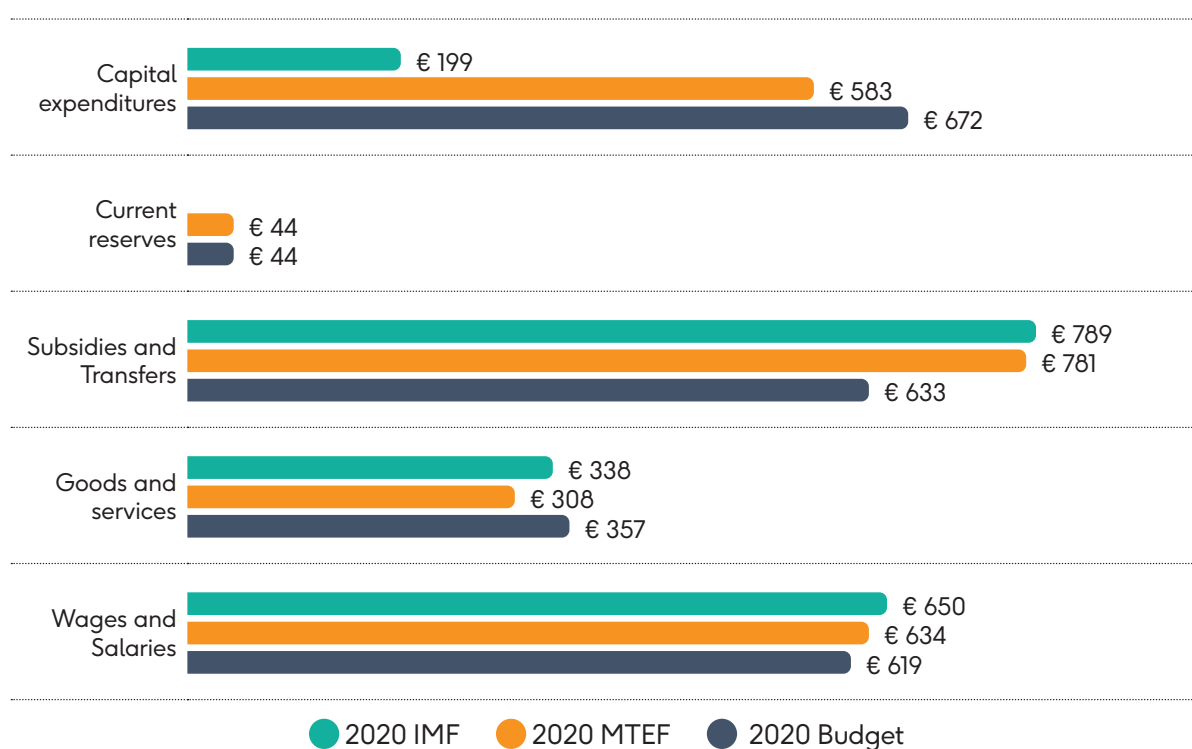
Figure 9. Differences between MoF and IMF projections (in millions)



In terms of expenditures, the IMF has projected a decline in expenditures with 374 million less compared to projections in the MTEF. This decline is projected due to much lower projections, of only 199 million Euros or 384 million Euros less than the MTEF, in capital expenditures. On the other hand, the IMF has projected a significantly higher increase than the MoF, with a difference of 43 million Euros in current expenditures due to the government fiscal incentive measures.³⁹ Meanwhile the IMF has projected a much lower capital expenditure amount.

39 Ministry of Finance (2020). "Mid-Term Expenditure Framework 2021-2023". Source: <https://bit.ly/2TDQOnQ>

Figure 10. Differences in expenditures by economic categories (in millions)



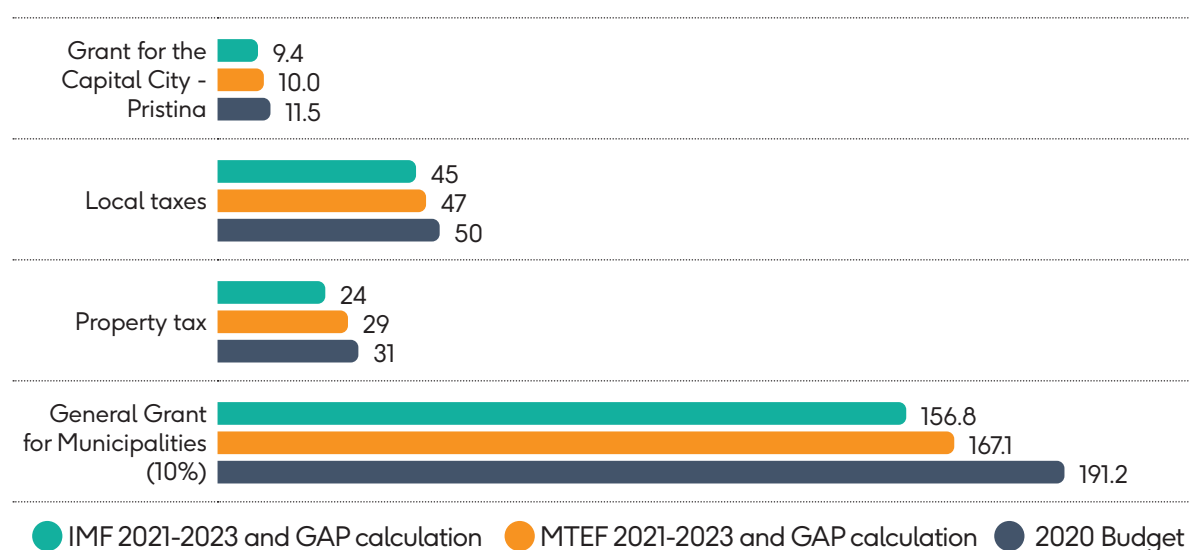
Considering that IMF projected lower expenditures in comparison to those of the MoF, the budget deficit was also projected to be lower. According to the IMF, the overall budget deficit is expected to be 4.8% of GDP, while the MoF has projected an 8% deficit. There are also differences in the projection of deficit financing. The MoF envisages bigger amount of financing of the deficit from external debt, while the IMF from domestic debt.

4. The impact of pandemic on the budget of municipalities

The decrease in budget revenues may also affect municipal revenues, either from government transfers or from their own source revenues. As part of government transfers, the overall grant for municipalities accounts for about 37% of municipal revenues. Since this grant is calculated on the basis of revenues from the central level, the decline in revenues at the central level will automatically affect the decline in revenues for municipalities. Municipalities will also be negatively affected by the decline in own source revenues, which account for about 18% of municipal revenues. Meanwhile, 10 million Euros of investments in the municipalities have been suspended from the central level. On the other hand, the COVID-19 pandemic has caused additional costs for municipalities, but these costs are expected to be covered by the Government of Kosovo through a measure from the emergency package which is worth 10 million Euros. The GAP Institute has conducted an analysis of the overall effects of COVID-19 on local government.⁴⁰

Based on the forecasts in MTEF 2021-2023 and the calculations of the GAP Institute, the total grant of municipalities may decline by 24 million Euros (17%) while own source revenues are expected to decline by at least 5 million Euros. So in total, municipal revenues could decrease by 29 million Euros (5%). However if we are to take the IMF projections, the total, municipal revenues could decrease by 34 million Euros (6%). The decline of revenues at the central level will also negatively affect the grant for the capital city, which may decline of one to two million Euros. Considering that Pristina Municipality is also the municipality with the highest own source revenues, the impact of pandemics may be more visible in this municipality.

