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COVID-19 CRISIS AND ITS ECONOMIC IMPLICATIONS:

THE CASE OF KOSOVO

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SARS-CoV-2	Severe Acute Respiratory Distress Syndrome Coronavirus-2
ARDS	Acute respiratory distress syndrome
OECD	Organization for Economic Co-operation and Development
EU	European Union
SAA	Stabilization and Association Agreement
SEE	South East Europe
EC	European Commission
WBC	Western Balkan Countries

1 INTRODUCTION

1.1 Background information

The covid 19 pandemic is known on a global level as one of the largest global pandemics that has caused great losses on a social level. The Covid 19 pandemic was followed by a deadly virus and this fatality was further associated with deep crises in every sector, especially in the health and economic sectors, Kosovo as a small and economically developing country like any other country in the world faced especially in the fight against the deadly virus and the effective management of the crisis caused by the Covid 19 pandemic.

The economic consequences caused by the covid 19 pandemic are numerous and can be distinguished in two categories of impacts, the first of which has to do with the short-term economic impact and the long-term economic impact. In these two directions, we can emphasize that in the short term the biggest consequences were for the sectors that were closed as a result of the restrictions imposed by the covid pandemic, this includes the closing of schools and the transition to online learning, the prohibited movement of citizens, high costs for food and hygiene products, the loss of jobs, the closure of the gastronomy sector, transport, etc. On 11 March, the government of Kosovo had introduced measures prohibiting the export of medicine and medical equipment that were used to treat COVID-19.

The government has implemented containment measures since 12 March 2020 to date of Covid crisis and also in this period of covid the government has closed all schools and universities, suspended all public transportation services, closed all cafés, bars, restaurants and non-essential stores, cancelled all cultural and sporting events, and obliged all private sector employees to work from home. Supermarkets and pharmacies remain open.

1.2 Problem definition

When we entered the year of 2020, no one was expecting a year of health crisis leading to an economic shock for the whole world. In the occurrence of an unknown situation, we were expecting all the COVID-19 scenario to end within a few weeks as we were listening to health experts that "today" is the peak of the infection. Unfortunately, it has been a year and a half until the moment of writing this thesis and Kosovo is still breaking its own records as per number of deaths and infection per day. Moreover, this virus continues to raise questions that have no answers and create only confusion.

Covid-19 is not only a public health crisis, it is an economic and social crisis. Since the declaration of the virus as pandemic, the economic crisis affected 90 trillion dollars global economy and it has not been experienced in nearly a century (Weiss, et al, 2020). While trying to contain the spread of the virus, governments all over the world have introduced policies. These policies as total lockdowns and curfews, inadvertently led to global economic recession and unprecedented drop-in economic activity. This pandemic has plunged most countries into economic recession with the largest contractions as per capita income since 1870. Developed economies were projected to shrink 7 percent (World Bank, 2020).

The downturns turned out even worse for the developing countries as they were dealing with a recession, weak health systems, but outbreak of the virus, dwindling remittances and even political crisis. The economic shock, reversed years of progress and millions of people are back to extreme poverty. Countries around the globe have adapted fiscal measures in order to ease the economic and health impact of COVID-19. These policies intend to support the health systems and deal with the pandemics, support businesses and support the social schemes and households.

The pandemic has hit the Western Balkans reversing the promising economic outlook for 2020. While dealing with fragile health systems, virus has hit almost every segment of life starting from health system, employment and labor market, tourism, SME, education, trade, investments, even the welfare of people (Organization for Economic Co-operation and Development, 2020). Among all the problems caused, Kosovo as a young country has suffered from political crisis as well therefore managing the crisis has been even more challenging. Between a government voted out, a new government, another government take down and new elections in the middle of a health and economic chaos, the case of Kosovo is specific therefore it will be elaborated further in this master thesis

1.3 Relevance of the research questions

In 2020, almost every region of the world has gone into a free fall of economic activity. This has marked an unprecedented event in the speed and the global reach. The governments across the world have designed stimulus package in order to respond to this crisis and help businesses and individuals. However, the uncertainties of this pandemic make economic forecasting very variable. The six countries of Western Balkans have been hit by the pandemics altering the most significant and fragile segments of the countries such as health, economy and education while impacting the social welfare and even democracies (Organization for Economic Co- operation and Development 2020). Due to fragile political and economic states with countries still not members of the European Union, the pandemics has increased the vulnerability of these countries. All the countries of Western Balkans went to recession and the duration of recession is linked with the duration of pandemics. Facing an unknown enemy, these countries were forced to introduce strict measures to prevent the spread. All the countries have introduced state of emergency, curfew, closing borders, schools, business. From March to May 2020, Kosovo has been in an almost total lockdown, causing a severe damage to enterprises and increasing in a significant scale the number of the job seekers. Considering the uncertainty of the length of the virus, Kosovo had to take strict measures such as restriction of movement, suspension of schools and universities, complete shutdown of non- essential businesses, travel bans and change of public finances policies.

Among the global problems of pandemics, Kosovo decided to add to itself a political crisis by overthrowing the government of Prime Minister Kurti only five weeks after their election. The coalition partner of Vetvendosje, LDK initiative a trust vote on the Parliament on 25th of March 2020 leading to a political crisis and probably becoming the only country in the world to overthrow a government during this pandemic crisis. The management of the pandemic obviously became even more difficult while its management became an argument and a political issue rather than focusing on the health, economic and social crisis. Kosovo, as a young country would face its first serious health, economic and social crisis after the war with a fragile health system and emerging economy in a political crisis. Therefore, the case of Kosovo will provide an interesting case study to analyze, elaborate and present.

The main goal of this particular master thesis is to analyze and present the Covid -19 crisis and its economic implications in Kosovo.

The objectives of the study are as follows:

1) To address the problems and obstacles that the economy of Kosovo has faced due to the pandemics

2) To analyze and present the state response to support the entities that function in Kosovo from the private sector to individual levels.

3) To present pre- Covid situation in Kosovo in order to have insight of the implications pandemics has caused.

The case of Kosovo will be more specific due to the political crisis that led to some delay in the response toward Covid-19 and public policy changes. The thesis will also cover the management of COVID-19, policy changes and measures taken from the government in supporting and recovering health and economics in Kosovo. A comparison of Kosovo with the region will be made so a more thorough analysis can be presented. This master thesis will serve as a case study of a young developing country facing its first serious crisis after a war that ended 23 years ago.

The aim is to review the literature from all the financial institutions, governmental sources and also do field research in businesses and people in order to see closely the impact of the lockdown and pandemics in private sector and employees. The study will incorporate the findings from firsthand information and research from second hand information so a case study with arguments of economic implication, management of the pandemics and recommendations on what could have been improved so there is an insight of a specific political and economic situation of Kosovo.

1.4 Methodology

This study begins with the review of related literature of the field of the COVID 19 and its impact on the economic growth in the case of Kosovo. The analysis begins with the pandemic COVID 19 and the impact of economy. Otherwise, the study uses a lot of reports from the World Bank, OECD and others international reports which assess the impact of the covid 19 pandemic on the economy, the causes, consequences and measures to overcome the challenges caused by the pandemic. The study also reviews the literature about the pandemic in the case of Kosovo, the western Balkans Countries and also international literature with the related topic.

This master thesis will use descriptive analysis for the first two chapter of the thesis and country case study for the third and four chapter of the thesis.

As primary source data collection, interviews are conducted with experts of economics, businesses and households with open ended questions in order to obtain detailed and elaborated answers. The questions for the experts of economics in public finances are focused on the impact of COVID-19 on the revenues and expenditures, economic growth, public debt of the government and the government response. Interviews are made with economists from the financial sector more specifically in Central Bank of Kosovo, and the question are focused in the impact of the crisis in financial sector in Kosovo, as well as the impact in Foreign Direct Investments and measures taken. Moreover, interviews with the private sector will be with Gastronomy Society, Business Association, Chambers of Commerce and individual businesses.

The Source of Data Collection used for conduction research will also be from Central Bank of Kosovo, Ministry of Finance, Ministry of Health, Agency of Statistics and other government agencies. Data will be also collected from international institutions as World Health Organization, International Monetary Fund, World Bank, Organization for Economic Co-operation and Development, United Nations Development Program

2 COVID -19 CRISIS

2.1 COVID crisis in the context of another crisis

The COVID-19 crisis has been one of the most transformative and challenging events of the 21st century. As a global pandemic, it has had a profound impact on all aspects of human life, including health, economy and social structures. However, to better understand the impact and management of this crisis, it is important to consider it in the context of other historical crises. This essay will examine recent major crises, including the economic crisis of 2008-2009, the Eurozone debt crisis, the humanitarian crisis in Syria, and natural crises such as the earthquake in Haiti, comparing them to the COVID-19 crisis. The global economic crisis of 2008 was one of the biggest financial crises in recent times. The main cause was the failure of financial institutions and the real estate debt crisis in the United States, which then spread globally (Reinhart & Rogoff, 2009). The consequences were profound, including a significant decline in economic activities and a large increase in unemployment.

Government interventions included bank bailouts and stimulus measures to support the economy (IMF, 2009). The COVID-19 crisis, however, is of a different nature. It was not caused by the failure of financial institutions, but by a global pandemic that has stopped normal activities and affected all sectors of the economy (WHO, 2020). Economic assistance for COVID-19 included direct measures for individuals and businesses, in addition to measures to keep important sectors functioning (OECD, 2021).

The debt crisis in the Eurozone, which began in 2009, was caused by high debts and deficiencies in the fiscal management of some Eurozone member states (Alesina & Ardagna, 2010). The crisis has brought about a significant drop in GDP and caused strict austerity measures, which have had a severe impact on the well-being of citizens in the affected countries. In comparison, COVID-19 has caused an economic and social crisis that has affected all countries, regardless of the level of debt of countries (UNCTAD, 2021).

Measures to deal with the pandemic have included fiscal stimulus and other aid that is different from that used during the Eurozone debt crisis. In comparison, COVID-19 has created a global health crisis that has affected all aspects of life and has been felt across all strata of society (World Health Organization, 2020). Aid for COVID-19 is focused on health support and economic aid, while the crisis in Syria required humanitarian and emergency aid to support those in dire straits. The COVID-19 crisis has impacted on a global scale and has stopped normal economic and social activities (OECD, 2021). Aid for COVID-19 includes measures to keep economies functioning and support health systems, which is different from aid for a natural disaster like the earthquake in Haiti. In summary, the COVID-19 crisis is a unique event in its scale of impact and its global nature. However, comparison with other historical crises helps to gain a deeper understanding of the scale and manner in which crises have been managed in the past. Each crisis has its own particular characteristics and has required different strategies to cope with its impacts.

2.2 Covid – 19 crises as a health crisis and responses to it

The COVID-19 pandemic, caused by the SARS-CoV-2 virus, has been one of the greatest public health challenges in recent history. Since its outbreak in Wuhan, China in late 2019, COVID-19 has touched all aspects of human life and caused profound impacts on health systems, economies and social structures around the world. This article examines the COVID-19 crisis as a health crisis and the global measures that were taken to deal with the pandemic.

The COVID-19 pandemic presented a tremendous challenge to global health systems. The SARS-CoV-2 virus was first identified in the city of Wuhan and spread rapidly throughout the world. Its mode of transmission, including transmission from asymptomatic individuals and long incubation periods, made it difficult to control and prevent the pandemic (World Health Organization, 2020). The pandemic has caused a tremendous strain on health systems around the world. Hospitals and clinics have faced high flows of patients infected with COVID-19, making it difficult to manage patients with other illnesses (Ranney et al., 2020). The lack of personal protective equipment and respirators is another major problem that has affected the health system's ability to treat patients and protect staff (World Health Organization, 2020). In an effort to meet these challenges, many countries have increased intensive care capacity and helped distribute equipment and resources to regions that have been most affected. However, the high burden and lack of resources have shown the vulnerability of health systems to global pandemics (Paltiel et al., 2020). The COVID-19 pandemic has had a significant impact on the mental health of individuals. Social restrictions, isolation, and anxiety about health and economic stability have led to an increase in demands for mental health services (Pfefferbaum & North, 2020).

The psychological impact of the pandemic is an important issue that needs attention and support from health and government institution. To cope with the COVID-19 health crisis, governments and international organizations have taken a number of measures and policies to help control the pandemic and support individuals and health systems. Many countries applied strict measures such as city lockdowns and movement restrictions to stop the spread of the virus.

These measures included banning non-essential activities and closing international borders (Gao et al., 2020). While these measures helped reduce the spread of the virus in some countries, they also had negative economic and social impacts, including increased unemployment and poverty. Many countries developed strategies to increase testing capacity and use technology to trace potential contacts (Paltiel et al., 2020).

These efforts helped identify and isolate infected individuals and prevent further outbreaks. Individuals who tested positive for COVID-19 were required to self-isolate to prevent further spread of the virus. Likewise, those who had been in contact with the infected were quarantined to protect others (Hsu et al., 2020). Quarantine and isolation measures were important in controlling the spread of the pandemic, however, they also had a significant impact on the social and psychological lives of individuals.

2.3 Macroeconomic implications of the COVID crisis

The worldwide economic growth rate has significantly decreased as a result of the COVID-19 epidemic. The world economy shrank by 3.5% in 2020, marking the worst contraction since the Great Depression, according to the World Bank Report (2021). A decrease in consumption, supply chain interruptions, and pandemic-related closures were a few of the causes of this downturn. Both developed and emerging economies suffered greatly, with the drop being particularly noticeable in nations whose economy rely more heavily on services and tourism.

The worldwide trade volume has significantly decreased as a result of the pandemic's effects on international trade. The World Trade Organization (WTO, 2021) reports that there was a roughly 5% decline in global goods trade in 2020. Closing borders, limiting the flow of commodities, and shifting consumer demand have all had a direct impact on the reduction in trade exchanges. The labor markets have been significantly impacted as well. The epidemic has hastened the rise in unemployment and resulted in massive job losses. The International Labor Organization (ILO, 2021) reports that employment fell 8.8% globally in comparison to pre-pandemic levels. The tourist and service industries have suffered the most, which has resulted in a large loss of employment and a rise in job instability. Numerous countries have implemented a range of fiscal and monetary policies in order to address the effects of the crisis.

The main goals of fiscal policy are to provide financial incentives and assistance to firms and individuals impacted by the epidemic. The International Monetary Fund (IMF, 2021) reports that government expenditure on economic stimulation—which includes direct help to residents, support for impacted industries, and demand-boosting incentives—has dramatically grown in many nations.

2.4 Microeconomic implications of the COVID crisis

The effects of the Covid 19 pandemic were also felt in the microeconomic aspect. A large number of enterprises, especially small and medium ones, were closed down, many large one's experienced problems in the supply chain with raw materials, etc. Numerous, small and medium-sized businesses (SMEs) are experiencing a serious cash difficulty as a result of the COVID-19 pandemic crisis. Unexpected business closures and activity limits have resulted in a large decline in revenue. Research conducted by the International Monetary Fund (IMF, 2021) claims that a large number of SMEs have had a difficult time paying fixed expenditures like rent and salaries, which has resulted in payment delays and, in certain circumstances, bankruptcy.

2.5 Socio-political implications of the COVID crisis

Novel Coronavirus disease 2019 (COVID-19) was crowned as the second pandemic of the twenty-first century by the World Health Organization (WHO) on March 11th, 2020. COVID-19 is caused by the Severe Acute Respiratory Distress Syndrome Coronavirus-2 (SARS-CoV-2), first isolated in Wuhan (China) after a cluster of outbreaks. SARS-CoV-2 is a positive-sense, single-stranded enveloped RNA virus that transmits via respiratory droplets and fomites. The virus causes a disease spectrum ranging from asymptomatic to severe acute respiratory distress syndrome (ARDS), and death (Mallah, Ghorab, & Al-Salmi).

The COVID-19 crisis has governments around the world operating in a context of radical uncertainty, and faced with difficult trade-offs given the health, economic and social challenges it raises. Within the first three months of 2020, the novel coronavirus developed into a global pandemic. Schools and universities were closed in spring 2020 for more than one billion students of all ages. By November 2020, COVID-19 spread to almost all countries and affected more than 50 million people around the world, resulting in more than 1.25 million deaths. More than half of the world's population has experienced a lockdown with strong containment measures – the first time in history that such measures are applied on such a large scale (OECD, 2020).The COVID-19 pandemic set off the worst global economic crisis since the Second World War.