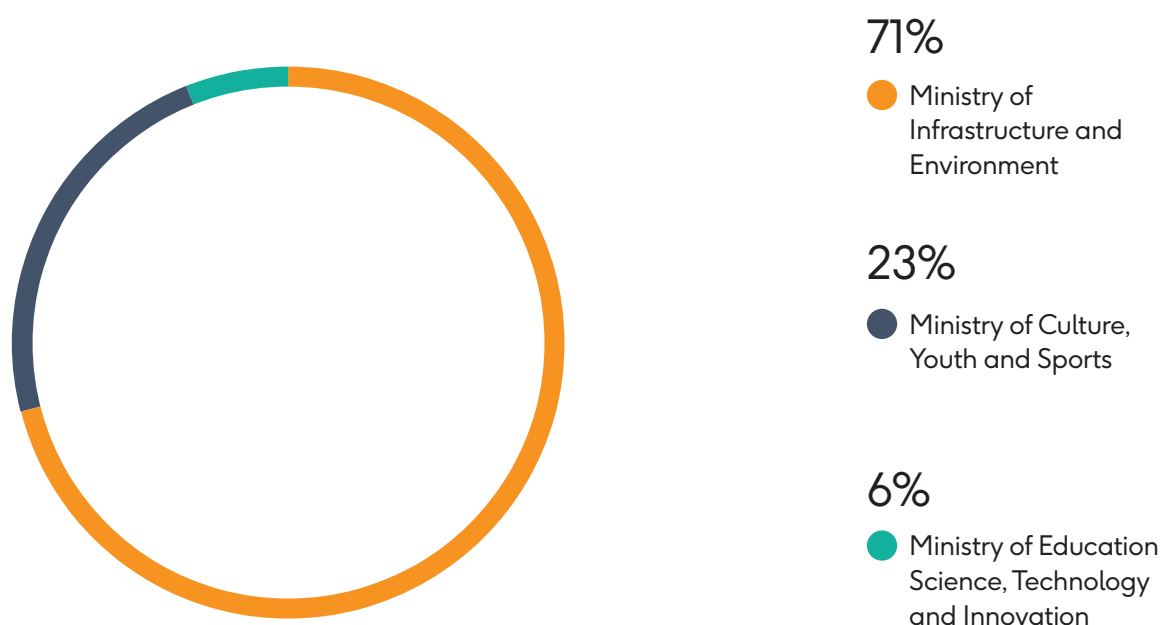
Figure 11. Projections for municipal revenues after pandemics (in millions of Euros)



40 GAP Institute, The Impact of COVID-19 Pandemic on Local Government, Source: <https://bit.ly/3fiRdEd>

In terms of capital investments that affect municipalities, about 10 million Euros of new investments have been suspended by ministries.⁴¹ Most of the projects that have been suspended, or about 71%, are MIE capital investments in municipalities. Whereas, 23% are capital projects of MCYS and 6% of MEST.

Figure 12. New capital investments of ministries in municipalities



Among the main projects that were planned to be implemented by MIE in municipalities of Kosovo but were suspended are the construction of plants in the municipalities of Gjilan (1 million Euros) and Ferizaj (500 thousand Euros), expansion of the water supply network in Vushtrri (750 thousand Euros), construction of houses in the northern part of Kosovo (500 thousand Euros), and many more. Whereas, in terms of MCYS projects, the main suspended projects are the Construction of the National Tennis Center of Kosovo in Prishtina (200 thousand Euros) and the revitalization of the stadium in Pozheran Vitia (200 thousand Euros). The MEST projects will affect the construction of the "Fan Noli" school in Kamenica (200 thousand Euros) and the construction of a school in Damjan in Gjakova (169 thousand Euros).

⁴¹ GAP Institute based on the data from the Law on Budget for 2020.

Figure 13. Some central capital projects suspended in municipalities

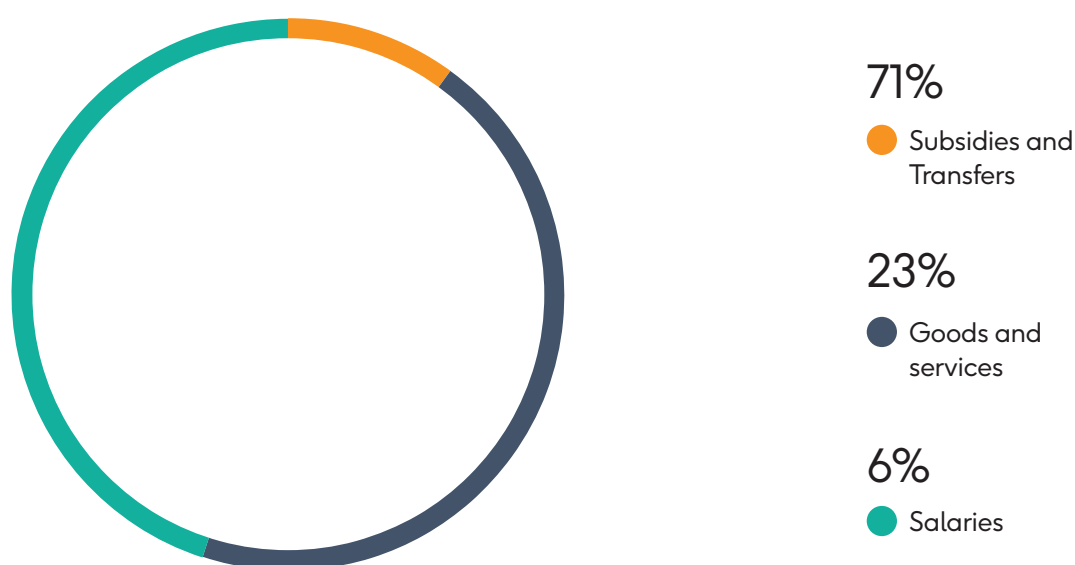


4.1 Municipal expenditures from the Emergency Fiscal Package

As mentioned above, in order to address the expenditures of municipalities incurred due to COVID-19, the Government of Kosovo has drafted a special measure. Measure number 5 of the emergency fiscal package provides additional financial support of up to 10 million Euros for municipalities of the Republic of Kosovo.⁴² The criterion for allocating the budgeted amount for municipalities is the number of inhabitants per municipality, but the municipalities most affected by the pandemic will also be subjected to positive discrimination. Expenditures for COVID-19 will initially be financed by municipalities from their planned capital projects for 2020 and transferred revenues, and will subsequently be reimbursed by the Ministry of Finance.

By mid-May 2020, municipalities have budgeted about 3.9 million Euros in this budget code. Of the budgeted funds, municipalities have spent a total of 58% (2.3 million Euros). Most of the budgeted funds (2.4 million Euros) are health-care budget, of which 1.7 million Euros have been spent. In education, municipalities have budgeted about 42 thousand Euros none of which were spent yet. The rest of the budget has been allocated for bonuses for inspectorates and administration. However, a small part of this budget is envisaged to be spent on goods and services and wages and salaries for the road infrastructure program. Based on the economic classification, 45% of the budget will go to wages and salaries and goods and services, while 10% to subsidies and transfers.

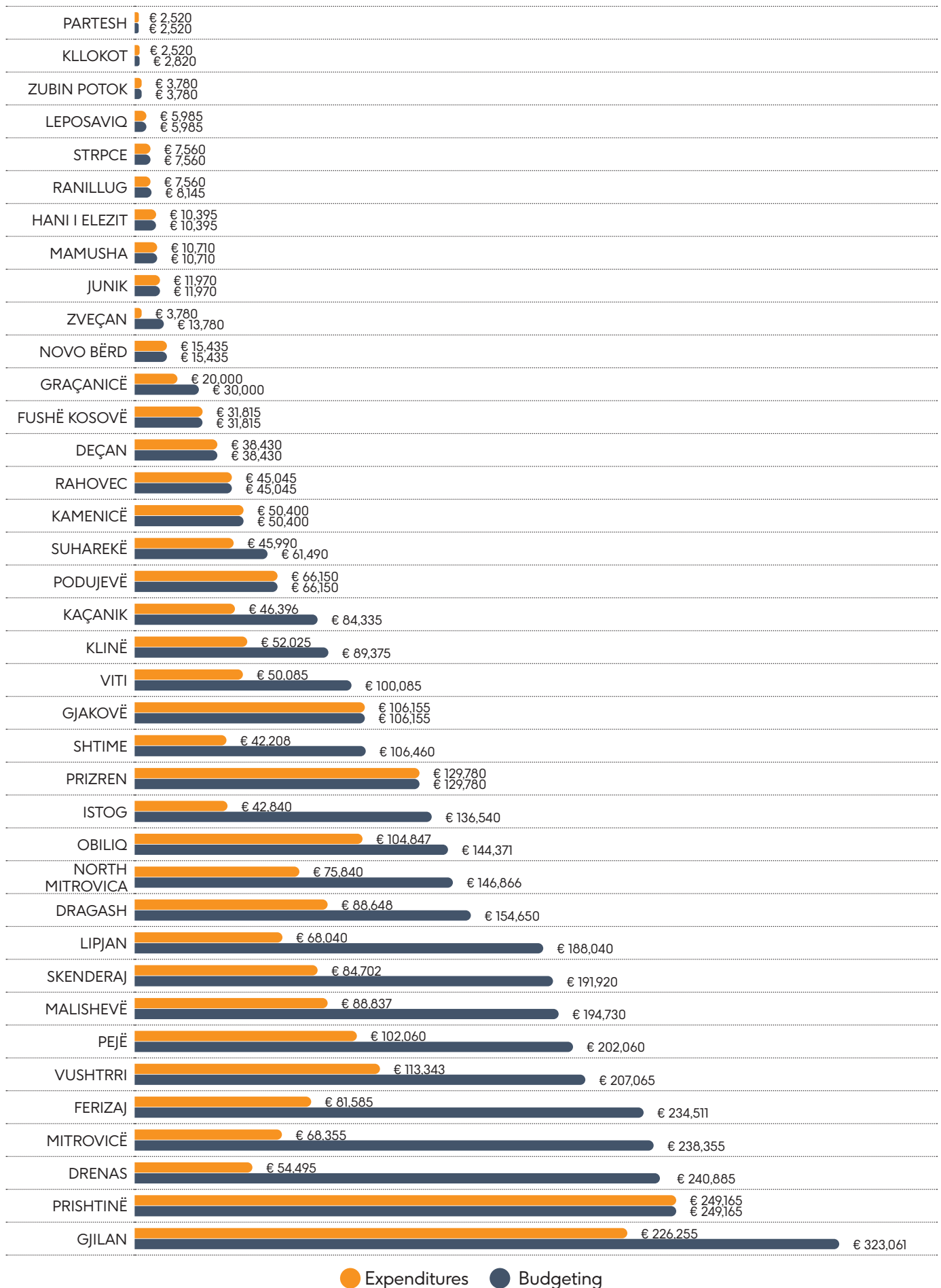
Figure 14. Expenditures from the emergency fund for municipalities



The municipality of Gjilan ranks first in terms of budgeted funds with 323 thousand Euros, whereas it has spent more than 226 thousand Euros. Prishtina Municipality is ranked second in terms of budgeting with 249.2 thousand Euros and first in terms of expenditures, spending the total of what it has budgeted. Drenas is the third municipality with the highest budgeting and ranks 16th in spending, and so on.

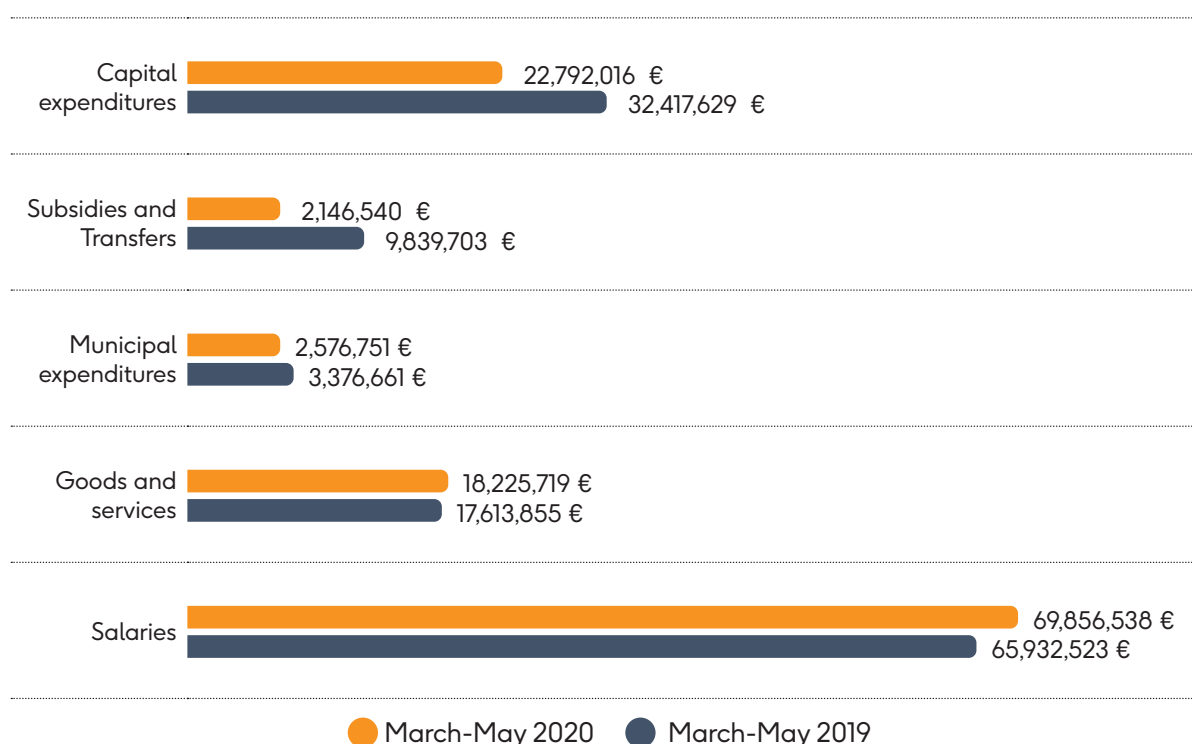
⁴² Government of Kosovo, Decision No. 31/2020, Source: <https://bit.ly/2M7xLOg>

Figure 15. Municipal expenditures for COVID-19



During the period January-May, municipal expenditures decreased by 13.6 million Euros or 10.5%, compared to the same period of last year. If we compare the expenditures of municipalities based on economic categories for the period March-May 2019, we see that salaries have increased by about 4 million Euros or 6%, and goods and services by 612 thousand Euros or 3%. In other economic categories there is a decrease compared to the period of March-May 2019. Specifically, capital expenditures have decreased by about 9.6 million Euros or 30%, subsidies and transfers by 7.7 million Euros or 78% and utility costs by 800 thousand Euros or 24%.

Figure 16. Budget expenditures from the local level, March-May 2019-2020



SOURCE: GAP INSTITUTE USING MOF DATA

5. Emergency Fiscal Packages in the Western Balkans and Recovery Measures

Kosovo's neighboring countries, which were also been affected by the COVID-19 pandemic, have taken a number of measures as part of emergency packages to help their economies.⁴³ In this section, we will make a brief summary of measures in neighboring countries as well as measures for the recovery of the private sector in the world. So far, the Government of Kosovo has only approved the Emergency Fiscal Package which mainly contains short-term measures to address social problems caused by COVID-19. This package includes measures such as: double payments for social schemes, coverage of salaries for private sector workers, rent subsidies for businesses, hazard payment in addition to salaries in public and private sector, additional budget for municipalities, culture, agriculture, minority communities, ensuring financial liquidity for public and private enterprises and measures to combat informality, etc.⁴⁴. According to the IMF, this package is rightfully focused on easing the crisis in businesses and families and creates space for spending on health-care.⁴⁵

Similar measures have been taken in the region.⁴⁶ As noted by Annex 3, measures such as allocation of around 88 million Euros are envisaged in Albania to enable businesses greater liquidity, as well as allocation of over 52 million Euros to cover salaries for employees of businesses affected by pandemic in the amount of the minimum wage and doubling of unemployment and social assistance schemes benefits. Northern Macedonia has also envisaged emergency measures, such as the coverage of the minimum wage for employees of businesses affected by the pandemic and support for employees who have been part of the informal economy. It also planned to increase funds for commercial banks, in order to encourage the activity of lending to businesses.

Montenegro adopted the initial measures consisting of a credit fund with a budget of 120 million Euros to improve the liquidity of businesses, giving advance payments to companies carrying out capital investment projects in the public sector and a one-time additional payment of 50 Euros for all beneficiaries of social schemes. Meanwhile, Serbia has taken a larger number of measures for which it has allocated about 3 billion Euros. Among the most important measures are those for universal cash transfer of 100 Euros for all citizens over 18 years of age, which measure captures the amount of over 594 million Euros, incentives for infrastructure investments in the public sector, guaranteeing SME loans to banks, minimum wage coverage for NMV employees, and much more.