Beyond its severity, the crisis differed from past downturns in several ways (OECD Library, 2020):

- The economic shock was rooted in a health crisis, exogenous to the economy, which spread quickly and globally

- Supply-side restrictions on economic activity and social distancing had not been factors in other economic crises, adding another complicating factor in designing and implementing support measures and restrictions

- Governments had to resort to strict containment actions, effectively halting production and consumption for a large part of the economy – often with little certainty on their tightness, duration, or possible repetition – while simultaneously supporting the survival of businesses that were forced to close down

- The effects of the pandemic abruptly disrupted the real economy via both supply and demand

- Government decisions affected not only livelihoods, but also lives themselves, with few areas of the globe unaffected and policy implementations sometimes a matter of life or death

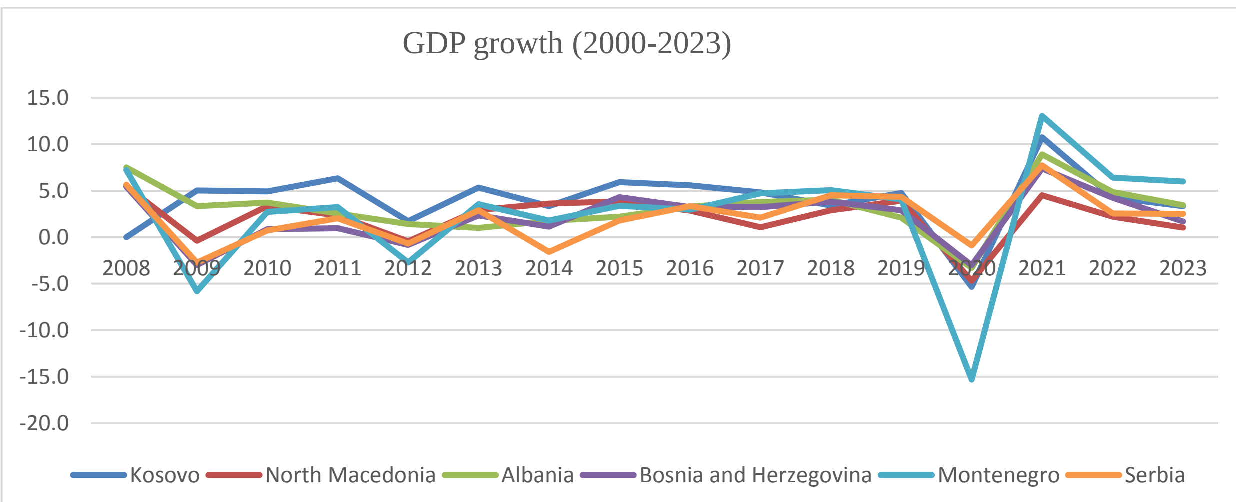
3 KOSOVO'S ECONOMY: BASIC FUTURES AND TRENDS PRIOR TO COVID CRISIS

3.1 Introduction to Kosovo specifies

Kosovo is Europe s youngest country, both in terms of history and demographics also it was part of the former Yugoslavia. The state of Kosovo became a separate territory under United Nations administration in 1999, and declared its independence in 2008. February 2014 it had been recognized by 106 UN member states including 23 out of 28 EU members. Kosovo is also a potential candidate for European Union (EU) membership and is currently negotiating a Stabilization and Association Agreement (SAA) with the European Commission (EC) (World Bank, 2014).

From 1999 Kosovo has been using the Deutsche Mark and, since 2002, its successor currency, the Euro, as legal tender. Kosovo is a landlocked country in South East Europe (SEE) with about 1.8 million inhabitants and a large migrant population based mainly in Western European countries. Kosovo has taken great strides to rebuild an economy destroyed by the collapse of Yugoslavia and the 1998-99 war, with sound fiscal numbers and budgets focused on capital expenditure (World Bank, 2014).

Figure 1: GDP growth (2000-2023) in Kosovo in comparison with Western Balkan



Source: World Bank Indicators (2023).

The figure above shows the position of Kosovo in comparison with other Western Balkan Countries: North Macedonia, Albania, Montenegro, Bosnia and Herzegovina, and Serbia during the Covid-19 crisis. Comparing Kosovo with other Western Balkan countries WBC in terms of GDP growth from 2000 until 2023 reflects a variable history in economic development, shaped by political and economic events in the region.

During the period in question, countries such as North Macedonia, Albania and Serbia attained the growth rates, rising even up to 8.29 percent in Albania, for example, in the year 2001; data in

Kosovo were missing by then. In fact, the time can be represented by slow political stabilization which came accompanied by increasing investments while this particular state enjoyed the fastest growths such as Serbia and Montenegro. Year 2009 was a bad year for all the economies in the region, and thus the decline in GDP. Kosovo registered a modest increase of 5.0%, while countries like Montenegro and North Macedonia saw declines. This indicates the sensitivity of the economies to events around the world. After the crisis, countries started to see recovery. Kosovo emerged as the growth leader, reaching 10.7% in 2021. The country continued to post steady growth, while Albania and Macedonia also posted high rates. This development shows the improvement of economic conditions and the efforts for structural reforms. The COVID-19 pandemic hit all the economies of the region hard, with Kosovo registering a significant decline of -5.3%. This reflects the impact of the restrictive measures and reduced economic activity across the region. In the post-pandemic period, the economies started to see a catching-up recovery. Kosovo posted 10.7% growth in 2021, while Montenegro and Serbia also posted high growth rates.

However, the growth rate started to decline in the subsequent years, with Kosovo likely to reach 3.3% in 2023.

3.2 Level of development and structure of the economy

In the context of the economic development of Kosovo, it is undoubtedly essential to discuss the gross domestic product and the gross domestic product per capita as the two most important indicators of economic growth and economic development of the country. The economy of Kosovo, the youngest state in Europe, is on the verge of being transformed from one in ruins to one in development. Both its natural resources and its potential for rapid economic expansion have not yet been fully used.

Based on Sen & Kirkpatrick (2011) results, in 2008, Kosovo had significant economic issues. Over one-third of the workforce was jobless, and economic development has lagged behind that of neighboring nations. It is determined that the prices and availability of financing, the inadequate delivery of public goods, and the flaws in the rule of law are the main obstacles to growth. Additionally, according to the report, policy choices for job creation should prioritize raising economic growth and the employment intensity of growth. While the privatization of the public firms has fallen short of expectations, its core economic sectors—agriculture, textiles, mining, and metals—are still in the early phases of regeneration (Brovina & Hoxha, 2014). Foreign Direct Investment is another aspect that affects Kosovo's economic development. According to Bellaqa, & Bajrami (2019) one of the most important factors in a country's economic growth is foreign direct investment (FDI), which impacts economic development and improves social characteristics. Both nationally and internationally, FDI is a significant issue that is linked to sustainable management practices that increase a nation's attraction to foreign direct investment. On the other hand, Kryeziu & Coşkun (2018), claim that due to institutional performance, Kosovo has not yet been able to overcome economic obstacles and establish a viable market economy. Islami, Mulolli, and Skenderi (2016) emphasize that the connection between foreign direct investment inflow and five macroeconomic indicators—GDP, GDP per capita, GNI, exports, and balance of trade—that are crucial to Kosovo's economic growth. Based on the findings of Holzner (2015) the development patterns in Kosovo are optimistic, the economy is not doing extremely well. Macro-imbalances are hinted at by mass unemployment. Since industrial exports are essentially nonexistent, net transfers from migrants are essential for bridging the massive trade balance deficit. Despite being low, wages are rising far faster than productivity. One significant obstacle is the absence of an exchange rate policy. Even by Balkan standards, the energy infrastructure is poor, and the transportation infrastructure is mediocre.

3.2.1 Macroeconomic Indicators of the Economic Development of Kosovo

In this part, the important macroeconomic indicators that illustrate the economic development of Kosovo will be presented. These indicators provide a clear overview of the country's economic performance and help identify trends and challenges facing developing economies. In order to present the progress of Kosovo's economic development, some macroeconomic indicators for the period 2000-2023 have been analyzed. The data was obtained from the World Bank indicators and then processed and adapted by the author, including tabular data and figures. The following table presents the indicators, which will also be displayed to illustrate trends over the years. In addition, a description of the importance of each indicator will be provided, as well as the specific data source for each indicator.

Table 1: Macroeconomic indicators, their definitions and the source

Indicator Name	**Long definition**	**Source**
GDP growth (annual %)	Annual percentage growth rate of GDP at market prices based on constant local currency. Aggregates are based on constant 2015 prices, expressed in U.S. dollars. GDP is the sum of gross value added by all resident producers in the economy plus any product taxes and minus any subsidies not included in the value of the products. It is calculated without making deductions for depreciation of fabricated assets or for depletion and degradation of natural resources.	World Bank national accounts data, and OECD National Accounts data files.
GDP per capita growth (annual %)	Annual percentage growth rate of GDP per capita based on constant local currency. GDP per capita is gross domestic product divided by midyear population. GDP at purchaser's prices is the sum of gross value added by all resident producers in the economy plus any product taxes and minus any subsidies not included in the value of the products. It is calculated without making deductions for depreciation of fabricated assets or for depletion and degradation of natural resources.	World Bank national accounts data, and OECD National Accounts data files.
Imports of goods and services (% of GDP)	Imports of goods and services represent the value of all goods and other market services received from the rest of the world. They include the value of merchandise, freight, insurance, transport, travel, royalties, license fees, and other services, such as communication, construction, financial, information, business, personal, and government services. They exclude compensation of employees and investment income (formerly called factor services) and transfer payments.	World Bank national accounts data, and OECD National Accounts data files.

To be continued

Table 2: Macroeconomic indicators, their definitions and the source (cont.)

Exports of goods and services (annual % growth)	Annual growth rate of exports of goods and services based on constant local currency. Aggregates are based on constant 2015 prices, expressed in U.S. dollars. Exports of goods and services represent the value of all goods and other market services provided to the rest of the world. They include the value of merchandise, freight, insurance, transport, travel, royalties, license fees, and other services, such as communication, construction, financial, information, business, personal, and government services. They exclude compensation of employees and investment income (formerly called factor services) and transfer payments.	World Bank national accounts data, and OECD National Accounts data files.
Exports of goods and services (% of GDP)	Exports of goods and services represent the value of all goods and other market services provided to the rest of the world. They include the value of merchandise, freight, insurance, transport, travel, royalties, license fees, and other services, such as communication, construction, financial, information, business, personal, and government services. They exclude compensation of employees and investment income (formerly called factor services) and transfer payments.	World Bank national accounts data, and OECD National Accounts data files.
Inflation, GDP deflator (annual %)	Inflation as measured by the annual growth rate of the GDP implicit deflator shows the rate of price change in the economy as a whole. The GDP implicit deflator is the ratio of GDP in current local currency to GDP in constant local currency.	World Bank national accounts data, and OECD National Accounts data files.

To be continued

Table 3: Macroeconomic indicators, their definitions and the source (cont.)

Unemployment, total (% of total labor force) (national estimate)	Unemployment refers to the share of the labor force that is without work but available for and seeking employment. Definitions of labor force and unemployment differ by country.	International Labor Organization. “Labor Force Statistics database (LFS)” ILOSTAT. Accessed October 16, 2024. https://ilostat.ilo.org/data/.
Employment to population ratio, 15+, total (%) (national estimate)	Employment to population ratio is the proportion of a country's population that is employed. Employment is defined as persons of working age who, during a short reference period, were engaged in any activity to produce goods or provide services for pay or profit, whether at work during the reference period (i.e. who worked in a job for at least one hour) or not at work due to temporary absence from a job, or to working-time arrangements. Ages 15 and older are generally considered the working-age population.	International Labor Organization. “Labor Force Statistics database (LFS)” ILOSTAT. Accessed October 16, 2024. https://ilostat.ilo.org/data/.
Poverty headcount ratio at societal poverty line (% of population)	The poverty headcount ratio at societal poverty line is the percentage of a population living in poverty according to the World Bank's Societal Poverty Line. The Societal Poverty Line is expressed in purchasing power adjusted 2017 U.S. dollars and defined as max ($2.15, $1.15 + 0.5*Median). This means that when the national median is sufficiently low, the Societal Poverty line is equivalent to the extreme poverty line, $2.15. For countries with a sufficiently high national median, the Societal Poverty Line grows as countries’ median income grows.	World Bank, Poverty and Inequality Platform. Data are based on primary household survey data obtained from government statistical agencies and World Bank country departments. Data for high-income economies are mostly from the Luxembourg Income Study database. For more information and methodology, please see http://pip.worldbank.org.

To be continued

Table 4: Macroeconomic indicators, their definitions and the source (cont.)

Household and NPISHs Final consumption expenditure (annual % growth)	Annual percentage growth of household and NPISHs final consumption expenditure based on constant local currency. Aggregates are based on constant 2015 prices, expressed in U.S. dollars. Household and NPISHs final consumption expenditure (formerly private consumption) is the market value of all goods and services, including durable products (such as cars, washing machines, and home computers), purchased by households. It excludes purchases of dwellings but includes imputed rent for owner-occupied dwellings. It also includes payments and fees to governments to obtain permits and licenses. This indicator includes the expenditures of nonprofit institutions serving households even when reported separately by the country.	World Bank national accounts data, and OECD National Accounts data files.

Source: World Bank Indicators (2023).

Above table shows main macroeconomic indicators, which show the trend of Kosovo economic development. In general, macroeconomic indicators have a wide use in assessing the economic effects of a pandemic to show the size of the problem. The trend, recovery strategies, sociological analysis, economic sustainability, and world view all have the backing of these indicators. They help identify which sectors were hit hardest, assess the effectiveness of recovery plans, and provide insight into how the general public coped with the crisis. Understanding these indicators is crucial for strategic planning in Kosovo's future economic development.

The selected indicators in this direction are (World Bank Indicators, 2023):

1. GDP Growth (annual %): Before COVID-19, many countries, including Kosovo, could have shown steady GDP growth, reflecting a developing economy. After the crisis, many economies faced a downturn, which highlights the need for recovery and sustainable growth strategies.

2. GDP Per Capita Growth (annual %): Before the pandemic, GDP per capita growth could have been positive, improving living standards. After COVID-19, many countries face a decrease in this indicator, affecting the well-being of the population.

3. Imports of Goods and Services (% of GDP): Before the pandemic, imports could have a healthy percentage due to domestic demand. After COVID-19, apprehensions about supply chains and dependence on imports came to the fore.

4. Exports of Goods and Services: Annual percent growth. Before COVID-19, exports could have had good growth and contributed to the development of the economy, while after the pandemic, many countries face declines in exports due to bans and reduced international demand.

5. Exports of Goods and Services (% of GDP): This indicator might have shown a trade-oriented economy before the pandemic. After COVID-19, there could be a decline in the volume of exports and, therefore, a point of concern for diversification.

6. Inflation, GDP Deflator (annual %): Before the pandemic, inflation might have been comparatively stabilized. In the aftermath of COVID-19, many countries are experiencing high inflation due to price increases and disruption of supply chains.

7. Unemployment, Total (% of total labor force): Before COVID-19, unemployment could have been lower. After the pandemic, many countries experienced rising unemployment due to business closures and economic crises.

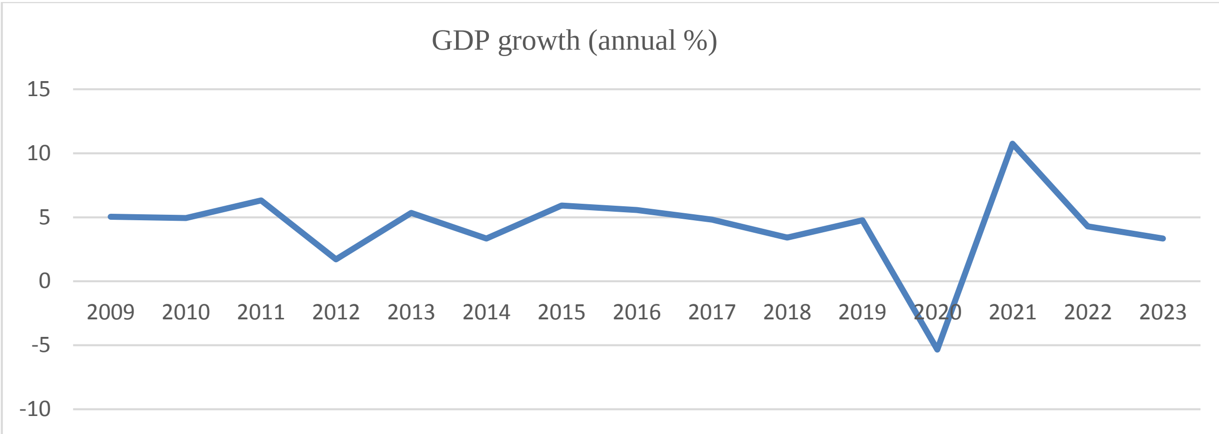
8. Employment to Population Ratio, 15+, Total (%): Before the pandemic, this could have been higher because of good employment opportunities. After COVID-19, with the job cuts, this indicator deteriorated.

9. Poverty Headcount Ratio at Societal Poverty Line (% of population): At pre-pandemic levels, poverty could show a slow decline. In the post-COVID-19 period, the increase in unemployment and decline in incomes caused poverty to rise in many countries.

10. Household and NPISHs Final Consumption Expenditure (annual % growth): Before the pandemic, consumption expenditures could have risen on the back of consumer confidence. In the post-COVID-19 period, these expenses usually declined due to financial uncertainty.

Let's see how these indicators have evolved in Kosovo and what passages they give us to understand better the economic development of the country.

Figure 2: GDP growth annual %

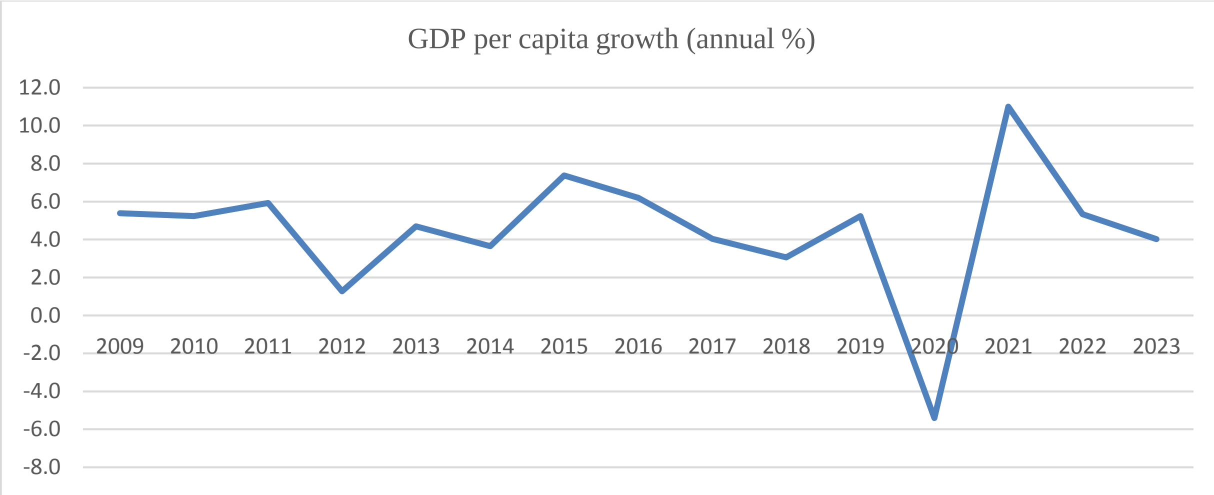


Source: World Bank Indicators (2023).

The figure above describes Kosovo's annual GDP growth, in percent, for the years 2000-2023. Following the war, Kosovo's economy faced a post-conflict recovery period, which included moderate economic growth. Such growth was due to international aid and investment in infrastructure that had been conducive to stabilizing the economic environment. The 5.0% growth in 2009 indicates the return of confidence in the economy. High GDP growth in the years 2010-2014, especially in 2011 and 2013, showed a strong recovery after the global crisis. Major investments in construction and services contributed to this growth. Increased domestic consumption and improved terms of trade were also important factors. The more stable growth during this period, between 3.3% and 5.9%, indicated that the economy was moving into a more stable phase. However, high unemployment and poverty continued to be problems, acting as a hindrance to further development. These challenges helped keep growth at reasonable levels, reflecting an emerging economy that was looking to strengthen its structures.

In the context of the Covid-19 pandemic, there has been a decline of -5.3% in 2020, which clearly reflected the sensitivity of Kosovo's economy to global crises. Pandemic-related shutdowns and restrictions contributed to halting economic activity, increasing unemployment, and reducing consumption. This showed that Kosovo's economy was dependent on certain sectors and that diversification was necessary for sustainability. The remarkable growth of 10.7% in 2021 after the pandemic reflects a strong recovery, led by the return of economic activity and investment. However, the moderate growth during the succeeding years presumes that the economy is now facing new challenges such as inflation and slowing global growth. This stabilization is an indication of the need for sustainable strategies that include diversification of income sources and increased investment in new sectors.

Figure 2: GDP per capita growth



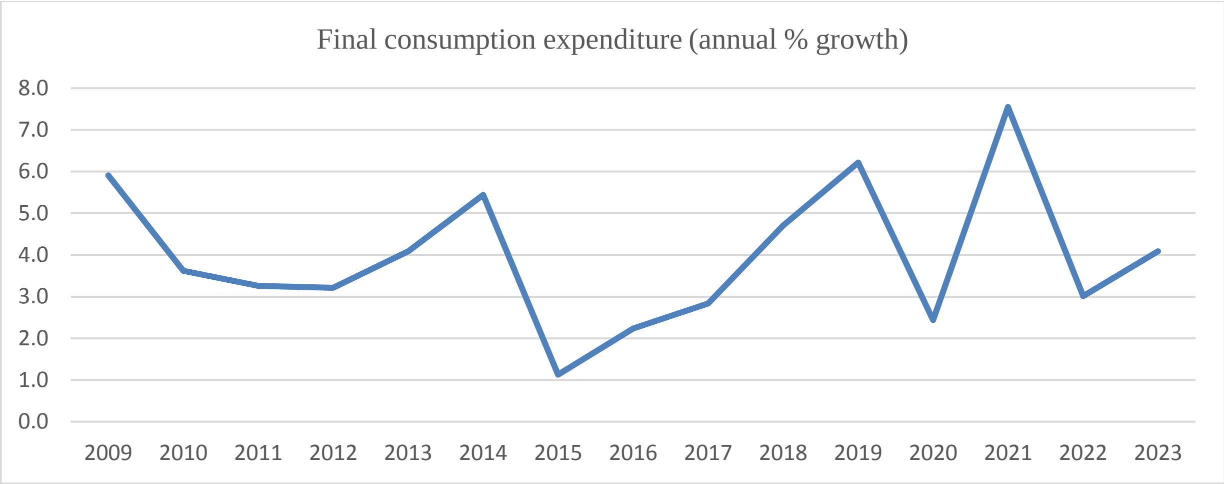
Source: World Bank Indicators (2023).

The figure above shows the annual percentage growth rate of GDP per capita in Kosovo for the period 2000-2023. GDP per capita growth was moderate in the first period, 2000-2009, reflecting the post-war recovery period. In 2009, the GDP per capita attained the value of 5.4%, reflecting an improvement in the living standards and increase in domestic consumption. This period was aided by international investment and improved terms of trade. Whereas in years between 2010 and 2014, it was a high growth of GDP per capita, particularly in 2011-5.9% and in 2015-7.4%, indicating a fast development and growth of confidence in the economy. In the reviewed years, this trend is provided by strong investment in construction and service industries, along with growing household consumption expenditure. The GDP growth per capita was then stabilized, ranging between 3.1% and 6.2%. This period of stabilization was a sign of an economy that was trying to strengthen its structure and diversify its resources. In 2020, as the result of the Covid-19 pandemic the GDP per capita fall at -5.4%.

Reductions of economic activity and the closures that happened led to a high-level fall in the income of citizens, which underscored very strong dependencies from certain forms of economic activities. It follows from the given that such a standard of living strongly worsened.

After the Covid-19 pandemic in the period 2021-2023, GDP growth per capita was 11.0% in 2021, up from a strong post-crisis recovery. Driven by consumption and investment recovery. However, growth in subsequent years (5.3% in 2022 and 4.0% in 2023) suggests that the economy is stabilizing, yet still faces challenges such as inflation and global impacts.

Figure 3: Final consumption expenditure



Source: World Bank Indicators (2023).

Above figure shows the data of final consumption expenditures during period 2000-2023. Growth rate in 2009 was at 5.9%, indicating a gradual recovery in consumer confidence and a possible increase in incomes.

The period 2010-2014 was a period of stabilized growth. Consumption spending in this period witnessed growth at a moderate rate, 3.2% and 5.4%, indicating that consumers were getting more confident and were spending more on products and services, reflecting improved economic conditions and rising incomes. In this respect, consumer spending growth began to decelerate as low as 1.1% in 2015 and 2.2% in 2016.

This could point to structural problems within the Kosovo economy and labor market instability. However, due to improving economic conditions and a surge in consumer confidence, spending started to expand once more, reaching 6.2% in 2019. As a result of the Covid-19 pandemic, in 2020 the consumer spending grew by 2.4% in 2020, which was less than in previous years. After the Covid-19 slowdown, consumer spending reached 7.6% in 2021, reflecting the return of consumer confidence and the resumption of economic activity.

However, the growth in the following years, such as 3.0% in 2022 and 4.1% in 2023, indicates stabilization-in other words, consumers are adapting to the new situation and the challenges of inflation and rising prices.

Figure 5: Imports of goods and services

Source: World Bank Indicators (2023).

The figure above illustrates imports of goods and services as a share of GDP for the period 2008-2023. During the first years of the period under investigation, imports in 2008 signed 59.5 and began to stabilize, dropping to 52.1% in 2013.

This period shows that the economy of Kosovo started establishing a more stable base in terms of local production, while remaining dependent on imports to satisfy its consumption and investment needs. Imports started to grow once more from 2015 and reached 56.4% in 2019.

The rise in imports might have been the outcome of increased demand for foreign products and services, reflecting an economy which is expanding but continues being dependent on imports. In 2020, imports as a share of GDP decreased to 53.9%, reflecting how some economic activities were curbed by the pandemic, as well as lower demand for foreign goods and services. In the post-pandemic period, imports have risen to 65.2% in 2021 and up to 71.4% in 2022.

This increase reflects a strong recovery of consumption and investment but, simultaneously, a high dependence on external goods. In 2023, imports stood at 70.5%, reflecting that the economy still requires support from imported products in order to meet domestic demands.

Figure 4: Exports of goods and services

Source: World Bank Indicators (2023).

Above, exports of goods and services as a percentage of GDP are highlighted for the period 2008-2023. At the beginning of the period, exports represented only a small share of GDP, specifically 17.2% in 2008. This indicates an economy that was mainly based on imports and international help, with an internal productive sector not yet fully developed. Exports started to grow gradually after the global crisis, amounting to 25.0% in 2011.

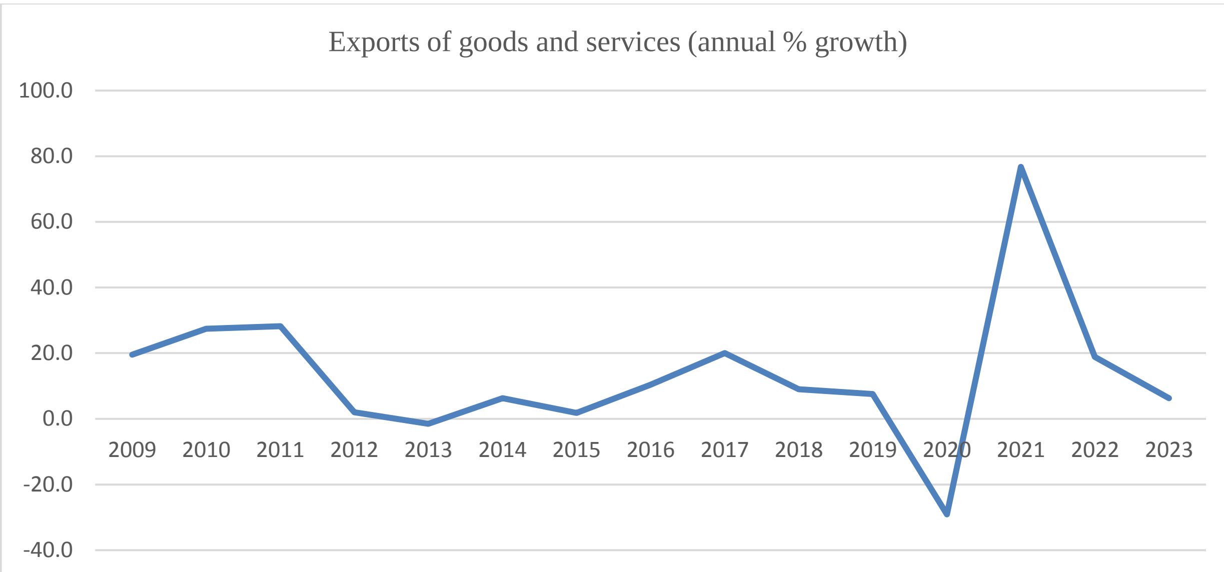
In this period, export performance was boosted by the improved economic context and investment in agriculture and other productive sectors like manufacturing. This indicates the beginnings of a more stable export base for Kosovo.

The growth of exports continued to increase, reaching 29.3% in 2019. At the same time, such growth has been characterized by high dependence on several specific products and markets, underlining the need to diversify sectors of export in order to strengthen the economic stability of the country. In 2020, exports retreated to 21.7% due to the pandemic's impacts on trade and economic activities.

Many of the export activities were at a standstill due to lockdowns and movement restrictions, reflecting how sensitive the economy is to global crises. In contrast, exports recovered strongly and surged to 33.4% in 2021, continuing further to reach 38.6% in 2022. In 2023, exports reached 39.7%, further strengthening the exporting sector and improving competitiveness in international markets.

The growth could indicate that Kosovo is working on diversifying its portfolio of export products and increasing its positions in global markets.

Figure 5: Exports of goods and services (annual % growth)



Source: World Bank Indicators (2023).

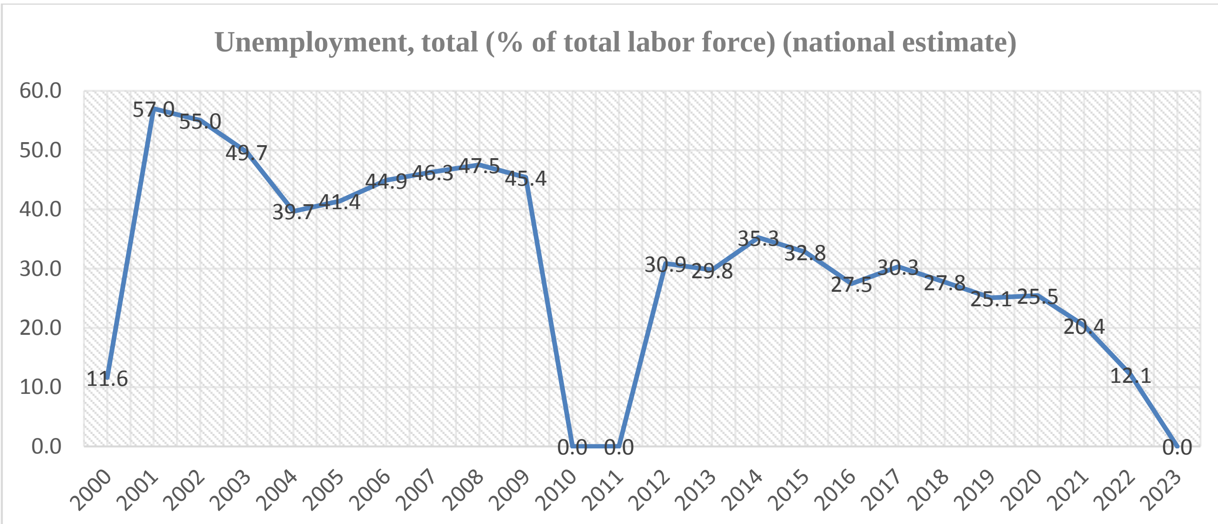
The above figure shows the data on exports of goods and services annual as a percentage growth for period 2009-2023. In the year 2009, the exports started to increase considerably, with 19.6%. The early period was marked by a slow development of the manufacturing sector and a heavy dependence on imports. Export growth reached a peak in 2011 at 28.2%. This represents a significant increase in production capacity and an increased demand for Kosovar products in international markets, reflecting the improvement of the economic climate and international aid.

After reaching a peak in 2011, export growth sharply declined, even registering a decline of -1.5% in 2013 and modest growth in the subsequent years. This period has underlined the need for diversification of products and markets, but also for efforts to enhance the quality and competitiveness of Kosovar products. Export growth resumed with a strong growth of 20.0% in 2017 and remained positive at 7.6% until 2019. The reason such recovery took place was a fact that Kosovo had moved towards more competitive products with access to international markets. In 2020, exports dramatically fell -29.1% due to pandemic implications.

This demonstrates that restriction closures and disruptions to supply chains have stalled many export activities, indicating the sensitivity of the market during global crises. Exports started recovering impressively in 2021, with a growth of 76.8%.

This reflects strong demand and new opportunities for Kosovar products. During the following years, such growth continued at 18.9% in 2022 and stabilized at 6.3% in 2023, reflecting stability in the export sector and the opportunity to further advance.

*Figure 6**:** Unemployment, total (% of total labor force) (national estimate)*



Source: World Bank Indicators (2023).

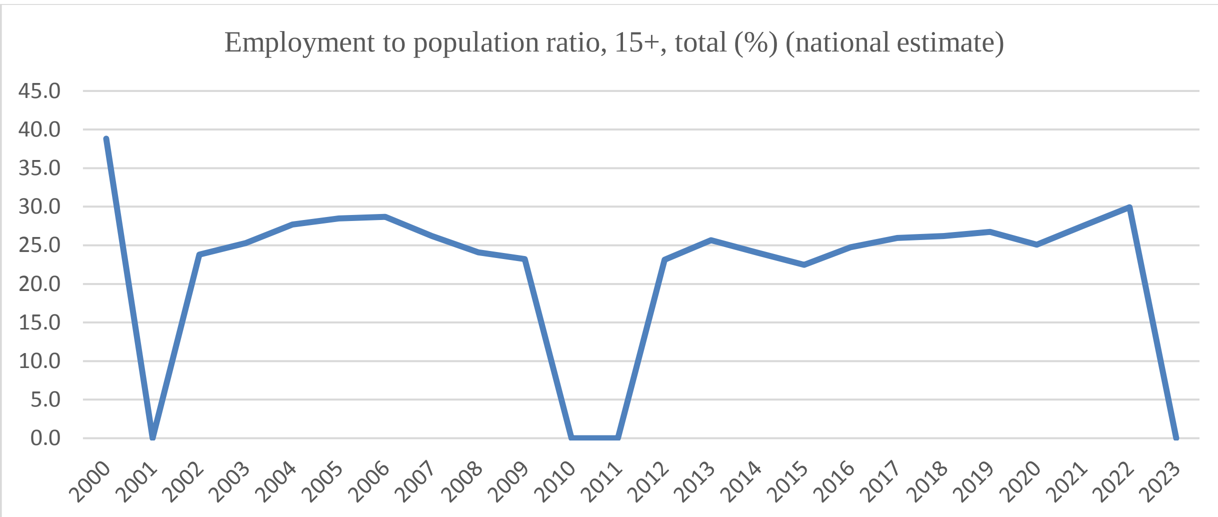
The figure above shows the trends of unemployment, total, as a percentage of total labor force, national estimate. After the Kosovo war, unemployment was very high, amounting to 57.0% in 2001.