43

44 Government of the Republic of Kosovo, Decisions of Meeting No. 15, Source: <https://bit.ly/3gII5dk>

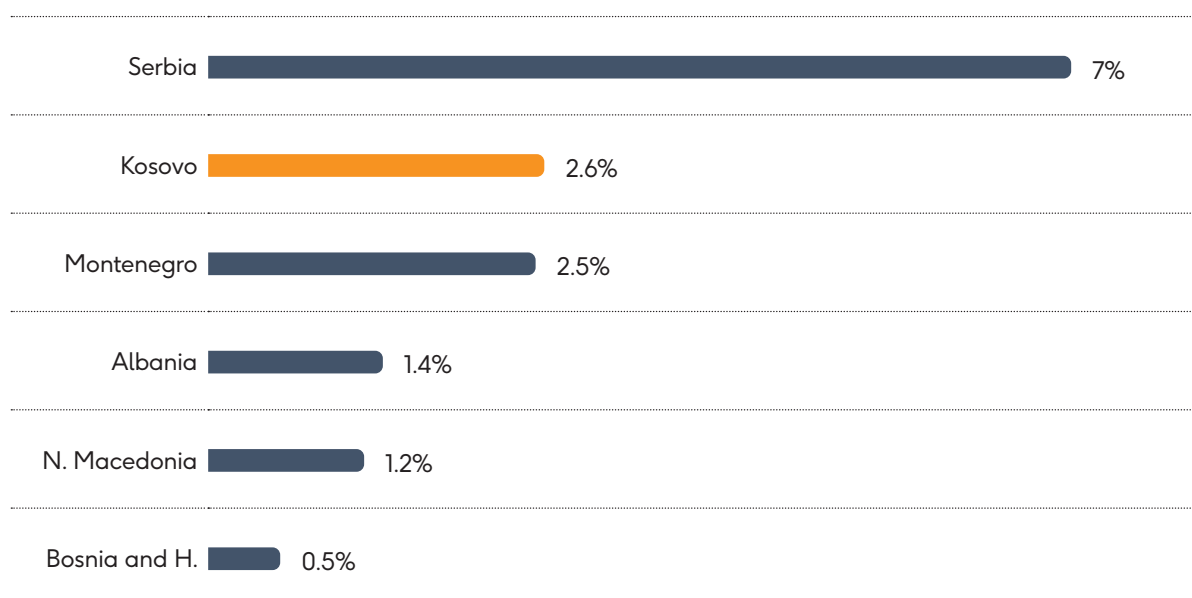
45 IMF, Republic of Kosovo: Request for Purchase Under the Rapid Financing Instrument-Press Release; Staff Report; and Statement by the Executive Director for the Republic of Kosovo, Source: <https://bit.ly/3dzVdjh>

46 The measures elaborated hereunder have been taken by the IMF database related to fiscal policies of countries in response to the COVID-19 pandemic. Source: <https://bit.ly/37fSzK>

These countries are constantly introducing other fiscal measures depending on the identification of needs of citizens and businesses. Moreover, most of these countries, including Kosovo, are designing fiscal measures for economic recovery, and countries such as Montenegro have already moved forward with them. Meanwhile Kosovo, based on the governing program 2020-2023, has envisaged a second package for Economic Recovery that will be applied during 2020-2021.⁴⁷

In relation to the size of their economies, the size of the Emergency Fiscal Packages approved by these countries turns out to be higher in Serbia with about 7% of its GDP, Kosovo with 2.6% of its GDP and Montenegro with 2.5% of its GDP. Meanwhile, packages lower in value were approved by Albania with 1.4% of its GDP, Northern Macedonia with 1.2% of its GDP and Bosnia and Herzegovina with 0.5% of its GDP.

Figure 17. Emergency Fiscal Packages as a percentage of GDP in some Western Balkan countries



SOURCE: GAP INSTITUTE USING IMF DATA⁴⁸

In the governing program 2020-2023, the Government of Kosovo has foreseen a second package through which it aims to mobilize about 1.2 billion Euros for economic recovery within two years (2020-2021).⁴⁹ The mobilization of these funds will be done through various measures that include facilitation of financing, tax exemptions, support with subsidies for employment issues, sectoral support for agriculture, increasing aggregate demand by returning a percentage of funds to contribution payers to the Pension Trust Fund and grace period for buying apartments/houses etc. Funding for the recovery package is expected to come from a variety of sources, including budget savings, internal or external financing, and budgetary assistance.

⁴⁷ The Government of Kosovo. Governance Program 2021-2023, Source

⁴⁸ See Annex 3

⁴⁹ The Government of Kosovo. Governance Program 2021-2023, Source: <https://bit.ly/2zshe4R>

Tabela 1. Measures for economic recovery

Measure and purpose	Sub-measure	Measure and purpose	Sub-measure
Facilitation of access to finance /Facilitation of access to credit for private enterprises, to finance investment projects and continue operations.	a. Increasing the coverage of new loans through the Loan Guarantee Fund,	Employment support measures /creation of new employment, in particular for the specific groups of employees with lowest probability of employment.	a. Salary subsidy for workers in pandemic-affected businesses,
	b. Reprogramming of existing bank loans, whereby the cost of reprogramming is taken over by the Government,		b. Salary subsidy for new workers hired by businesses based on a plan that identifies sectors and categories of workers that are mostly needed,
	c. Subsidizing of interest rates for certain sectors based on a strategic plan prepared by relevant stakeholders.		c. Professional support for businesses for operation in pandemic conditions, work from home, online work, digital transformation, etc.
Reduction of the tax burden /Facilitation of tax burden of businesses, to improve their short-term liquidity.	a. Postponement of tax payment based on needs of businesses,	Agriculture /Increase of local agricultural production, to increase employment in rural areas, reduce the import of agricultural products and increase food security based on EU standards.	a. Doubling the agricultural budget based on the Agriculture Development Program,
	b. Covering of 5 percent of pension contributions that the businesses pay for workers,		b. Significant increase in subsidies per hectare and per unit of livestock.
	c. Tax breaks for companies in certain sectors based on a strategic plan prepared by relevant stakeholders.		c. Support for sale of agricultural products, in particular fresh milk, fresh fruits and vegetables,
	d. Exemption from prepayments of tax liabilities by businesses.		d. Development of local agricultural markets and their digitalization,
	e. Exemption of businesses from tax penalties for delays in payment of taxes due to pandemics based on clear and transparent criteria.		e. Specific support in processing of agricultural products and increase storage capacity,
	f. Provide the possibility of reprogramming previous tax debts, including deductions for immediate payment of debt.		f. Subsidizing of interest rates for loans in agriculture.

Measure and purpose	Sub-measure	Measure and purpose	Sub-measure
Measures to stimulate the aggregate demand/ Increase consumer spending, which encourages production and employment with multiplier effects in the economy.	a. Return of a percentage of funds saved in the Pension Trust for contributors, based on their needs, which can be used for a period of 3 months, and is compensated by the state within 5 years,	Support measures by the financial sector for the economy / It will be considered which measures can be taken by the CBK to support the economy, through increased lending and deposits, by ensuring the sustainability of the financial sector as a whole at the same time.	a. Review the level of capitalization needed for financial stakeholders,
	b. Support for extension of grace period for the purchase of apartments and houses based on the income criteria.		b. Review of the minimum required liquidity reserve,
Support to public enterprises for regular operation and capital investments of strategic importance/ Support for operation and capital investments of public enterprises, in particular those investments that are of strategic nature, to cope with the reduction of revenues from collection and necessary capital investments that they are obliged to undertake.	a. Covering of minimum operating costs of public enterprises,		c. Support for insurance companies in diversification of the range of insurance services.
	b. Review of the dynamic capital investment plan of public enterprises and evaluation of investments necessary to ensure sustainability of public enterprises.		
	c. Support in public enterprise investments through budget subsidies, budget lending and issuing sovereign securities for loans that public enterprises take from financial institutions.		

SOURCE: GOVERNANCE PROGRAM 2020-2023

The COVID-19 pandemic has led to decline of economies throughout the world. For economic recovery, most countries have taken a range of various measures. However, the main focus, targeted by the measures was continuation of well-being of businesses, financial liquidity and addressing of social issues to directly alleviate the effects of pandemic on citizens. Hereunder are some of the measures for economic recovery in different countries.