Such a level reflects sharp social and economic impacts of the conflict when people had lost their jobs and had no opportunity to get employed. Within this period, 2002-2008, unemployment started to decrease, amounting to 39.7% in 2004. In any case, at that time, international aid and investment were required for the stabilization of the labor market. In 2008, the unemployment rate was 47.5%, showing that significant problems still existed. After a few difficult years, unemployment started to drop drastically after 2012 to 30.9%. In fact, the growth in investments and the development of different fields created new employment opportunities. The unemployment rate decreased to 25.1% in 2019.

This upward trend reflects continued improvement in employment opportunities, through investments that contributed to strengthening the labor market and opening up new opportunities for young people. The pandemic had an adverse impact on the labor market, where unemployment reached 25.5%. Closures and restrictions on economic activities have prohibited many from working and hindered the creation of jobs. From a pandemic, the level went back to 20.4% in 2021, and then in 2022, it was 12.1%.

This decline continues from both rates of participation and employment through stronger labor market recovery, improvement in economic activities, or even creation of opportunities leading to employments.

Figure 7: Employment to population ratio, 15+, total



Source: World Bank Indicators (2023).

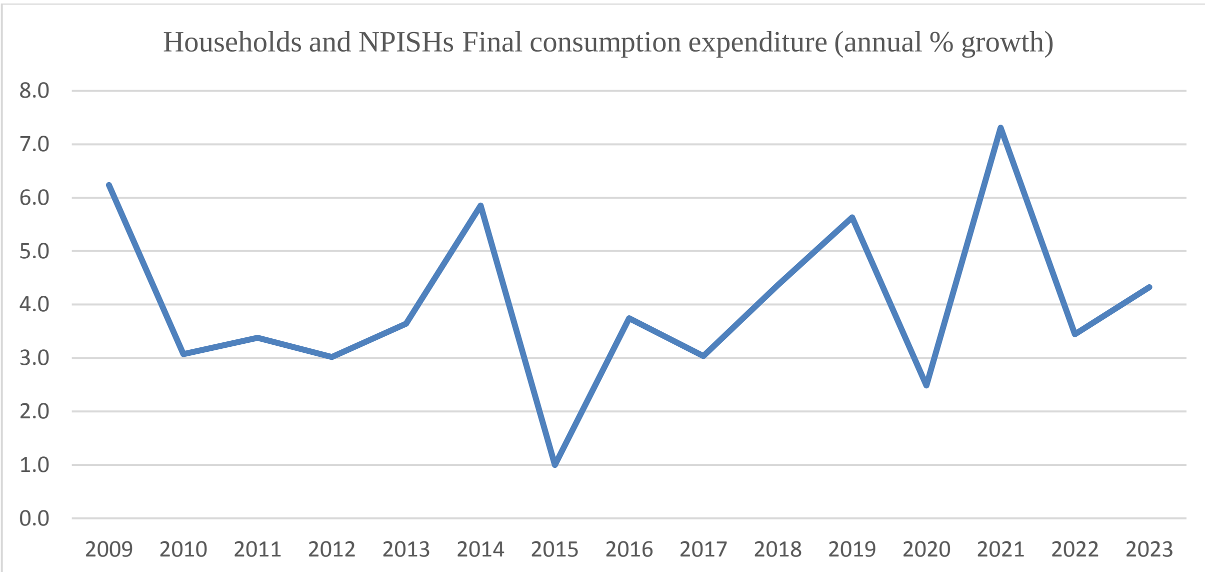
The above figure presents the data on employment to population ratio, 15+ total a percentage in the level of the national estimation. In the year 2000, the employment rate was 38.8%, which indicated a post-conflict period of the labor force. However, in the year 2002, it reached a level of 23.8%, reflecting major challenges for the development of the labor market and the lack of employment opportunities.

During this period, 2003 to 2009, it followed a modest growth path to 23.2% in 2009. From the above graph, this indicated how slow it is going and how badly Kosovar economy needed structural changes for job creation. Figure above shows employment to population ratio, 15+, total percent in level of the national estimation. Within this period, the employment ratio reached a low of 22.5% in 2015.

The continuous fall in the ratio indicates that the labor market is at a difficult point and needs investment in such sectors where new jobs could be generated. After 2016, a positive trend started with a gradual increase in the employment ratio, reaching 26.7% in 2019. This reflects that the investment and development policies started to pay off and gave a rise to more employment opportunities. In 2020, it declined to 25.1 percent due to the COVID-19 effects. The closures and restrictions had negative impacts on economic activities and barred many from working. In 2021, the employment rate increased to 27.5%, and in 2022, it attained 29.9%.

This impressive increase is proof of a strong labor market recovery, with investments creating jobs and improving working conditions.

Figure 8: Households and NPISHs Final consumption expenditure (annual % growth)

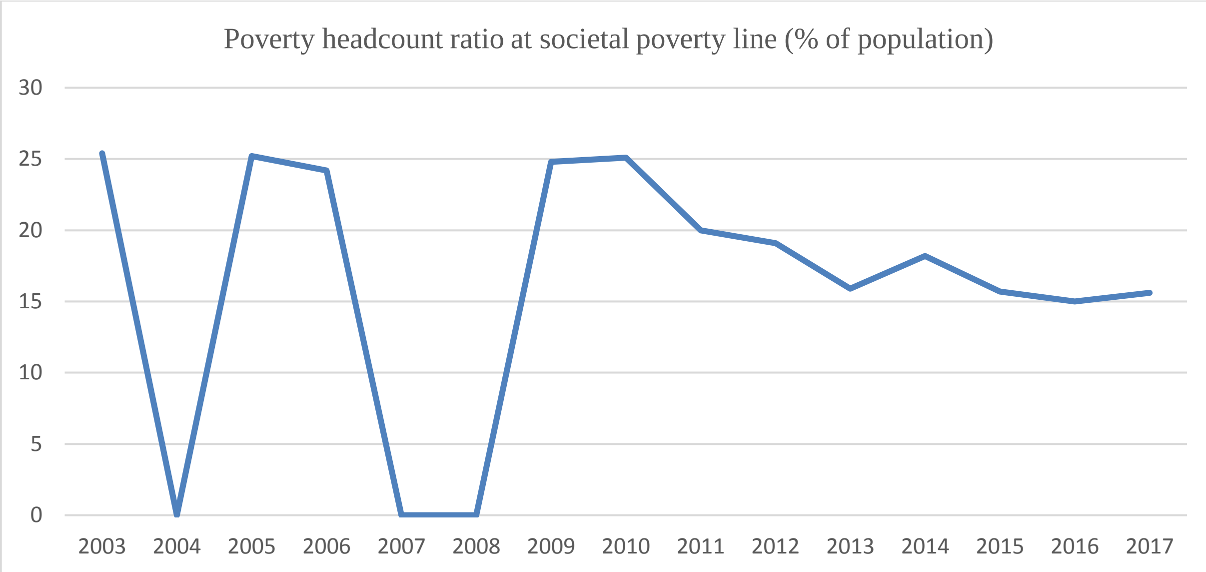


Source: World Bank Indicators (2023).

The above figure shows the annual percentage growth in final consumption expenditure for households and non-profit institutions serving households (NPISHs) from 2009 to 2023. According to the data on the annual growth of final consumption expenditures of households and non-profit institutions that serve households, the dynamics of expenditures from 2009 to 2023 have been variable.

For the period 2009-2019, growth is in general positive, although it shows some fluctuations; in 2015, a marked decline of 1.0% is found, while in 2021, growth peaks to 7.3%, maybe due to post-pandemic recovery with regard to COVID-19 and economic stimulus measures. In 2020, a strong impact of the pandemic is evident in the fall of consumption at the level of 2.5%, while in the years 2022-2023, consumer spending stabilizes with a more moderate increase of 3-4%, which may mean that recovery in the face of economic opportunity and inflation is slow but sure.

Figure 9: Poverty headcount ratio at societal poverty line (% of population)



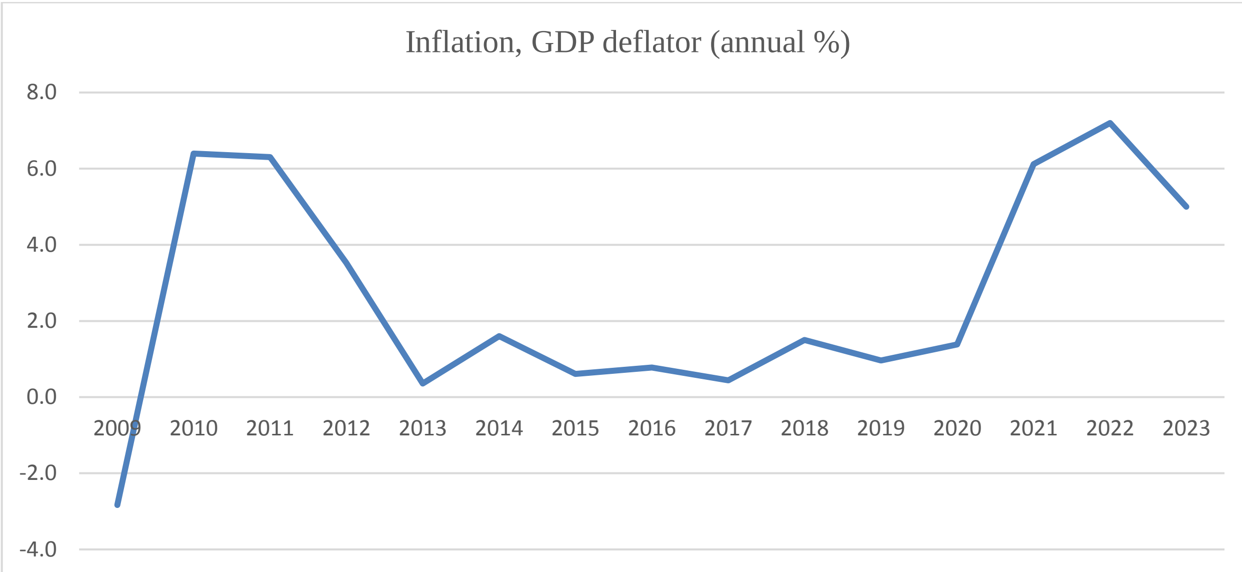
Source: World Bank Indicators (2023).

Above figure represents data on poverty headcount ratio at societal poverty line as % of population for period 2003-2017. Poverty ratio in 2003 was 25.4% reflecting post-conflict economic challenges. In the year 2005, the rate improved marginally with a poverty rate of 25.2%, but the poverty level remained high. Poverty started to decline gradually from 2006 to 2011. In 2006, it was at 24.2%, while in 2011, it went down further to 20.0%.

This period reflects actions taken to alleviate economic statuses and the development of social programs. After a drop for some time, poverty escalated again to 18.2% in 2014. This could have been produced by unstable economic factors and an unfavorable labor market. In 2015, the poverty rate was reduced to 15.7% and continued further to 15.0% in 2016. This is a clear indication that efforts being made to reduce poverty are yielding results, reflecting increased job opportunities and better social support.

Data for recent years are not available, but previous trends suggest that poverty reduction is an important priority for the sustainable development of Kosovo.

Figure 10: Inflation, GDP deflator (annual %)



*Source**:** World Bank Indicators (2023).*

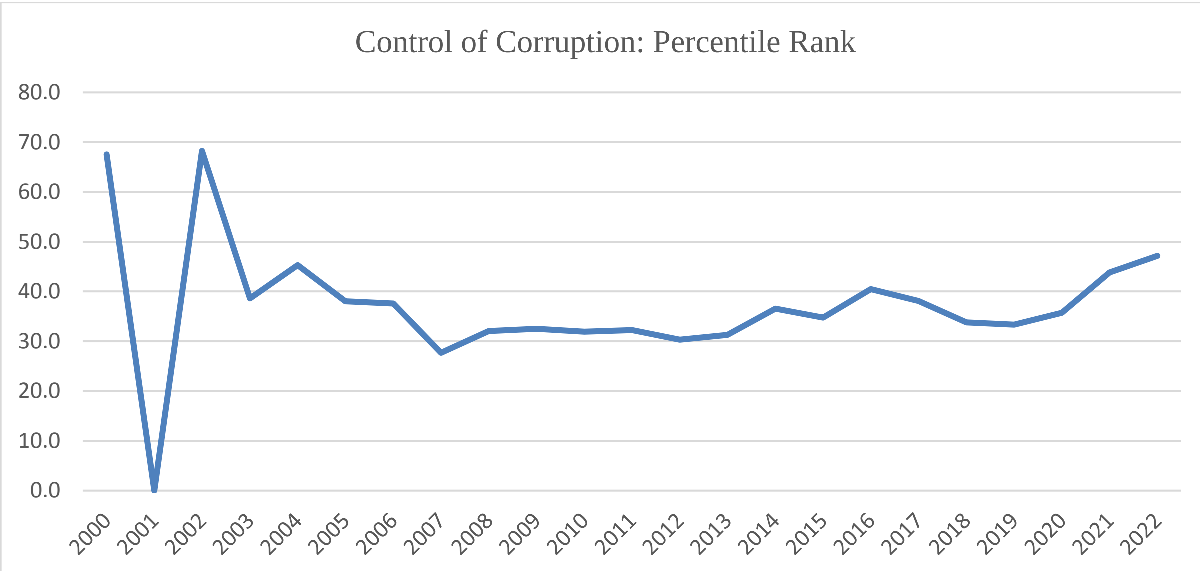
The above graph shows the data on inflation, GDP deflator annual %: 2009-2023. For the year 2009, inflation was -2.8%. That is, that was the period of deflation. It might be due to the global financial crisis which had a negative impact on the economies of most of the countries by reducing the demand for goods and services. Inflation started to increase from 2009, reaching 6.4% in 2010 and 6.3% in 2011. This could be linked to the price increase of energy and food; it may also have something to do with the recovery of the economy. The rate of inflation fell from 2012 to 2014 to lower levels, such as 0.4% in 2013 and 1.6% in 2014. This period shows stabilization of prices and an economy that was trying to get into normal functioning after the crisis.

It indicates a low fluctuation between 0.4% and 1.5% during these years, with evidence of a stable period within the economy and prices being controlled by moderate growth in demand.

Whereas in 2021, inflation rose to 6.1%, in 2022 it reached 7.2%. Such an apparent increase in inflation was most likely a consequence of the COVID-19 pandemic effects and global rises in energy and supply prices. In 2023, it is estimated at 5.0%, which means that after some growth, the economy had already begun to stabilize.

This decline is indicative of the fact that economic policies and markets were now starting to stabilize after the impacts of the pandemic.

Figure 11: Control of Corruption: Percentile Rank



Source: World Bank Indicators (2023).

The figure above shows control of corruption at percentile rank for period 2000-2022. In 2000, the percentile rank of corruption control was at 67.6-a positive indicator, suggesting good perception in managing corruption. However, this ranking declined to 38.6 in 2003 and reflected major challenges for the institutionalization and implementation of anti-corruption policies. In 2004 and 2005, the ranking continued to decline, reaching 27.7 in 2007. What this period shows is that corruption was a big problem and had a negative effect on citizens' and investors' trust in the institutions. Kosovo. In this state, during this period, the corruption control ranking showed some small improvements, reaching 36.5 in 2014. However, it still remained at low levels, suggesting that more serious engagement was needed regarding corruption. In 2021, the ranking rose to 43.8, indicating a great stride in the perception of corruption control. This positive trend may be the result of greater efforts for reforms and the fight against corruption on the part of the institutions. In 2022, the ranking reached 47.2, showing continued improvement but still below expected standards. This improvement suggests that institutions were beginning to gain the trust of citizens and investors.

The real sector of the economy is one of the important components which comprises economic activities directly related to production and services that create tangible value. In Kosovo, the real sector mainly includes agriculture, industry, and assistance for the development of new sectors and improvement of the existing structure.

The Kosovar economy, after a long period of transformation and development, has been divided into several key sectors contributing to the economic structure of the country. These include agriculture, industry, services and trade, each with different characteristics and challenges.

3.2.2 Public Finance

Prior to the global COVID-19 crisis, Kosovo's public finances had been marked by slow but steady revenue and expenditure growth.

The public sector in Kosovo had passed through a transformation period following the declaration of independence in 2008 seeking to establish a clearly defined fiscal system and stable economic foundation. While the trend of taxes and levies, on the whole, was upward, a number of problems were besetting tax collection, relating, among other things, to the level of informality within the economy and administrative shortcomings. The main sources were revenues from income tax and VAT, while international assistance remained an important source in the budget.