In terms of financial liquidity for businesses, various measures have been undertaken in relation to financial borrowing with favorable interest rates or subsidies. For example, in Argentina they launched a program through which important economic sectors have the right to receive loans with an interest rate of 3% annually for machinery.⁵⁰ Small businesses are mainly the biggest beneficiaries of subsidies through which they are financed for interest-free loans for a period of one year. For those businesses that want to take a loan for more than a year, the interest rate will be 3% and they will be exempt from paying the loan for the first two years.⁵¹ In addition to micro-businesses and small enterprises, credit guarantees of up to 100% of the loan amount have been provided to relevant companies

50 The Government of Argentina. 11 May 2020. Source: <https://bit.ly/3ezFaSV>

51 New Zealand Treasury. 1 May 2020. Source: <https://bit.ly/3et7GFG>

in the tourism and accommodation sector. Also, bank losses in the range of 15% of all guarantees offered are compensated.⁵²

In addition to credit guarantees, various grants have been approved for industries with high economic impact such as fishing. The Hungarian government has also helped the industry of culture with a grant for independent artists whose performances were not held during pandemics.⁵³ Financial assistance has also been provided to craftsmanship businesses through grants for raw materials and tools.⁵⁴

In terms of tax facilitations, various countries have exempted businesses in the agriculture, tourism and gastronomy industries, and the childcare sector from the tax liabilities of workers' salaries.⁵⁵ In some cases, excise duties on food producers or importers have been canceled.⁵⁶ The European Union has also allowed circumvention of competition rules for agricultural and food industries, enabling EU countries to subsidize farmers and small businesses in the agriculture industry. Likewise, workers in sectors such as dairy or potatoes will have the right to self-organize to stabilize the market. For example, dairy producers will be able to control the amount of milk produced on the market, among other things.⁵⁷ In addition to circumvention of rules, the review of requests to circumvent rules for state aid that lasted up to six months can now be approved overnight by Brussels.⁵⁸

52 Estonian Ministry of Economy and KredEx. 30 April 2020. Source: <https://bit.ly/2yMclDu>

53 State Secretariat of Culture and the Ministry of Human Resources in Hungary. 2 May 2020. Source: <https://bit.ly/2TMPRJWW>

54 Government of Foreign Trade and Tourism in Peru, May 3, 2020. Source: <https://bit.ly/2AnYJlq>

55 Ministry of Agriculture in Hungary, April 14, 2020. Source: <https://bit.ly/2XEvn7g>

56 Ministry of Agriculture in Hungary, April 14, 2020. Source: <https://bit.ly/2ZPIync>

57 European Commission, 4 May, 2020. Source: <https://bit.ly/2yN4OEu>

58 "Europe's habit of propping up firms may outlast the pandemic," The Economist. 28 May 2020. Source: <https://econ.st/3cdq6sv>

6. Conclusion

The COVID-19 pandemic has hit Kosovo's economy in the same way as most other countries. In order to stop the spread of the COVID-19 virus, the government had banned the daily activities of most citizens and businesses. Specifically, from the second half of March 2020, in Kosovo there was a decrease in economic activity which had an impact in increase of unemployment, increase in the number of citizens with aggravated living conditions, decrease in aggregate demand and production, decrease in income and capital investments, and much more. This report presents the impact of the crisis caused by the COVID-19 pandemic on revenues, expenditures and the fiscal deficit of 2020, as well as the legal restrictions that the Government of Kosovo has for addressing the crisis in terms of budget. In terms of budget revenues, the revenues from VAT and customs duties decreased significantly during the pandemic. While in terms of budget expenditures, the capital expenditures had a significant decrease, whereby the decrease at the central level was 51.3% and at the local level 30%. At the central level, the category of subsidies has increased significantly by about 91.1%. The big increase in subsidies, as one of the least legally regulated categories, could create room for abuse of public funds.

In order to address the economic and social situation created as a result of measures to ban and restrict activity of most businesses in the private sector, the Government of Kosovo approved an Emergency Fiscal Package worth 179.6 million Euros. The Emergency Fiscal Package adopted by Kosovo consists of short-term measures aimed at helping the local economy, specifically citizens and businesses, to cope with the two to three-month period from the beginning of the pandemic. Specifically, the package includes measures such as double payments for social schemes, coverage of salaries for private sector workers, rental subsidies for businesses, hazard pay on top of public and private sector salaries, additional budget for municipalities, and more. Other countries in the Western Balkans have also adopted Emergency Fiscal Package, but have foreseen fewer measures than Kosovo. All of these countries are expected to adopt new fiscal packages, including long-term measures, which, in addition to overcoming the current crisis, also aim at economic recovery. In the governing program 2020-2023, the Government of Kosovo has foreseen the second package for Economic Recovery which plans to mobilize about 1.2 billion Euros within two years (2020-2021).

Due to legal restrictions, the Emergency Fiscal Package and the Recovery Package will not be able to be fully managed without the involvement of the Assembly of Kosovo. In addition to the need for approval by the Assembly of Kosovo for any transfer exceeding 25% of a budget allocation of the relevant institution, the involvement of the Assembly will also be needed for the approval of new loan agreements. If the loan agreements are not approved, public expenditures will decrease and this will further accelerate the economic downturn.

Annexes

Annex 1. New capital projects in the 2020 budget

Institution	Name of the Project	Municipality	Total 2020
Air Navigation Services Agency	Capital project/contingency in MoF		13,206,643
Air Navigation Services Agency	Armament Systems		3,240,000
Air Navigation Services Agency	Regional Development Program		2,500,000
Air Navigation Services Agency	Implementation of feasibility study for medical equipment for secondary and tertiary health-care		2,000,000
Air Navigation Services Agency	Medical equipment for the microbiology department and testing laboratories		1,024,317
Air Navigation Services Agency	Construction and reconstruction of burned houses in the northern part of Kosovo		1,000,000
Air Navigation Services Agency	Water project (blue economy for sust. transition).		1,000,000
Air Navigation Services Agency	Construction of wastewater treatment plants - Gjilan?	Gjilan	1,000,000
Kosovo Property Comparison and Verification Agency	Purchase of Forensic Equipment and supply of specialized laboratory inventory for the Kosovo Forensic Agency		1,000,000
Kosovo Property Comparison and Verification Agency	Youth Involvement and Entrepreneurship		1,000,000
Kosovo Memorial Complex Management Agency	Waterproofing and drainage of foundations and basements in old UP facilities	Prishtinë	800,000
Kosovo Memorial Complex Management Agency	Expansion of the water supply network - Vushtrri	Vushtrri	750,000
Kosovo Memorial Complex Management Agency	Performance payment schemes for capitation		552,000
Kosovo Memorial Complex Management Agency	Purchase of land for Basic Prosecution in Mitrovica	Mitrovicë	500,000
Kosovo Memorial Complex Management Agency	Creation of a platform for integrating information systems and digitizing archives		500,000
Kosovo Memorial Complex Management Agency	For the environment and greenery of the land		500,000
Kosovo Memorial Complex Management Agency	Regulation of the riverbed Sitnica Vushtrri	Vushtrri	500,000

Institution	Name of the Project	Municipality	Total 2020
Kosovo Memorial Complex Management Agency	Construction and reconstruction of houses in the northern part of Kosovo	Mitrovice Veriore	500,000
Kosovo Memorial Complex Management Agency	Construction of wastewater treatment plants in Ferizaj?	Ferizaj	500,000
Kosovo Memorial Complex Management Agency	Construction of Mirusha river bed in Gjilan	Gjilan	500,000
Kosovo Memorial Complex Management Agency	Renovation and toilets in schools and making them operational		500,000
Kosovo Memorial Complex Management Agency	Development of a system for managing grants and subsidies		400,000
Kosovo Memorial Complex Management Agency	Renovations in the facilities of technical faculties FNA FIEK and FIM	Prishtinë	400,000
Kosovo Memorial Complex Management Agency	Construction of river embankments from the transit bridge to Zahaq-Peja	Pejë	400,000
Kosovo Memorial Complex Management Agency	Development of the new state Geoportal		400,000
Kosovo Memorial Complex Management Agency	FNA Instrument Tools	Prishtinë	378,000
Kosovo Memorial Complex Management Agency	Construction of the Employment Agency Offices	Prishtinë	300,000
Kosovo Memorial Complex Management Agency	Establishment of Sports facilities for the Faculty of Physical Education and Sports	Prishtinë	300,000
Kosovo Memorial Complex Management Agency	Construction of the bridge on the National Road N9, Peja - Kuqishte segment, Drelaj location	Pejë	300,000
Kosovo Memorial Complex Management Agency	Co-financing the construction of residential centers for the elderly and disabled		300,000
Kosovo Memorial Complex Management Agency	Sports Hall in Lipjan	Lipjan	300,000
Kosovo Memorial Complex Management Agency	Making laboratories operational and supplying them with laboratory packages for schools in pre-university education		300,000
Kosovo Memorial Complex Management Agency	Renovation of school facilities in kindergartens and making them operational		300,000
Kosovo Memorial Complex Management Agency	Equipment for the Faculty of Mechanical Engineering	Prishtinë	267,560
Kosovo Memorial Complex Management Agency	Water supply for the villages of the Baran valley	Pejë	250,000
Kosovo Memorial Complex Management Agency	Data correction in SIKTK		250,000
Kosovo Memorial Complex Management Agency	Cars for home visits		250,000
Kosovo Memorial Complex Management Agency	Laboratory for the Faculty of Medicine	Prishtinë	230,000
Kosovo Memorial Complex Management Agency	Making the IT system operational with software/ applications and hardware components for the new mandate		221,500
Kosovo Memorial Complex Management Agency	IT equipment		215,000
Kosovo Memorial Complex Management Agency	Supply with off-road vehicles		210,000

Institution	Name of the Project	Municipality	Total 2020
Kosovo Memorial Complex Management Agency	Equipment for the Faculty of Arts	Prishtinë	200,000
Kosovo Memorial Complex Management Agency	Supply with various IT equipment		200,000
Kosovo Memorial Complex Management Agency	Revitalization of the Stadium in Pozheran, Viti	Viti	200,000
Academy of Justice	Construction of the National Tennis Center of Kosovo in Prishtina	Prishtinë	200,000
Ombudsperson Institution	Construction of the "F.Noli" primary school in Kamenica	Kamenicë	200,000
Kosovo Prosecutorial Council	Upgrading-Construction of Entrance in Dubrava Correctional Center	Istog	195,000
Kosovo Prosecutorial Council	Construction and civil works for the needs of Radar MSSR Mode S Gjakova	Gjakovë	189,803
Kosovo Prosecutorial Council	Construction of the building in Germia	Prishtinë	172,256
Kosovo Prosecutorial Council	School construction in Damjan-Gjakova	Gjakovë	168,902
Independent Media Commission	Laboratory for the Faculty of Medicine	Prishtinë	160,500
Independent Media Commission	Software Development for the Counting and Results Center		160,000
Central Election Commission	Construction of the road in Peklena- Shtypeq i vogël - Varri i Sykut, second phase	Pejë	150,000
Central Election Commission	Development of software for increasing the quality of data in SIKTK		150,000
Central Election Commission	Construction of road tin Maja e Zezë - Vitomerica District	Pejë	150,000
Independent Mining and Minerals Commission	Construction of the road "Brigade 123" - Square in Suhareka	Suharekë	150,000
Independent Mining and Minerals Commission	School renovations-competence centers		150,000
Independent Mining and Minerals Commission	Construction of school buildings in urban areas		150,000
Independent Mining and Minerals Commission	Armored car		145,000
Independent Mining and Minerals Commission	Revitalization of Marin Barleti road, Prizren	Prizren	141,400
Independent Mining and Minerals Commission	Supply with long weapons for KCC correctional staff		141,000
Kosovo Assembly	Supply of furniture for the needs of the Office of the President		140,000
Kosovo Assembly	Equipment for FNA	Prishtinë	130,000
Ministry of Agriculture, Forestry and Rural Development	Equipment for FSHMN	Prishtinë	130,000
Ministry of Justice	Fiek equipment	Prishtinë	130,000

Institution	Name of the Project	Municipality	Total 2020
Ministry of Justice	Asphalting the road? Llukavc i Thatë? In Istog	Istog	130,000
Ministry of Justice	Quality Control of Contractors for Reconstruction of Cadastral Information		125,000
Ministry of Justice	Modernization of IT infrastructure (replacement of existing servers and network devices)		120,000
Ministry of Justice	Renovations at the Faculty of Philology	Prishtinë	120,000
Ministry of Justice	ASPHALTING OF ROADS IN WIDTH b = 4.0m "- Afrim Haliti 650 m, Mustaf Hasangjekaj 640m, Zukio Dzumhr 670m		117,800
Ministry of Justice	Final works in the "Bedri Pejani" Sports facility Peja	Pejë	110,000
Ministry of Justice	"Ferki Aliu" Stadium, Vushtrri	Vushtrri	110,000
Ministry of Justice	Renovations in the Rectorate and other UP facilities	Prishtinë	105,000
Ministry of Justice	K M "Masakra e Kryshes se Vogel Prizren	Prizren	100,000
Ministry of Justice	Project for Emergency Interventions in Complexes and Memorials, Graveyards of Martyrs - Kosovo		100,000
Ministry of Justice	Renovation of Lapidaries and Martyrs' Cemetery in the Municipality of Suhareka	Suharekë	100,000
Ministry of Justice	Erection of the Great Monument on the Stone of Gradina in the Berisha Mountains	Istog	100,000
Ministry of Justice	Renovations for the Faculty of Arts	Prishtinë	100,000
Ministry of Justice	Construction of the road Drelaj - Leqinat	Pejë	100,000
Ministry of Justice	Development of a module for licensed surveyors and surveyor companies		100,000
Ministry of Justice	Construction of the road Varri I Sykut - Kofile - Shtypeq i Madh	Pejë	100,000
Ministry of Economy, Labor, Trade, Industry, Entrepreneurship and Strategic Investments	Leveling network and latitude reference system		100,000
Ministry of Economy, Labor, Trade, Industry, Entrepreneurship and Strategic Investments	Electrification and electrical equipment in Gadime Cave	Lipjan	100,000
Ministry of Finance and Transfers	Asphalting of Skopje Road and River Road in Lower Gadime	Lipjan	100,000
Ministry of Finance and Transfers	Construction of the road Turjakë - Rosujë	Pejë	100,000
Ministry of Finance and Transfers	Asphalting of the transit road from the Konjuhi neighborhood to the regional road Lipjan - Janjevë	Lipjan	100,000
Ministry of Finance and Transfers	Asphalting of local roads in the village of Pasjak	Gjilan	100,000
Ministry of Defense	Construction of Magra road - Gropa e madh - Shkrelë	Pejë	100,000
Ministry of Defense	Upgrading of information system and social service module		100,000

Institution	Name of the Project	Municipality	Total 2020
Ministry of Regional Development	Purchase of ancillary equipment and beds for residents placed in institutions		100,000
University of Prishtina	Renovation of the roof of the House of Culture Hasan Prishtina, Skenderaj	Skënderaj	100,000
University of Prishtina	Youth Center in Prizren	Prizren	100,000
University of Prishtina	Renovation of the House of Culture in Gjiilan	Gjiilan	100,000
University of Prishtina	Provide protection and equipment for educational facilities for sustainability and efficiency		100,000
University of Prishtina	Renovations in the facilities of the Faculty of Medicine	Prishtinë	95,000
University of Prishtina	The project of the main sewage and atmospheric waters canal in Lekë Dukagjini St. Dardani? Gjakovë	Gjakovë	95,000
University of Prishtina	Supply of furniture for the needs of the Office of the President	Lipjan	90,000
University of Prishtina	Renovations in FSHMN	Prishtinë	90,000
University of Prishtina	Renovations in Law faculty	Prishtinë	90,000
University of Prishtina	Renovations in Economic Faculty	Prishtinë	90,000
University of Prishtina	Revitalization of the Old Town of Janjevo, Lipjan	Lipjan	90,000
University of Prishtina	Water treatment plant at the Dubrava Correctional Center	Istog	89,000
University of Prishtina	Establishment of the Information Service for Laws, the "Law-Data" system, and the Linguistic Consistency of laws for the Assembly of Kosovo	Prishtinë	85,000
University of Prishtina	Construction of the Isa Kastrati Statue and renovation of the Kamenica monuments	Kamenicë	80,000
University of Prishtina	Asphalting of roads in Tomoc	Istog	80,000
University of Prishtina	Information Technology Equipment - Server Encloser/Blade and Security Firewall		72,000
University of Prishtina	Equipment for the Faculty of Physical Education	Prishtinë	70,000
University of Prishtina	Purchase of cars for the needs of residential institutions		70,000
University of Prishtina	Renovation of the hall in the House of Culture Jusuf Gërvalla, Deçan	Deçan	70,000
University of Prishtina	Restoration and Conservation of Sadik Ibishi Tower, Isniq - Deçan	Deçan	70,000
University of Prishtina	Sports requisits		70,000
University of Prishtina	Adem Qerim Osdautaj Tower	Deçan	70,000
University of Prishtina	Purchase of special medical laboratory equipment in F. of Medicine	Prishtinë	70,000