Table 5: General Government Revenue based on ESA2010 by ESA201 (in million Euro)

Structure of General Government Revenue based on ESA2010 by ESA2010 - description and year					
	2015	**2016**	**2017**	**2018**	**2019**
Taxes on products	1093.9	1220.1	1300.2	1341.4	1419.0
Value added type taxes (VAT)	584.3	664.4	711.5	758.9	805.8
Taxes and duties on imports excluding VAT	486.5	527.4	552.4	545.7	572.5
Import Duties	130.7	129.9	127.8	130.2	137.2
Taxes on imports excluding VAT and duties	355.8	397.5	424.6	415.5	435.2
Taxes on products, except VAT and import taxes	23.1	28.3	36.3	36.7	40.8
Other taxes on production	57.9	46.4	46.2	40.0	46.0
Property income	16.5	7.2	9.4	13.0	13.6
Current taxes on income, wealth, etc.	205.1	236.0	233.1	271.5	280.9
Other current transfers	27.8	23.1	21.7	25.8	38.5
Financial assets and liabilities	227.8	154.8	212.0	208.2	309.6
Payments for non-market output (Sales)	77.0	91.7	98.5	106.4	113.4
Total	1706.1	1779.3	1921.2	2006.1	2220.9

Source: Kosovo Agency of Statistics (2023).

Above is the table showing the structure of revenue of the Government of Kosovo, according to ESA 2010 standards, for years ranging from 2015 to 2019. It shows the sources of revenue, how the government has been financed, and forms a basis for assessing fiscal performance. Taxes on products expenditures have shown a smooth increase, reaching 1419.0 million euros in 2019 from

1093.9 million euros in 2015. It denotes the increase in consumption and development of economic activity that contributes to the increase in income. The trend of value-added taxes has been increasing continuously from 584.3 million euros in 2015 to 805.8 million euros in 2019. Increased VAT is an indicator of increased consumption and stability of the economy.

The amount of taxes and other duties on imports, without accounting for VAT, in 2015 stood at 486.5 million euros, reaching 572.5 million euros in 2019.

This showcases the increase in imports and an economy that is getting increasingly linked to international markets. Import taxes maintained a steady position, hitting 137.2 million euros in 2019 from 130.7 million euros in 2015. This proves that the government has adopted a prudent policy in this respect.

These taxes have increased from 23.1 million euros in 2015 to 40.8 million euros in 2019, reflecting the expansion of the manufacturing activity in the country. Other taxes on production have slightly dropped from 57.9 million euros in 2015 to 46.0 million euros in 2019. This may reveal a review of fiscal policies. Income from property has been relatively low, increasing only slightly from 16.5 million euros in 2015 to 13.6 million euros in 2019, which might indicate that the government probably needs more investment in the sector. These taxes have increased from 205.1 million euros in 2015 to 280.9 million euros in 2019, showing an increase in income from individuals and corporations.

Other current transfers also demonstrated fluctuation, from 27.8 million euros in 2015 to 38.5 million euros in 2019, showing different fiscal policies being implemented. Income from financial assets and liabilities increased more relevantly, reaching 309.6 million euros in 2019 from 227.8 million euros in 2015, which would probably indicate that the government has been in a position to avail itself of more financial opportunities. Subventions for non-market output increased from 77.0 million euros in 2015 to 113.4 million euros in 2019, reflecting increased services provided by the government.

Total revenues increased from 1706.1 million euros in 2015 to 2220.9 million euros in 2019, indicating a general increase in public revenues and an effort toward financing important social and economic expenditures. Public spending was oriented mainly to investing in infrastructure and public services, like education and health. However, the social spending increase, together with the salaries in the public sector, created pressure on the budget, and finances had to be managed more carefully.

Table 6: Government Expenditure by Classification of Functions of Government (COFOG) (in million Euro)

Government Expenditure by COFOG by description and year	2015	2016	2017	2018	2019
General Services	369.3	179.5	270.5	245.5	336.5
Defense	34.8	104.6	34.9	46.5	49.9
Public order and Safety	84.6	160.3	156.0	176.3	197.7
Economic Affairs	322.8	385.6	418.8	450.8	404.5
Environmental Protection	13.9	19.8	9.9	16.4	23.7
Housing and Community Amenities	28.6	42.1	35.3	43.2	43.7
Health	164.8	168.2	178.6	199.8	220.8
Recreation, Culture and Religion	33.3	38.3	47.9	57.1	61.0
Education	261.9	280.2	282.7	301.9	323.0
Social Protection	298.3	386.0	401.4	440.4	490.7
Grand Total	1612.3	1764.7	1836.2	1978.0	2151.6

Source: Kosovo Agency of Statistics (2023).

The table on government expenditure classifications of Kosovo, according to COFOG-functions, divides public expenditure for the years 2015 to 2019 across different sectors. This can give quite an overview of priorities in governance and the trend of change in managing public finance. As in many of these public organizations, general services expenses have been quite variable: for example, from 369.3 million euros in 2015 to 179.5 million in 2016, it rose again to 336.5 million euros in 2019. It appears that priorities in the administrative management of services are changing. Defense spending was relatively low, reaching €34.8 million in 2015, while in 2016, it increased noticeably to €104.6 million. After that, defense spending fell again, showing a changed focus or review of the protection policy.

The category of public order and security has continuously increased from 84.6 million euros in 2015 to 197.7 million euros in 2019. This reflects the commitment of the government to reinforce public security and order. This area had the highest expenditure in 2018, with a total of 450.8 million euros, followed by a reduction to 404.5 million euros in 2019. This category depicts efforts being directed toward economic development and support for strategic sectors. Protection of the environment, however, had low spending, reaching only 23.7 million euros in 2019 to show the need for further investment in this sector. Spending on housing and community amenities remained stable, with spending ranging from around €28.6 million to €43.7 million. This indicates a moderate focus on improving living conditions. Health expenditures have shown a continuous increase from 164.8 million euros in 2015 to 220.8 million euros in 2019, reflecting efforts to strengthen the health system and improve services for citizens. The recreation, culture, and religion category has grown slowly to reach 61.0 million euros in 2019. This depicts increased interest in the development of cultural and sports activities. In addition, expenditure on education has increased steadily to reach 323.0 million euros in 2019. This shows the commitment of the government to invest in education and improve its quality. Social protection spending has increased considerably, with expenditure reaching €490.7 million in 2019; this is indicative of an effort to support those in need and reduce poverty.

While the total government spending has increased from 1612.3 million euros in 2015 to 2151.6 million euros in 2019, it indicates the general rise in public investment and commitment to economic and social development. Each year's budget has been subject to detailed approval in the Assembly of Kosovo, where fiscal policies were aimed at supporting economic growth and stability. Forecasts for economic growth were optimistic, and the government aimed at improving the business and investment climate. The public debt of Kosovo was still very low compared to most other Balkan countries, thus allowing some flexibility in fiscal policies.

However, there was a danger that this debt could rise, especially in the event of spending rising to meet future needs. Before the pandemic, one of the biggest challenges facing Kosovo was creating a broader tax base and formalizing the business sector, which would help increase public revenues.

Policies to increase labor market participation and reduce unemployment were also central to fiscal strategies.
The fiscal response in the case of Kosovo to the pandemic has been broadly adequate as it is evaluated from the members of the International Monetary Fund (International Monetary Fund, 2021). In the report cited previously from the International Monetary Fund is considered as very important the use of lifelines for households and firms, wage bonuses for essential workers, employment support, and child and maternity allowances for vulnerable households adequately cushioned the impact of the shock on those most affected by the pandemic. In the report also is stated that the fiscal policy stance tightened in 2021 in the case of the Kosovo on the back of a strong rebound in revenues, its drag on the economy was more than offset by extraordinary diaspora inflows and sustained increases in net credit to the private sector. The IMF members in their report suggest and consider that the fiscal policy needs to return to a more supportive stance in 2022. Also, the report says that the projected normalization of the diaspora inflows calls for a relaxation of the fiscal stance of around 2 pp of GDP, hence requiring additional expenditures mainly in the form of investment projects of about 1-1.5 pp of GDP. This would help sustain the recovery through the cushioning of the projected softening of external inflows, while keeping the deficit within the limits of the fiscal rule.

Prior to pandemic the Minister Bedri Hamza in 2017 (Central Bank of Kosovo, 2017), underlined that "We know that Kosovo ranked in top 10 reforming countries even in the World Bank Report, we are in the 40th place, but still Kosovo needs to have even greater progress in this direction, to create a good business climate, to support the private sector, where this sector will be the bearer of growth and economic development, but also for the attraction of foreign direct investment, in order to address the challenges I mentioned earlier, such as the high trade deficit and the high unemployment rate."

3.2.3 Financial sector

Before the global COVID-19 crisis, the financial sector in Kosovo had achieved notable stability but faced several challenges and opportunities for development. It had a relatively strong and stable banking system.

The commercialbanks were adequately capitalized and highly liquid, which contributed to consumer and investor confidence. Strict rules had been put in place by the Financial Supervisory Authority with the aim of ensuring financial stability.

In the pre-crisis period, the rate of growth in loans to both people and companies had been on a gradual increase. Consumer credit had gone up, thus helping the local economy to grow. However, bad loans started to increase, which was worrying to banks. The insurance sector had started to grow, with various offers in health, life, and property insurance.

But still, insurance penetration among the population was low, meaning that there was more room for development.

Development in microcredit and alternative financings was being made that gave opportunities for small and medium-sized businesses. This class of institutions granted finance to those who did not have access to traditional banks. Kosovo had made efforts at improving its financial infrastructure; for example, development toward paying systems and digitization of banking services. These are efforts that have increased efficiency and reduced costs. While the financial sector had started to grow, its regulation and transparency were still pending. Strengthening oversight and dealing with money laundering and terrorist financing were called for. The financial sector had the potential to grow further, especially in its fintech segment. Innovations such as digital payments and online services offered new opportunities to reach out to new customers and develop better services. Banks are the major participants in the financial sector. The Central Bank of Kosovo, 2023, elaborates that the banking sector encompasses a number of licensed banks offering a wide array of financial services, which also includes deposits, lending, and transfer services. The biggest banks within the country include Raiffeisen Bank, ProCredit Bank, and Kosovo Islamic Bank. Insurance companies offer products covering health, auto, and property. The insurance sector in Kosovo is developing and trying to increase coverage and market penetration (Kosovo Insurance Association, 2022). Microfinance institutions provide financial services to individuals and small businesses that sometimes do not have access to traditional banks. Microfinance is a growing segment and plays an important role in supporting small businesses and helping those who need small loans (Miftari, 2022).

3.2.4 External sector

The economy of Kosovo is in dynamic interaction with international markets, the trade, personal remittances, and foreign direct investments playing the most important roles. Trade as a percentage of GDP represents the degree of integration of Kosovo in the global system, related to high dependence on both imports and exports.

On the other hand, personal remittances are also considered important financing sources for many families; thus, they help their closest family members in difficult situations. On the other side, foreign direct investments are also necessary for infrastructure development and creation of jobs. The COVID-19 pandemic has struck at the roots of these economic indicators: trade activities went down, and remittance patterns changed. Closures and travel restrictions hampered normal investment flows and personal remittances, reflecting the vulnerability of the economy to global crises. These effects of the pandemic were reflected in the change of percentages of trade and foreign direct investment that demanded an avid recovery with new strategies for the sustainability of the country's economy. The following table gives a picture of the evolution of the percentage of GDP during 2008-2019 for Trade, Personal Remittances, and Foreign Direct Investment. These data give a clear view of the economic developments in Kosovo and the importance of these factors in the general economic context. The external sector in Kosovo includes remittances, international commerce, and foreign direct investment, and it is crucial to the economy of the nation. Given the nascent economy and the scarcity of internal resources, Kosovo's external sector contributes to the country's economic development and growth.

Table 7: Kosovo's external sector determinants

Year	**Trade (% of GDP)**	**Personal remittances, received (% of GDP)**	**Foreign direct investment, net inflows (% of GDP)**
2008	76.73074308	20.19621988	10.40113365
2009	77.7553767	21.05530815	8.037407836
2010	82.17747997	18.83771611	9.170158874
2011	86.15174947	15.66441494	8.441486894
2012	81.36391626	15.34219052	4.755261561
2013	75.10348366	15.71409865	5.515577024
2014	77.07605216	15.53413399	2.825519165
2015	74.02044225	15.42947547	5.453603511

To be continued

Table 8: Kosovo's external sector determinants (cont.)

2016	**75.01881231**	**14.75154966**	**3.648046054**
o2017	80.41013735	15.48690703	3.994493957
2018	86.31508467	15.68429528	4.043060115
2019	85.75340851	15.81053445	3.608747107

Source: Kosovo Agency of Statistics (2023).

The above table shows the Kosovo's external sector determinants: trade, personal remittances received, and foreign direct investment-FDI. The variable Trade (% of GDP) reflects the level of integration of Kosovo in international markets.

During this period, this indicator has marked a significant increase, reaching up to 86.32% in 2018. That reflects that the trade is an important component of Kosovo's economy, reflecting the high dependence on imports and exports. Another critical factor for Kosovo's economy is personal remittances received (% of GDP).

These have remained relatively stable, ranging from 15 to 21% of GDP. They are very important in supporting families in Kosovo by increasing consumption and economic stability. As regards foreign direct investments, net flows, % of GDP was with many ups and downs throughout years; it peaked in 2008 at 10.40% and fell to 2.83% in 2014, while growing at a rate of 4.04% in 2018. This basically describes a case where, although experiencing some growth, foreign investments are still one of those challenges Kosovo faces for far-reaching economic development. These indicators reveal that the economy of Kosovo is highly dependent on international trade and personal remittances, but at the same time, they signal an urgent need for further foreign direct investment as support for sustainable economic development. Foreign direct investments, net flows (% of GDP), have faced significant variations over these years.

4 KOSOVO UNDER THE COVID CRISIS: ECONOMIC IMPLICATIONS AND POLICY RESPONSES

4.1 Covid health crisis in Kosovo and the response to the crisis

Covid-19 started in Wuhan, China, and for the Kosovo people and the whole society alike, it felt like it was something far from their lives. However, COVID-19 has affected each and every society in almost every country of the world for a very short time now. In these people's lives, it caused fatalities as a virus that was spreading very quickly in a very short period. Covid 19 as a Global pandemic fast-spreading power infected lots of people at the same time. This was then followed by a rush in taking precautionary measures against the virus's spread in all countries around the world, basing its recommendations on the World Health Organization. Covid-19 has strongly hit all spheres of society. Health implications do not leave the most important economic sectors untouched for state development. In this respect, the Kosovo Government at that time was confronted with unexpected, unprecedented, unknown, and dangerous situations for society.

The Covid 19 pandemic, because of the fatality of people, suspended a large number of economic sectors, especially the service sector, tourism sector, catering, gastronomy, shopping centers, and transport. Schools went to traditional, online, and hybrid education, and everything was on hold during the COVID 19 pandemic. These unknowns, not only on the national level but at the global level, reduced the demand for luxury products and it shifted to the demand of basic products, necessities of food, pharmaceutical products, and clothing.

Kosovo reported the first case of COVID-19 on 13 March 2020. On 17 March 2020, the president signed a decree to call a state of emergency. About three months later, there were around 1 500 cases (500 cases per million inhabitants) and about 30 registered deaths (16 per million inhabitants) thus on 26 May 2021, Kosovo counts 103 599 cases and 2 176 registered deaths also the fatality rate in Kosovo (around 2.6 registered deaths per 100 cases) was higher than in other economies that have been more affected by the virus (OECD Library, 2021).

Since December 2019, there has been a rapid spread of the coronavirus disease (COVID-19), caused by the 2019 novel coronavirus (SARS-CoV-2), across the world, subsequent to the diagnosis of the initial cases in Wuhan, Hubei Province, China. Since early March 2020, the number of cases outside China has increased thirteenfold and the number of affected countries has tripled. On March 11, 2020, WHO declared a pandemic due to the rapid global spread of the coronavirus. As of April 09, 2021, the outbreak has caused an estimated 134,779,864 cases 2,919,099 and total recovered 108,464,3891. With the increasing incidence of COVID-19 in Kosovo, the public health system was under tremendous pressure.

Ongoing support from the WBG for tackling COVID-19 is particularly crucial, considering that the pandemic is increasingly becoming a threat to health and economic well-being in the country. As of March 24, 2021, more than 85,291 positive cases and 1,800 deaths are confirmed, and more that 12,900 active cases are daily monitored.2 The majority of confirmed cases are of ages 20-29, followed by the group aged 30-39 and 50- 59. The transmission rate of COVID-19 in Kosovo is at the factor 1.08. The CFR in Kosovo stands at 2.5%3. Cumulative number of health workers infected by COVID-19 in Kosovo as of March 24, 2021 is 4,175 out of a total of 85,291 COVID-19 cases (approximately 5.0% of the total).

4.2 Macroeconomic trends in the years 2019 – 2023

In this subsection are presented the macroeconomic developments in the period 2019 – 2023 Quarterly data are most relevant to the analysis of the COVID-19 pandemic impacts on Kosovo's economy. As a sudden and unprecedented disruption occurred in economic activity, it had been important to know the sequence of events at shorter intervals than before.

This approach allows for the identification of immediate effects such as declines in consumption, production, and trade, apart from consequences that have been seen through the various waves of the pandemic. The quarterly data provides a better perspective on changes in the economy, enabling analysts and decision-makers to understand how coping with pandemic restrictions has impacted different sectors, like services, trade, and investment. Additionally, the pandemic bore marked seasonal and cyclical variations, better viewed under quarterly analyses. Such oscillations will provide for spotting trends and modifying economic policy in line with dynamic reality.