Institution	Name of the Project	Municipality	Total 2020
University of Prishtina	Building a house for mothers, free visits and other construction works		65,000
Office of the President	Construction of a kindergarten in Komoran-Glllogoc	Drenas	62,000
Office of the President	Renovations in the FEFS facility	Prishtinë	61,000
Office of the President	Detection and interference prevention system		60,343
Energy Regulatory Office	Statue of Doctor Hafir Shala Drenas	Drenas	60,000
National Audit Office	Statue of Xhavit Haziri Vushtrri	Vushtrri	60,000
National Audit Office	Development of an online application for voter registration outside Kosovo		60,000
Ministry of Infrastructure and Environment	Asphalting of roads in Cerce	Istog	60,000
Ministry of Infrastructure and Environment	Purchase of three official vehicles		58,500
Ministry of Infrastructure and Environment	Floor renovation in Correctional Institutions		58,000
Ministry of Infrastructure and Environment	Separation of entrance for visitors and staff at the Detention Center in Prishtina and opening of the tunnel	Prishtinë	56,000
Ministry of Infrastructure and Environment	Renovations Faculty of Education	Prishtinë	55,000
Ministry of Infrastructure and Environment	Construction of Drenica Martyrs' Cemetery of Different Periods - Skenderaj	Skënderaj	50,000
Ministry of Infrastructure and Environment	Memorial "Massacre of Krusha e Madhe" Krushe Rahovec	Rahovec	50,000
Ministry of Infrastructure and Environment	Obelisk of the fallen in the 1981 Demonstrations		50,000
Ministry of Infrastructure and Environment	Kadri Zeka Museum Kamenice	Kamenicë	50,000
Ministry of Infrastructure and Environment	Advancing the Energy Efficiency System		50,000
Ministry of Infrastructure and Environment	Expansion of the Kosovo Geodatabase (GDBK) with the Module of the Legal Office		50,000
Ministry of Infrastructure and Environment	Equipment in the Faculty of Education	Prishtinë	50,000
Ministry of Infrastructure and Environment	Asphalting of a road in Akllap	Lipjan	50,000
Ministry of Infrastructure and Environment	Construction of roads connecting the R-6 highway		50,000
Ministry of Infrastructure and Environment	Construction of Collector in Ajvali	Prishtinë	50,000
Ministry of Infrastructure and Environment	Kurtesh Sylejmani residential house, Prishtina	Prishtinë	50,000
Ministry of Infrastructure and Environment	House of Culture in Drenoc, Deçan	Deçan	50,000

Institution	Name of the Project	Municipality	Total 2020
Ministry of Infrastructure and Environment	Auxiliary field in Kaqanik	Kaqanik	50,000
Ministry of Infrastructure and Environment	Musli Hoxha residential house, Prishtina	Prishtinë	50,000
Ministry of Infrastructure and Environment	House of Culture in Bellanica, Malishevë	Malishevë	50,000
Ministry of Infrastructure and Environment	Lubizhd Sports Hall, Malishevë	Malishevë	50,000
Ministry of Infrastructure and Environment	Salih Safiqi residential house, Prishtina	Prishtinë	50,000
Ministry of Infrastructure and Environment	Sylejman Vokshi Tower, Gjakova	Gjakovë	50,000
Ministry of Infrastructure and Environment	Construction of the lower primary school "Tre Deshmoret" in Vrajake-Bratotin, Rahovec	Rahovec	50,000
Ministry of Infrastructure and Environment	Museum school in Uqe, Istog	Istog	50,000
Ministry of Infrastructure and Environment	Purchase- Supply of equipment for the operator room of the KCS	Lipjan	45,000
Ministry of Infrastructure and Environment	Purchase of computers for the Ministry of Justice	Prishtinë	43,000
Ministry of Infrastructure and Environment	Renovations in the Philosophy Faculty	Prishtinë	43,000
Ministry of Infrastructure and Environment	Construction of the Memorial in Oroberd Istog	Istog	40,000
Ministry of Infrastructure and Environment	Monument for the 1st Battalion of the 142nd KLA Brigade	Mitrovicë	40,000
Ministry of Infrastructure and Environment	Implementation of public information strategy and action plan		40,000
Ministry of Infrastructure and Environment	Music School, Gjilan	Gjilan	40,000
Ministry of Infrastructure and Environment	Renovation of the main building and auxiliary facilities of PIK		40,000
Ministry of Infrastructure and Environment	Multilateration (MLAT)		35,000
Ministry of Infrastructure and Environment	Conservation and Restoration of Several KLA War Objects and Facilities where Massacres Took Place		35,000
Ministry of Infrastructure and Environment	Purchase of vehicles for the regional center and one of divisions		35,000
Ministry of Infrastructure and Environment	Equipment for Departments of the Faculty of Law	Prishtinë	35,000
Ministry of Infrastructure and Environment	Faik Ukë Gjirkokaj Mill, Deçan	Deçan	35,000
Ministry of Infrastructure and Environment	Design and Construction of the ASHNA Building, second floor	Lipjan	31,000
Ministry of Health	Fixing of fencing of the Martyrs' Cemetery in Ranze-Shtime	Shtime	30,000
Ministry of Health	Reconstruction of Monument in Hereq Gjakova	Gjakovë	30,000

Institution	Name of the Project	Municipality	Total 2020
Ministry of Health	Gjon Serreqi's bunker in Shipashnice-Kamenice	Kamenicë	30,000
Ministry of Health	Lapidary for Hoxhë Avdyl Krasniqi - Vojnik Skenderaj	Skënderaj	30,000
Ministry of Health	Memorial of the Martyrs of the Battle of Pollata-Poduje	Podujevë	30,000
Ministry of Health	Lapidary of Elfete Humolli Podujeva	Podujevë	30,000
Ministry of Health	Construction of Nivokaz Memorial in Gjakova	Gjakovë	30,000
Ministry of Health	Purchase of interpretation equipment		30,000
Ministry of Health	Consolidation of IT Infrastructure and Backup Storage		30,000
Ministry of Health	Database for AVSH		30,000
Ministry of Culture, Youth and Sports	Arrangement of sidewalks for movement of residents in the courtyards of residential institutions		30,000
Ministry of Culture, Youth and Sports	The second phase of the renovation of the House of Culture in Isniq	Deçan	30,000
Ministry of Culture, Youth and Sports	Martyrs' Memorial in Irzniq Deçan	Deçan	27,000
Ministry of Culture, Youth and Sports	Purchase of VoIP digital telephones for the Ministry of Justice and other equipment	Prishtinë	26,000
Ministry of Culture, Youth and Sports	Switching from RDR Mode M to RDR Mode S		25,000
Ministry of Culture, Youth and Sports	Integration of Air Traffic Tower systems		25,000
Ministry of Culture, Youth and Sports	Construction of the Lapidary of the Three Martyrs Nekovc	Drenas	25,000
Ministry of Culture, Youth and Sports	Massacre Memorial in Kamenice Istog		25,000
Ministry of Culture, Youth and Sports	Supply of equipment for maintenance of green areas		25,000
Ministry of Culture, Youth and Sports	Supply, installation and maintenance of doors with controlled access - with cards		22,451
Ministry of Culture, Youth and Sports	Museum House in Lumbardh Neighborhood, Mitrovicë	Mitrovicë	20,296
Ministry of Culture, Youth and Sports	Lapidary in Zahaq Peje	Pejë	20,000
Ministry of Culture, Youth and Sports	Renovation of the Lapidary of the Martyr Ahmet Pantina -Llazice- Malisheve	Malishevë	20,000
Ministry of Culture, Youth and Sports	Lapidary of two students killed in SHtedime Podujvë	Podujevë	20,000
Ministry of Culture, Youth and Sports	Water Filtering System in Prosecutions' Buildinds		20,000
Ministry of Culture, Youth and Sports	Installation of Fire Safety System in archives		20,000
Ministry of Culture, Youth and Sports	Supply of necessary equipment for the economic unit		20,000
Ministry of Culture, Youth and Sports	Infrastructure for computer data system and remodeling of LIMS software		20,000