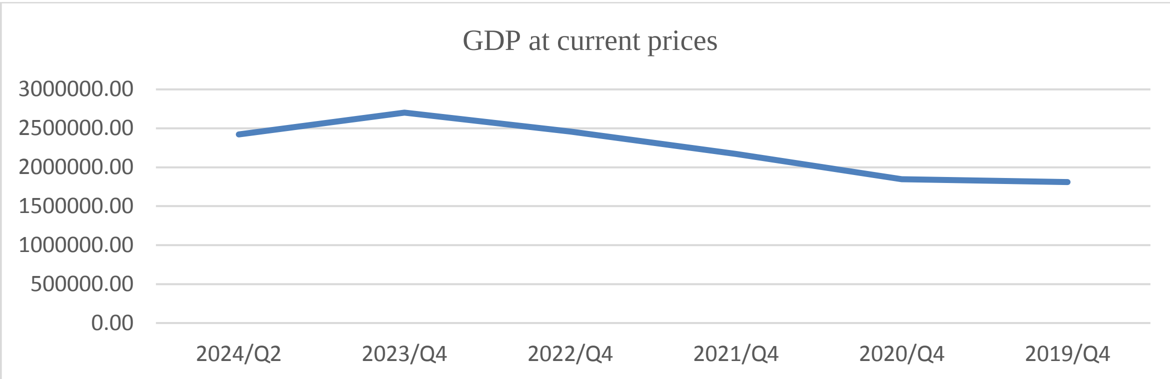
Therefore, quarterly analysis is of great importance to understand the impact of the pandemic and its duration on economic activities, providing valuable information to policymakers for the sustainable recovery of the economy.

Most often, categories such as trade, remittances, and foreign direct investment are lacking annual data within the Kosovo Statistics Agency, which thus leaves a gap in the information needed to do the analysis of economic development. It is in the absence of annual data that drives us to using quarterly data as a necessary alternative so as to give a completer and more accurate overview of developments. The use of quarterly data not only allows monitoring rapid changes within the economy over different periods but also provides an opportunity to look for short-term trends in order to understand the immediate consequences of the COVID-19 pandemic.

This is especially relevant in an uncertain context, such as one that gave rise to a pandemic, where market dynamics and consumer behavior could change quickly.

Therefore, quarterly data would be a reasonable and necessary solution for the incompleteness of annual data to fill this gap in providing a useful and relevant analysis for the current economic situation in Kosovo. We can spot short-term trends and find out the immediate impacts that occurred due to some great events, such as the COVID-19 pandemic that severely hit the economies of many countries. Secondly, it aids in analyzing the trend of consumption and investment with the selection of recent quarterly data. By comparing the data of the last quarters with previous ones, the impact of the change in the behavior of consumers and investors, as well as the stability and economic development of the country, can be determined. Further, in a situation filled with uncertainty, just like during a pandemic, the main element would be real-time data: how the economy stands now, which sector grew weaker or stronger. Precisely, that real value to be given to the performance of Kosovo's sensitive economy relies on global and domestic occurrences.

Figure 14: GDP by expenditure approach at current prices (in Thousand EUR)

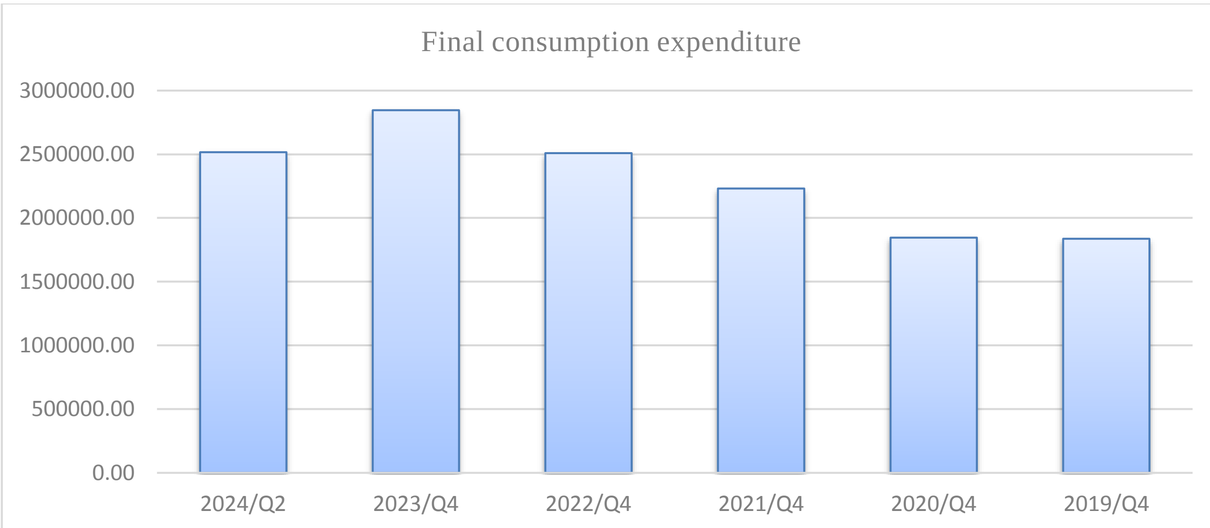


Source: Kosovo Agency of Statistics (2023).

The figure above gives the values of GDP, using the expenditures approach, at current prices. At current prices, the levels of GDP reveal the development of Kosovo's economy for the past quarters, clear changes and tendencies in economic development. It is high in the second quarter of 2024, most probably the consequence of bigger consumption expenses, investments, and amelioration in the sector of exportations. This is a good indicator of the recovery of the economy after the effects of the pandemic. The fourth quarter of 2023 was 2,701,790.78, showing an increasing trend compared to that of 2024/Q2; it may indicate a decline in the coming period.

This might mean that at this point, the economy has reached a tipping point, reflecting a large increase, after which adjustments occur. 2022/Q4: 2,456,927.75 Correspondingly, this level expresses a growth trend after the two difficult years caused by the pandemic. This quarter represents an important period of economic recovery, since after the dramatic decline during 2020, GDP started to rise. It is a signal that the economy is adapting to the effects of the pandemic. 2020/Q4: 1,845,859.72 This year reflects a big fall due to the pandemic, which really affected economic activity. This decline in GDP is due to the quarantine measures and restrictions that were in place to prevent the virus from spreading. 2019/Q4 (1,810,128.03): This is a pre-pandemic quarter that shows a stable level of GDP, reflecting a better economic period and stability before the impact of COVID-19. In general, the analysis of these data shows that although the economy of Kosovo passed through a difficult period, nowadays it is showing signs of recovery. However, according to the factors that have helped in this recovery, which are the growth of consumption, investment, and the stabilization of the external sector, that should be evaluated.

Figure 12: Final consumption expenditure (in Thousand EUR)



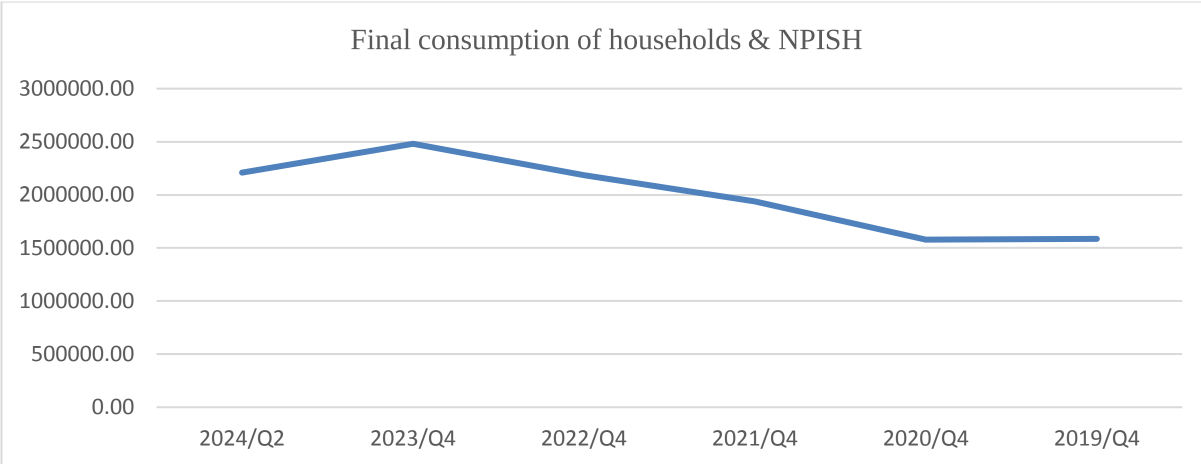
Source: Kosovo Agency of Statistics (2023).

The figure for expenditure in current prices gives clarity regarding the trends of expenditure for consumption in Kosovo within the last quarters.

These figures shall be important in understanding how well consumers are contributing to recove ry within the economy after experiencing a pandemic.

In the second quarter of 2024, the consumption expenditures are high, amounting to 2,516,265.47. This increase indicates a strong economic recovery, probably supported by increased consumer confidence and the easing of COVID-19 measures. The highest level of consumption expenditures in this period falls in the fourth quarter of 2023, reflecting a high level of economic activity and a significant increase in consumption. It can indicate that people have spent more on products and services, resulting in increasing the GDP. Fourth Quarter 2022 is a stagnation in consumer spending to 2,508,989.67. In the fourth quarter, consumer spending in 2021 started to increase by 2,231,410.66 after sharply falling in 2020, showing that consumers actually began returning to the market and consuming more due to the softening of restrictive measures. In the fourth quarter of 2020, there is a visible fall in consumer spending of 1,845,772.53; this is due to the consequences of the Covid-19 pandemic. In the fourth quarter of 2019, consumer spending reached 1,837,061.53; this was a year before the pandemic and shows a stable level of consumer spending, reflecting a better economic period.

Figure 13: Final consumption of households (in Thousand EUR)



Source: Kosovo Agency of Statistics (2023).

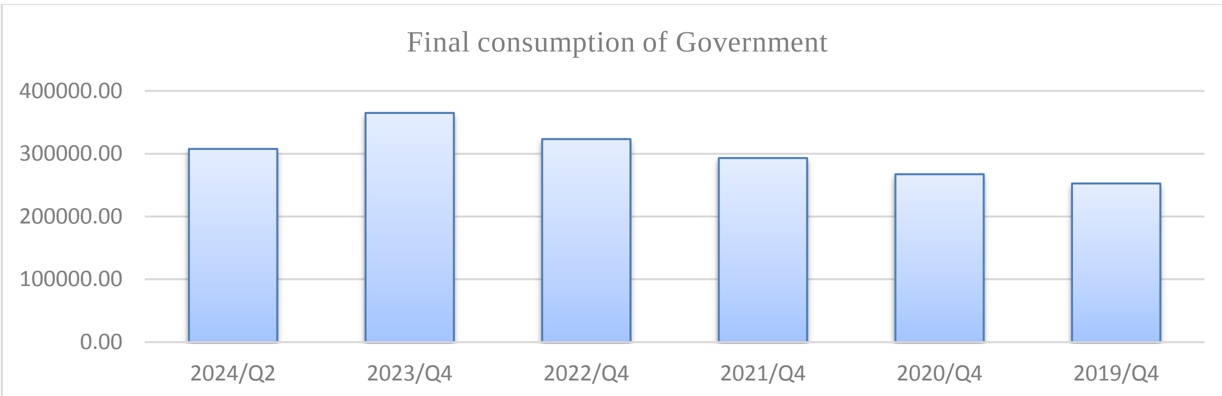
The figure above shows the final consumption expenditures of households and NPISH for several quarters 2019 Q4-2024/Q2 in Kosovo. Such data allow for an insight into consumer spending trends and into how economic events are affecting daily life.

The expenditure on final consumption in the second quarter of 2024 reached 2,208,617.50, showing a drop compared to the previous quarter. The highest point was achieved during the fourth quarter of the year 2023, which was 2,480,986.32, representing a good rise in consumption. In the fourth quarter of 2022, spending was signed at 2,185,718.11, reflecting stabilization after growth in 2023. During the same period under investigation, the fourth quarter of 2021 had spending of 1,938,305.49, indicating recovery after the impacts of the pandemic. In 2020, spending fell to 1,578,404.54, an indication of the negative impact caused by the COVID-19 pandemic. In 2019, quarter four, the consumer spending was 1,584,427.36, which serves as a reference point before the global crisis.

Overall, expenditure on consumption went up among households and NPISHs, peaking in 2023/Q4. In 2024/Q2, it fell back, maybe due to some seasonality or general changes in the economy that mirror consumer confidence. The increment over the years depicts a very positive trend of consumer spending that is important in the economic development of the country.

This rising trend is an important macroeconomic indicator that helped Kosovo overcome the challenges imposed by the epidemic and recession. A study by Ziberi et al. (2021) investigates the effects of the COVID-19 pandemic on consumption spending in Kosovo, which supports the above assertion. It concludes that the pandemic significantly affected individual spending habits, shifting from luxury goods to necessities. The survey also highlights the fact that once anti-COVID-19 measures are removed, citizens are likely to spend as they had planned. In conclusion, the resilience of household consumption expenditure reflects not only consumer confidence but also contributes substantially to Kosovo's economic recovery during and after the pandemic. Stimulus plans, such as government grants and programs, most likely favored family earnings, enabling the households to keep or increase the spending levels despite the poor performance of the economy. When the limitations slowly loosened, people began to start their consumption again, boosting consumer confidence at the same time. Moreover, in times of crisis, when families tend to reorder their priorities in reaction to outside shocks, the change in purchasing patterns reflects larger economic behavior. These changes point to the role that final consumer spending has in stabilizing Kosovo's economy and promoting recovery in a difficult setting.

Figure 14: Final Consumption of Government (in Thousand EUR)

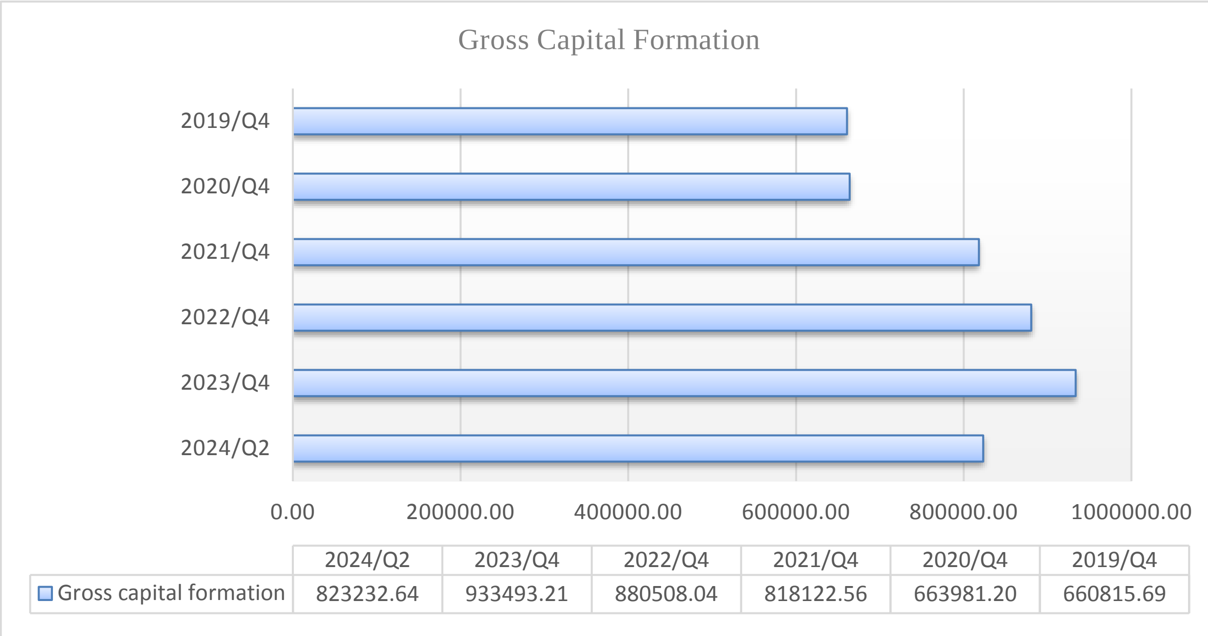


Source: Kosovo Agency of Statistics (2023).

The above figure presents government final consumption expenditure in Kosovo from 2019 to 2024. This is an important indicator for the level at which the government participates in contributing to the economy of the country through expenditures. In this figure, a continuous increase in government final consumption expenditure is presented from 2019 to Q2 2024. Spending was 252,634.17 in 2019 and reached 307,647.97 in 2024/Q2. It is after a period of slowdown that spending increased to 267,367.99 in 2020. It only fluctuates a little: in 2023/Q4, it dropped to 364,951.79, and in 2024/Q2, it went up. These changes may reflect seasonal changes and government investment and economic support strategies. Government spending is the backbone of any economic policy, particularly in times of crisis.

They help support various sectors and create jobs, thus contributing to economic stability. Increased post-pandemic spending is proof of the government's commitment to recovery and further stimulates economic activities. This is something quite important for an economy like Kosovo's economy, which is still at its developing stage and faces structural challenges. Increased government spending could be a sign of financial stability and the ability to invest in useful projects that contribute to economic development and improvement of living standards.