Institution	Name of the Project	Municipality	Total 2020
Ministry of Culture, Youth and Sports	Maintenance and arrangement of ZP yards		20,000
Ministry of Culture, Youth and Sports	Creating an electronic system for revenues in AME		20,000
Ministry of Culture, Youth and Sports	Geodesy Equipment - Controllers		18,000
Ministry of Culture, Youth and Sports	Fire extinguishing system in the server room		18,000
Ministry of Culture, Youth and Sports	Construction of the pipeline for the road Janina and Mother Teresa - Prizren	Prizren	15,431
Ministry of Culture, Youth and Sports	Construction of the Lapidaries of Martyrs Ramadan, Bashkim and Besim Muleta Korrotice e Eperme Drenas	Drenas	15,000
Ministry of Culture, Youth and Sports	Renovation of Lapidary in Kaliqan- Istog	Istog	15,000
Ministry of Culture, Youth and Sports			15,000
Ministry of Culture, Youth and Sports	Remodeling of spaces with walls in the morgue and laboratories		15,000
Ministry of Internal Affairs and Public Administration	IT needs software (network control and back-up licenses)		15,000
Ministry of Internal Affairs and Public Administration	Digitalization of the Financial Archive		15,000
Ministry of Internal Affairs and Public Administration	Scanner for A0 format		14,500
Ministry of Education Science and Technology	UPS for Server Room		12,000
Ministry of Education Science and Technology	Backup software		12,000
Ministry of Education Science and Technology	Martyrs' Lapidary Hajdin Haliti and Sami Plakolli Orlan Podujeve	Podujevë	10,000
Ministry of Education Science and Technology	Restoration of the Lapidary of the Martyr Abedin Bujupi Drenas	Drenas	10,000
Ministry of Education Science and Technology	Construction of the Lapidary of Ymer Alushan Komoran	Drenas	10,000
Ministry of Education Science and Technology	Regulation of the Park Around the Martyrs' Cemetery in Dyz-Podujeve	Podujevë	10,000
Ministry of Education Science and Technology	Fixing of fencing of the Martyrs' Cemetery in Marevc-Prishtine	Prishtinë	10,000
Ministry of Education Science and Technology	Program - KPM Revenue Software	Prishtinë	10,000
Ministry of Education Science and Technology	Elevator	Prishtinë	10,000
Ministry of Education Science and Technology	Laying of gravel in parking spaces at the central warehouse of the Agency		10,000
Ministry of Education Science and Technology	Sound equipment for ADM		10,000
Ministry of Education Science and Technology	Pobergjë Library, Deçan	Deçan	10,000
Ministry of Education Science and Technology	Supply of spare parts for DVOR		9,852
Ministry of Education Science and Technology	Purchase of professional camera		6,000

Annex 2. Kosovo Emergency Fiscal Package

No. of Measure	Description of Measure	Amount
1	Double payment of the amount of the social scheme for all beneficiaries of social schemes for April and May. This amount includes the payment made for the month of March	€ 7,650,000
2	Additional payment in the amount of thirty 30 Euros per month for all beneficiaries of social and pension schemes who receive a monthly payment in the amount of less than one hundred Euros, for the month of April, May and June, provided that they are beneficiaries of only the scheme; as well as the return to the beneficiary lists of beneficiaries whose rights have not been renewed due to non-appearance or non-evaluation in the period January-March 2020.	€ 13,000,000
3	Financial support for companies (NGOs, religious communities and various entities) that are in financial difficulties as a result of the decline in activity due to the emergency public health situation, as follows: a) Coverage of monthly salary expenses of employees in the amount of 170 Euros for April and May b) Subsidy of rent up to 50% of the value of rent for small and medium enterprises, for April and May c) Coverage of the amount of pension contributions for salaries in relation to measures envisaged in this decision for April and May	€ 61,000,000
4	Ensuring interest-free lending to public enterprises that have financial difficulties due to the public health emergency situation, in order to ensure their temporary liquidity, with a return period until 31/12/2020	€ 20,000,000
5	Provide financial support to Municipalities of the Republic of Kosovo that have been affected in dealing with pandemics, in case of need due to the possible prolongation of the emergency public health situation	€ 10,000,000
6	Provide a hazard payment of 300 Euros for field workers and who are directly exposed to the risk of infection in their work (not the entire staff of the institution): Medical staff (doctors and nurses), Kosovo Police officers, officers of the Correctional Service, officers (firefighters) of the Emergency Management Agency, personnel (military officers) of the KSF, workers working in Quarantine - Students' Centre of Prishtina, officials (inspectors) of the Labor Inspectorate, officials (inspectors) of the Tax Administration of Kosovo, Officials (customs) of Kosovo Customs, officials (inspectors) of the Market Inspector's Office, officials (inspectors) of the Market Inspectorate, officials (inspectors) of relevant municipal inspectorates, officials of the Institute of Occupational Medicine, for the month of April and May	€ 15,000,000
7	Salary bonus of 100 Euros for employees of grocery stores, bakeries and pharmacies for April and May	€ 3,000,000
8	Payment of monthly assistance in the amount of 130 Euros for citizens who lost their jobs due to the emergency public health situation, for April, May and June	€ 4,000,000

No. of Measure	Description of Measure	Amount
9	Supporting initiatives and projects aimed at improving the lives of non-majority communities in the Republic of Kosovo, which have been hit hardest by the public health emergency situation	€ 2,000,000
10	<p>Ensuring financial liquidity for:</p> <p>a) Micro-enterprises and self-employed through certain programs of the Kosovo Credit Guarantee Fund, in the amount of up to 10 thousand Euros for a period of 24 months</p> <p>b) Commercial companies/authorized companies that provide basic services (similar to those of public enterprises) with a return period until 31.12.2020, within the amount specified in point 1.4. of this decision</p>	€ 15,000,000
11	Increase of budget for grants and subsidies for the Ministry of Agriculture, Forestry and Rural Development to increase agricultural production	€ 5,000,000
12	Increase of budget for grants and subsidies for the Ministry of Culture, Youth and Sports to overcome the situation created by the state of emergency of public health in sports and cultural activities	€ 5,000,000
13	Support for exporters in the Republic of Kosovo after the end of the public health emergency situation	€ 10,000,000
14	Financial support for companies that register employees with employment contracts of at least one year during the period of emergency public health situation, in the amount of 130 for two months after the registration	€ 6,000,000
15	Payment of monthly assistance in the amount of 130 citizens with dire social conditions, declared as unemployed in the competent institution, who are not beneficiaries of any monthly income from the Kosovo Budget for April, May and June	€ 3,000,000
Total:		€ 179,650,000

Annex 3. Emergency Fiscal Packages of other Western Balkan countries

Country	Measure 1	Measure 2	Measure 3	Measure 4
Albania	Additional fund for the health sector for 3.5 billion Albanian Leke	Support through the minimum wage for small businesses and the self-employed who have been forced to stop their activity due to COVID-19 pandemic in the amount of ALL 6.5 billion	Doubling unemployment benefits and social assistance schemes (Same budget as measure 2)	Help for citizens most affected by the crisis in the amount of 2 billion ALL
North Macedonia	Wage subsidy equivalent to the minimum wage for all affected businesses in the amount of 1% of GDP.	Financial assistance to families in need who have been part of the informal economy and who have lost their jobs.	Increase of funds from the Development Bank for Commercial Banks.	
Montenegro	Establishment of a new credit fund, "Investment Development Fund" of 120 million Euros to improve business liquidity	Advanced payment for capital investment contractors	One time payment for pensioners from the lowest income categories and beneficiaries of social assistance in the amount of 50 Euros	Salary increase for March for health-care sector employees up to 15%
Serbia	10% salary increase for public sector employees in the amount of 13 billion RSD and increase in investments in health by 12 billion RSD	One time payment for all pensioners in the amount of 7 billion RSD	Universal cash transfer of 100 Euros for all citizens over the age of 18 70 milion RSD	Investments in infrastructure projects in the public sector in the amount of 24 billion RSD

SOURCE: IMF

Note: The measures are continuously updated by the IMF and are not divided into emergency and recovery fiscal packages. Source: <https://bit.ly/37fSzK>

Measure 5

Fund of 11 billion ALL for the Sovereign Guarantee Fund to enable access to overdraft for companies in banks so that they can pay their employees with an interest rate of 2.85% and maturity of up to 2 years.

Measure 6

Measure 7

Measure 8

*Montenegro also introduced the Economic Recovery Package in April, however our focus has only been on emergency packages.

Postponement of payment of employee tax liabilities, contributions, and exemptions from VAT (140 billion RSD)

Salary subsidy including minimum wage coverage for all employees of Small and Medium Enterprises (93 billion RSD) and payment of 50% of net minimum wage for three months for employees of large enterprises and for employees who are not currently working (4 billion RSD)

Reduction of 10 percentage points in the interest of tax debt.

State Guarantee Scheme for Bank Loans for Small and Medium Enterprises and New Loans for SMEs from the Development Fund

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