Figure 15: Gross Capital Formation (in Thousand EUR)



Source: Kosovo Agency of Statistics (2023).

The figure above presents the findings on the variable under investigation the Gross fixed capital formation GFC (formerly gross domestic fixed investment) includes land improvements (fences, ditches, drains, and so on); plant, machinery, and equipment purchases; and the construction of roads, railways, and the like, including schools, offices, hospitals, private residential dwellings, and commercial and industrial buildings. According to the 1993 SNA, net acquisitions of valuables are also considered capital formation (Data Bank, 2022).

This is an important indicator of investments in the economy and reflects the capacity to raise production ability in a country and thereby boost economic growth.

From the trend, an increase in gross capital formation is realized from 2019 to Q2 2024. Gross formation in 2019 was 660,815.69, increasing to 823,232.64 in 2024/Q2. After increasing by 663,981.20 in 2020, gross formation continued to increase in subsequent years, peaking at 933,493.21 in 2023/Q4. This indicates that the economy is on the road to recovery and that investors are starting to develop confidence in future prospects. The figure above gives some variation from quarter to quarter. From 2023/Q4 to 2024/Q2, the sudden contraction probably marks the impact of exogenous variables or domestic policies which favored capital creation.

Gross capital formation is an important determinant of economic growth since it shows the extent at which the economy is investing in the expansion of productive capacity. The higher the level of investment, the more the opportunity for job creation, and further the increased income of individuals and businesses. This indicator reflects the confidence of the business climate improvement regarding Kosovo. This means investments in infrastructures, investments in technologies, and education-these are very important for the growth of the economy in the long term.

Table 9: Exports in the case of Kosovo during the pandemic Covid – 19 crises (in Thousand EUR)

Year/quarter	2024/Q2	2023/Q4	2022/Q4	2021/Q4	2020/Q4	2019/Q4
Net export	-915772.89	-1077640.55	-932569.96	-879824.93	-663894.01	-687749.19
Export of goods and services	856520.08	771405.71	699888.92	572202.38	405199.13	359358.67
Export of goods	236128.10	225243.72	235986.53	209771.43	143598.05	96005.69
Export of services	620391.98	546161.99	463902.39	362430.95	261601.09	263352.98

Source: Kosovo Agency of Statistics (2023).

Table six presents' data on Kosovo's exports during the COVID-19 pandemic, showing the dynamics of net exports, exports of goods and services from 2019 to the second quarter of 2024. This table is important to understand the impact of pandemic in the external sector of Kosovo and to analyze trends in international trade. The data shows that net exports were negative for the entire analyzed period, reaching -915,772.89 in 2024/Q2.

This shows that Kosovo's imports continue to exceed exports, a constant concern for the country's economy. Export data shows a significant increase from 2019 to 2024, increasing from 359,358.67 to 856,520.08. This shows a significant improvement in Kosovo's ability to export, despite the challenges caused by the pandemic. Exports of goods also show a steady increase, moving from 96,005.69 to 236,128.10. This increase suggests a possible diversification of the products that Kosovo is exporting, thus contributing to the increase in export income. Exports of services were also helped, reaching 620,391.98 in 2024/Q2 from 263,352.98 in 2019/Q4. This increase is an important indicator of the development of the service sector, especially in the context of increased digitization and the provision of online services during the pandemic.

Exports are significant to the economy for economic development as they increase the level of GDP and job creation. Increases in exports during the pandemic indicate that Kosovo has increased its competition in international markets, a very essential ingredient in economic recovery. While exports have increased, net exports are negative, meaning that imports remain higher. This creates a negative trade balance that can affect the financial and economic stability of the country in the long term. The increase in the export of goods and services indicates that Kosovo is diversifying its export base, which is very important for protection against external economic shocks. Diversification helps reduce dependence on a few specific products or markets. The increase in the exports of services, especially during the pandemic, shows that Kosovar businesses have adapted and found their way of providing services in a new economic environment. This is a positive indicator of stability and innovation within Kosovo's economy. This table gives a clear view of the impacts that the COVID-19 pandemic has had on Kosovo's exports and shows the need for focused policies in order to support export growth and improve trade balances.

Table 10: Import of goods and services (in Thousand EUR)

Year/quarter	**2024/Q2**	**2023/Q4**	**2022/Q4**	**2021/Q4**	**2020/Q4**	**2019/Q4**
Import of goods and services	1772292.97	1849046.26	1632458.88	1452027.31	1069093.14	1047107.86
Import of goods	1416132.49	1533342.90	1383411.87	1230251.19	902895.77	874717.71
Import of services	356160.47	315703.36	249047.01	221776.12	166197.37	172390.15

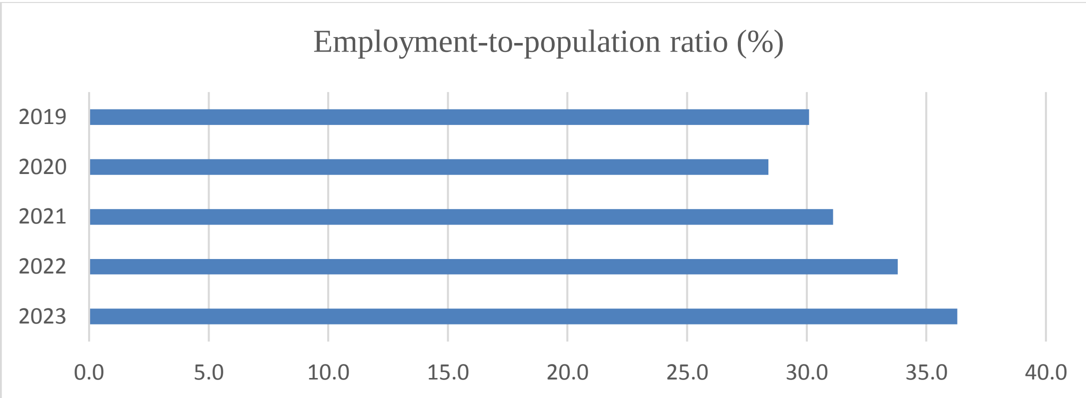
Source: Kosovo Agency of Statistics (2023).

The table above shows the key data on Kosovo imports within the period from 2019 to the second quarter of 2024, showcasing an important overview of the tendencies in the country's external sector. It helps to understand better how the dynamics of importing goods and services change, reflecting changes in the domestic demand and other kinds of economic influences. Indeed, according to this very table, the value of total imports of goods and services in 2024/Q2 is 1,772,292.97. This reflects an increase compared with the same period of the previous year, showing an increase in domestic demand and integration into international markets. Imports of goods are also on the rise, reaching 1,416,132.49 in 2024/Q2. Growth of this indicator could be interpreted as Kosovar industry and consumers' need for more products from abroad, probably due to a greater demand for different kinds of products, both consumer and manufactured goods. Import of services has also risen to 356,160.47 in 2024/Q2. This may also be related to the needs for specialized and digitized services, particularly at this period of digitization and the need for support in different services.

Imports are the important indicator of domestic demand and express the market need for products and services which are not sufficiently produced within the country. Import growth is a sign that the economy is expanding and that confidence in economic development is deepening among consumers. Record exports growth, however, made the challenges of the trade balance even greater, and for this reason, it turns out to be an important question for economic policy. A negative trade balance can have implications for the country's economic stability and finances. The growth in the import of services indicates that Kosovar companies are adjusting to new demands in the global market. This is a positive sign of the development of the service sector and the increased need for external expertise. Another connection that can be made to the rise in imports is the impact of the COVID-19 pandemic, which saw many businesses increase their imports of commodities and services due to market needs resulting from the disruptions during the pandemic.

The following table gives an important overview of Kosovo's economic and trade strategies that have to be oriented toward sustainable policy capable of supporting export growth, while reducing dependence on imports.

Figure 16: Employment-to-population ratio (%), total (in ('000s) and %)



Source: Kosovo Agency of Statistics (2023).

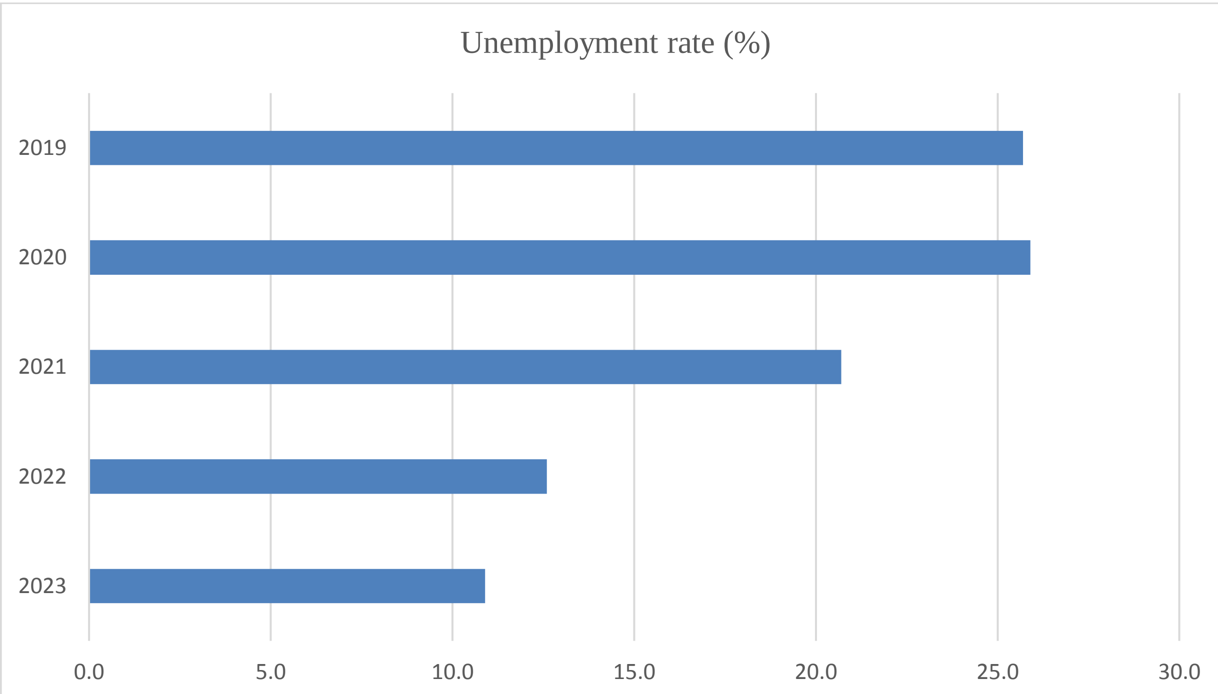
The figure below shows the employment to population ratio for Kosovo, from 2019-2023. The EPR can help to clarify how engaged labor forces are within the economic framework of the country in question. The employment to population share was 30.1 percent, which means that just one third of the population is working, whereas this was an exact indication of the current economic hurdle and labor market structures prevailing in society.

In the year 2020, this falls down to 28.4 percent.

This observed decrease can be attributed to economic consequences emanating from several situations-a consequence related to internal or external causation factors that happen within its workforce market. After a difficult period, the share starts to increase and reaches 31.1%. Such growth indicates a very slow recovery of the labor market and improvement in the engagement of the labor force. In 2022, the share further increases to 33.8%, reflecting a positive trend in employment and strengthening of the economy. In 2023, this share reaches 36.3%. This rise signifies a major boost in work engagement in the population and generally reflects improvements in economic conditions and jobs.

The increase in the employment ratio from 30.1% to 36.3% within five years is a positive development regarding the labor market situation in Kosovo, reflecting improvement efforts in employment opportunities. The continuous increase in the employment ratio can be linked to economic development strategies and different investment initiatives that open job opportunities for the citizens. An employment-to-population ratio means the increase in economic activities with people. This could help elevate families' incomes and improve their country's economic stability as a whole. Yet again, there is still one task ahead to be seen as overcoming unemployment and under-employment for inclusive and sustained employment growth.

Figure 17: Unemployment rate (%), age 15-64 (in ('000s) and %)



Source: Kosovo Agency of Statistics (2023).

The graph above is on unemployment rates in Kosovo during the period of 2019-2023 and demonstrates an important trend in labor market development, particularly related to COVID-19.

The unemployment rate was 25.7%, a high level that reflected common challenges in the labor market. In 2020, the unemployment rate increased to 25.9%. This increase can be directly related to the impacts of the COVID-19 pandemic, which caused many businesses to close and job losses. The services sector was particularly hit hard by movement restrictions and social distancing rules. After a tough year, in 2021, unemployment starts to decrease to 20.7%. This could be explained by the gradual relaxation of restrictive measures and the activation of the economy, which led to a re-opening of businesses, opening new opportunities for employment.

In 2022, it further drops to 12.6%. This further reduction indicates the recovering economy and that more and more people are finding better job opportunities. This was, in fact, an important indicator of how the effect of the pandemic was dissipating. By 2023, it reaches 10.9% altogether. This level shows an excellent recovery and general improvement of the working conditions in Kosovo, notwithstanding the challenges the pandemic left behind. To have dropped from 25.7% to 10.9% unemployment in just five years is a very indicative positive recovery from the crisis created by the pandemic. Recovery in this regard demonstrates governments' and businesses' efforts to regain economic activity and jobs.

The rise in the rate of unemployment in 2020 indicates the immediate effect that the pandemic has had on the labor market. Many employees were made to lose their jobs as a result of the closure of businesses and the ensuing economic crisis.

Subsequent declines in the rate of unemployment suggest that measures to stimulate the economy and support employment.

These include financial assistance to businesses and the creation of employment opportunities. While the rate of unemployment is declining, other challenges like underemployment and the need for new skills are important to address. The pandemic has shown how the adaptability of skills to labor market changes is important. This figure shows not only the improvement of the labor market after the pandemic but also indicates that supportive policies will be relevant for a sustainable and future recovery.

Table 11: General Government Revenue (in million Euro)

Year	**2019**	**2020**	**2021**	**2022**	**2023**
Taxes on products	1419.0	1278.1	1654.9	1856.3	2072.0
Value added type taxes (VAT)	805.8	739.0	984.4	1156.2	1306.5
Taxes and duties on imports excluding VAT	572.5	504.4	626.8	652.6	712.5
Import Duties	137.2	106.7	126.6	136.0	157.6
Taxes on imports excluding VAT and duties	435.2	397.6	500.1	516.6	554.9
Taxes on products, except VAT and import taxes	40.8	34.7	43.7	47.5	53.0
Other taxes on production	46.0	45.1	40.1	58.8	48.6
Property income	13.6	14.4	42.9	34.2	70.0
Current taxes on income, wealth, etc.	280.9	264.4	330.6	399.7	474.8
Other current transfers	38.5	58.4	43.8	54.0	117.6
Financial assets and liabilities	309.6	463.3	268.3	112.3	-36.8
Payments for non-market output (Sales)	113.4	81.8	103.9	107.1	114.4
Total	2220.9	2205.4	2484.6	2622.4	2860.7

Source: Kosovo Agency of Statistics (2023).

The above table provides an overview of taxes and other revenues in Kosovo for the period of 2019-2023. It shows trends of changes in public revenues, inclusive of taxes on products, value-added tax, and sources of other income.

In 2019, those taxes were 1419.0 million euros, while they decreased to 1278.1 million euros in 2020 probably because of the side effects of the pandemic. However, they go up to 1856.3 million euros in 2022 and reach 2072.0 million euros in 2023, with a very strong recovery after that. Value-added taxes start off with 805.8 million euros in 2019 and fall to 739.0 million euros in 2020. These surge, however, to a high of 1306.5 million euros in 2023, reflecting the increase in consumption and economic activity. Taxes and duties on imports, excluding VAT: These taxes fall to 504.4 million euros in 2020 but increase once more to 712.5 million euros in 2023, showing increased imports and, therefore, trade. Import duties: These have risen from 137.2 million euros in 2019 to 157.6 million euros in 2023, reflecting a general rise in the importation of goods. Income from income taxes increased from 280.9 million euros in 2019 to 474.8 million euros in 2023, which means a very positive increase in economic situations and salary increase. Income from financial assets: These revenues show an outstanding change, passing from 309.6 million euros in 2019 to -36.8 million euros in 2023, showing complications in this section. Total revenue increases from €2,220.9 million in 2019 to €2,860.7 million in 2023, reflecting the overall increase in government revenues. Visible increases in product taxes and VAT after 2020 would hint at a strong recovery in the economy, possibly connected to the easing of COVID-19 measures and resumed commercial activity. The rise in value-added taxes suggests that the consumption of citizens is on the rise, which is a good signal for the economy. The decline in income from financial assets may indicate a challenge in the management of these assets or a change in investment policies. The overall increase in revenues to 2860.7 million euros shows that the government is better positioned to finance public expenditures, therefore helping the economic development of the country.

Table 12: General Government Expenditures (in million Euro)

Year	**2019**	**2020**	**2021**	**2022**	**2023**
Compensation of employees	617.5	661.4	648.1	637.4	749.2
Subsidies	117.5	239.9	223.8	399.7	362.0
Property income	23.1	27.4	30.8	35.0	42.0
Social contributions and benefits	530.0	673.7	619.0	663.8	716.5
Other current transfers	28.9	31.3	52.5	47.8	52.3
Capital transfers	26.5	18.4	6.5	38.1	4.2
Financial assets and liabilities	56.1	117.1	132.2	136.4	48.2
Acquisitions less disposals of non-produced assets	16.4	20.6	21.9	52.8	54.7
Intermediate consumption	250.1	228.5	334.0	358.3	431.8
Gross capital formation	485.4	313.9	307.5	254.6	464.6
Total	2151.6	2332.2	2376.4	2623.8	2925.5

Source: Kosovo Agency of Statistics (2023).

The table below shows the public expenditure in Kosovo for the period 2019-2023, broken down into components such as compensation of employees, subsidies, property income, and social contributions. These data are important because they provide insight into fiscal policy and public finance.

Compensation for employees: Expenditure on compensation for employees increases from 617.5 million euros in 2019 to 749.2 million euros in 2023. This increase suggests an improvement in wages and better conditions for workers. Subsidies: These increase significantly from 117.5 million euros in 2019 to 399.7 million euros in 2022, to decrease to 362.0 million euros in 2023. The increase in subsidies during 2020 may be related to efforts to support sectors hit by the pandemic. Income from property increases gradually, reaching 42.0 million euros in 2023, reflecting a positive trend in the management of public properties. Social contributions and benefits: Spending on social contributions increases from 530.0 million euros in 2019 to 716.5 million euros in 2023, showing a general increase in social support. Other current transfers: These expenses have remained relatively stable, increasing from 28.9 million euros in 2019 to 52.3 million euros in 2023. The capital transfers expenditures are very important, falling to 4.2 million euros in 2023, suggesting a contraction in capital investment.

Financial Assets and Liabilities: They increase to 132.2 million euros in 2021 and fall to 48.2 million euros in 2023, demonstrating that financial assets management has started to fluctuate. The same can be said in the case of medium consumption, as it increases from 250.1 million euros in 2019 to 431.8 million euros in 2023, hence showing an increased level of operational expenses. The fall from 485.4 million euros in 2019 to 254.6 million euros in 2022 suggests a period of bad times for investments, while the growth to 464.6 million euros in 2023 might hint at recovery. Total expenditure increases from 2151.6 million euros in 2019 to 2925.5 million euros in 2023, showing a general increase in public spending.

Increased compensation of employees signals care for the workforce and a rise in the living standards of the employees. An increased subsidy and social contribution depict an effort towards the welfare of the needy, especially after the crises brought about by the pandemic.

This means that property income has increased, reflecting better resource management and a very positive trend in terms of public income. Decreasing expenditure on gross capital formation and capital transfers might indicate financing constraints for investment, but the recovery in 2023 may suggest regained confidence in the economy. The table above gives a good overview of the evolution of public spending in Kosovo and how the government has reacted to economic and social challenges during this period. A study from (Hamza & Milo, 2021) concluded that total public expenditure has a significant effect on GDP whereas the total public income has a positive but visible impact on the GDP. It means that the government investment effect is more pronounced on financial development as compared to public revenue, and the increased demand for co-operation has fallen monetary terms (World Bank, 2021).

The Government of Kosovo promptly declared a Public Health Emergency for the entire country, effective from March 15, 2020, and put in place a National COVID-19 Coordination and Monitoring Committee, which immediately went to work with in-country health institutions, United Nations agencies, local security authorities, as well as international donors to set up quarantine arrangements and border controls, and medical evacuation of returning citizens. For the COVID-19 national planning and response, MoH acts as a lead agency that has initiated several action plans in responding to the epidemic through a National Preparedness and Response Plan for COVID-19.(The National Institute of Public Health in Kosovo, 2021)

As of June 2020, in addition to Infectious Disease Clinic, UCCK has mobilized additional clinics across the country to increase bed capacity to 1,308 across the country, suspending thus essential services in all levels of care. At municipal levels, some of the Primary Health Care centers (PHCs) have been identified for COVID-19 patients managed at municipal level. The online phone line at the National Institute of Public Health has been active since March 2020, monitoring suspected patients and homecare on a daily basis. In absence of vaccines, increased capacities of testing and containment measures continue to be the only effective approach to manage the pandemic; however, they place an enormous economic burden on the country. Therefore, the introduction and equitable administration of safe vaccines remain the ultimate goal in fighting the COVID-19 pandemic in Kosovo (Additional Financing (AF) to Kosovo Emergency, 2021).

The Bank restructured an existing health-related program and mobilized additional support to help the country cope with the immediate impact of the pandemic through the EUR 46 million Kosovo Emergency COVID-19 Project. This loan made possible the swift procurement of medical equipment and supplies, the enhancement of the capacity for testing and early detection of COVID-19, and enhancing the country's Infectious Disease Clinic. The project also played a vital role in the country's response to COVID-19 through budget allocations that enabled training of personnel and contracting of over 300 additional health workers. And once available, the World Bank allocated EUR 15 million to purchase and deploy COVID-19 vaccines-funds that directly contributed to the Government of Kosovo's goal of vaccinating 60% of the population by the end of 2021 (The World Bank, 2022).

The objective of the COVID-19 (Coronavirus) Emergency Response Project for Kosovo is to prevent, detect and respond to the threat posed by COVID-19 and strengthen national systems for public health preparedness (The World Banks, 2020). This crisis has started as a health problem that has become a global pandemic, affecting the whole world and is already bringing with it far-reaching socio-economic implications. The sudden shutdown of all kinds of economic activities-formal and informal-job losses, and social distancing are creating unprecedented shocks and rapid changes in societies, increasing the risk of erosion of social cohesion. Kosovo responded swiftly in order to contain the spread of the pandemic and, at the same time, reduce the economic and social consequences of the crisis. On 15 March, the Kosovo government declared a public health emergency, introducing special measures to prevent infection and control the pandemic situation, including restrictions on movement, temporary closure of education institutions at all levels, suspension of public and private gatherings, closure of bars, restaurants, shopping centers, and public parks (Action Document (Kosovo) IPA II - 2019, 2019).

To avoid the collapse of their health systems and to slow down the spread of COVID-19, the governments of SEE have taken measures and allocated funds to support medical staff and protect the population. Work hour changes are implemented in order to protect the medical staff: for example, fewer shifts but longer hours with fewer personnel at any given time. Temporary salary increases are designed to motivate health sector employees. For instance, doctors in Kosovo get an extra EUR 300 per month, while Bulgaria is providing additional monthly payments of BGN 1000 (EUR 500) for doctors and nurses (Government of Kosovo, 2020; OECD, 2020).

Main responsive and protective mechanisms adopted by the Government of the Republic of Kosovo in the health care front include (Kosovo Local Government Institute - KLGI, 2020):

(1) Social distancing. In some cases, the Government adopted a social distancing policy with certain regulations to reduce the speed of transmission and allow the health care system to plan resources for helping people with higher predisposition to have severe or lethal consequences from the virus. (2) Increase personnel capacity. In clinics, new alignments increased the numbers of health care professionals and clinics that deal with COVID-19 cases.

(3) Overcome critical shortage. The Government purchased or received as donation a number of testing kits, masks, respirators and beds in order to enhance health care capacity and overcome critical shortage.

(4) Communication. Government us ed communication as a tool to inform and guide citizens, but also to build trust and offer support for the citizens.

The European Commission in their report about the Western Balkans Countries and Turkey, estimate the consequences of the covid 19 in these countries and also give the recommendations for further improvement. Based on the European Commission report the main challenges facing Kosovo include the following (European Commission, 2022):

a. The need to still provide a fiscal support recovery in the year 2022 calls for consolidation as envisaged, and the gradual return toward the rule of deficit will be imperative in sustaining fiscal sustainability over the medium term.

b. There are several development challenges, long-standing weaknesses in capital spending call for action to address investment bottlenecks.

c. Persistent, widespread informality continues to represent a key structural challenge for Kosovo's economy.

d. •The insecure supply of energy is not sufficient to meet the rapidly increasing demand and is one of the key constraints on Kosovo's competitiveness. It acts as a brake on productivity and has further exacerbated the recent energy crisis.

e. The Kosovo education system provides graduates who are not fitted to adequately meet the skill needs in the labor market;

4.3 Macroeconomic implications and policy responses

To deal with the consequences of the COVID-19 pandemic in Kosovo's economy, the Government of Kosovo approved the emergency package, worth 179 million Euros and the cost of Government emergency was 2.5% (Berat Rukiqi, 2020). The measures of the emergency fiscal package include groups pension and social, employers, self-employed, workers, unemployed, NGOs with projects for non-majority communities (Ministry of Finance and Transfers of Kosovo, 2020).

The emergency fiscal package includes the following measures (RIINVEST, 2020)**:**

1. Measure 1 Double payment of the value of the social scheme for all beneficiaries of the schemes social for April and May € 7,650,000

2. Measure 2 Additional payment of 30 Euros for all beneficiaries of social schemes and pensioners who receive a monthly payment of up to 100 Euros €13,000,000

3. Measure 3 Financial support for businesses in financial difficulty as a result of the decline of their activity due to the pandemic: Monthly salaries of workers in value of 170 Euros €41,000,000

   Measure 3b Financial support for businesses in financial difficulty as a result of the decline of their activity due to the pandemic: Rent subsidy € 12,000,000

   Measure 3c Financial support for businesses in financial difficulty as a result of the downturn of their activity due to the pandemic: Pension contributions of employees €8,000,000

4. Measure 4 Interest-free lending to Public Enterprises in financial difficulty due to of the pandemic €20,000,000

5. Measure 5 Financial support for municipalities that have been affected in facing the pandemic €10,000,000

6. Measure 6 Provision of a salary supplement in the amount of 300 Euros for workers in the field and who are directly exposed to the risk of infection in their work €15,000,000

7. Measure 7 Additional payment in the amount of 100 Euros for grocery store workers, pharmacies, bakeries, for April and May €3,000,000

8. Measure 8 Monthly assistance in the amount of 130 Euros for the citizens of Kosovo who lose the workplace due to the emergency situation € 4,000,000

9. Measure 9 Support for initiatives aimed at improving the lives of communities' non-majority in the Republic of Kosovo, who have been hit hardest by the situation emergency due to the pandemic €2,000,000

10. Measure 10Ensuring financial liquidity: Micro-enterprises and the self-employed through certain programs of the Credit Guarantee Fund €15,000,000

Measure 10b Ensuring financial liquidity: Authorized businesses that provide basic services similar to those of public enterprises with returns until 31.12.2020

11. Measure 11 Increase in the budget for grants and subsidies in agriculture €5,000,000

12. Measure 12 Increase in the budget for grants and subsidies to the Ministry of Culture €5,000,000

13. Measure 13 Support for exporters €10,000,000

14. Measure 14 Financial support for businesses that register workers with employment contracts at least one (1) year during the emergency situation in the amount of 130 Euro for the following two months after registration €6,000,000

15. Measure 15 Payment of monthly assistance in the amount of 130 Euros for citizens with conditions of serious social workers declared unemployed and who are not beneficiaries of any income monthly from the budget of Kosovo €3,000,000 in Total €179,650,000

Based on Tax Administration of Kosovo (Tax Administration of Kosovo, 2020) for benefit purposes under Measure 3a; 8 and 14, the employees were categorizing such as:

a) Active worker: It means the employee who remains in a continued employment relationship with the establishment, however, his/her wage or salary has not been paid by the employer due to the health emergency situation.

b) Inactive worker – means the worker who has left work as a result of the decrease in the activity of the enterprise due to the public health emergency situation.

c) New worker - means the worker who, during the public health emergency situation, enters into a work contract for at least one (1) year, signed after the official date of the start of the pandemic in Kosovo. There also was the possibility for compensation of rent.

At the same time, Kosovo's Central Bank decided to halt loan payments initially until April 30, 2020, with a possibility of an additional month's extension.

In July 2020, the Government adopted the Economic Recovery Program, which earmarked 365 million Euros for business support to create and maintain jobs, among other things, to enhance aggregate demand.

The Economic Recovery Program was supported by measures such as facilitating access to finance for businesses, additional subsidies to farmers, various tax incentives, wage subsidies for employees, and the possibility given to citizens to withdraw 10% from accumulated contributions to the Kosovo Pension Savings Trust.

Kosovo has unilaterally abandoned independent monetary policy to adopt the Euro as its currency, rendering it unable to make full use of typical monetary policy tools. Therefore, the economy is dependent on the monetary decisions taken at the EU level. On the other hand, the Central Bank has suspended loan repayments for individuals and businesses until at least 30 April 2020. In addition, the Kosovo Central Bank has started processing applications for the suspension of credit repayments and the freezing of individual credit ratings, in order to alleviate the burden on borrowers during the crisis.

• Interest rates on loans issued to SMEs operating in tourism have been reduced by 50%, and for large enterprises-by 15%. The capital of the Finance Development Institution ALTUM has also been increased to provide the possibilities for firms affected by crisis to support instruments such as credit guarantees and loans. Fiscal policy4

• On 11 March, the government allocated EUR 10 million to fund efforts of containing the spread of the virus and reinforcing the healthcare system.

On 30 March, the government passed a major emergency support package of about EUR 170.6 million (3% of GDP) to support individuals, firms and municipalities affected by the COVID-19 crisis. During the crisis, vital health and safety personnel like doctors, police officers, and firefighters received an additional EUR 300 per month in wages from the government. Similarly, employees of pharmacies, grocery stores and other essential businesses will be paid an additional EUR 100 per month by the government during the crisis. All social welfare recipients will see their payments doubled during April and May. The Kosovo Central Bank also suspended loan repayments for individuals until at least 30 April, while payments to public utility companies have also been put on hold.

The Tax Administration of Kosovo has extended deadline to file and pay tax liabilities and pension contributions until 30 June. Additionally, taxpayers affected by the crisis will be able to apply for an extension of tax payment deadlines for up to three years (OECD, 2020)**.**

The Covid 19 Pandemic has impacted every macroeconomic indicator in the case of Kosovo. The cost of Covid-19 has been felt by the business sector. According to official data from the Kosovo Business Registration Agency (KBRA), between March and September 2020, 507 businesses were closed. The president of the Alliance of Kosovar Business (AKB) has stated that the number of closed businesses is much higher, since not all businesses are registered. It has been estimated that up to 1,000 businesses have closed in Kosovo in 2020 (Heinrich-Böll-Stiftung, 2020).

On behalf of the OECD report (OECD, 2021), Kosovo’s economy contracted by 5.6% in the first nine months of 2020 (cf. 4% in 2019). The diaspora in the case of the Kosovo has strongly supported domestic consumption; on the other hand, the workers' remittances increased by 18% compared to 2019 and stood at 13.6% of GDP. The GDP was mitigated by a fall in imports of goods and services (13.5%).

There is no effect on exchange rates as the country is euroized. In January-November 2020, budgetary revenue fell by 10.3% y-o-y with income from direct and indirect taxes contracting by 9.5% and 10.8% y-o-y, respectively. The draft 2021 budget was prepared before the adoption of the additional package of EUR 200 million and does not fully take account of its fiscal implications. Full implementation of the package is therefore likely to trigger a budget revision during 2021. The budget adopted for 2021 had envisaged a deficit of 4.7% of GDP in terms of the fiscal rule definition (OECD, 2021).

The economy of Kosovo saw a complete recovery, with high private consumption, a record growth in exports, an exceptional rebound in diaspora visits, strong credit growth, and a significant fiscal stimulus. The fiscal balance also improved as the economy recovered, and the growth in public debt slowed down owing to strong public revenue performance. However, the recovery was also accompanied by very high inflationary pressures, mainly in the second part of the year, driven primarily by increases in import prices (The World Bank, 2022). In 2020 The International Monetary Fund projects a decline in exports of 19% due to the contraction in global demand and a decline in remittances by 10% because of the adverse impacts of the COVID-19 pandemic in the countries of origin of remittances. A contraction in Foreign Direct Investment and other financial revenues is also expected (Berat Rukiqi, 2020).

In 2020, Kosovo's economy recorded a contraction of 6.9%, driven by a consumption decline, notably diaspora-related exports of travel services and investments. Surprisingly strong increases in remittance receipts and exports, among other causes due to the higher demand for Kosovo's nickel, cushioned government support and helped to prevent a deeper recession (World Bank, 2021; OECD Library, 2021).

GAP Institute, through its report, shows the main components of GDP and other macroeconomic indicators during the first half of 2020- January to June- to highlight the impact of this crisis on the different economic sectors of the country and it has determined that (GAAP Institute, 2020):

Domestic spending in the first half of the year experienced great changes;

Economic activities which did best were: extractive industries, manufacturing, electricity and water supply grew by 19.8 percent in the second quarter, information and communication by 29.6 percent;

During the first half of the year, in the Tax Administration of Kosovo - TAK, there is a turnover declared by industries that is valued around 584 million Euros, 11 percent less than during the same period in the previous year;

On the other hand, due to easing the financial burden following the introduction of restrictive measures, the CBK and the credit institutions offered the possibility to delay loan repayments for a period of three months and to request the restructuring of the loans;

The Government of Kosovo approved the "fiscal emergency" package and proposed budget expenditures from capital to salaries, transfers and subsidies;

There is an increase in public spending in 2020 by 18.8 million Euro, about 2 percent, compared to the first half of 2019, while budget revenues in all categories decreased.

Kosovo's economy is recovering from its deepest recession in a decade, fueled by better vaccination rates, renewed mobility, policy actions, and extraordinary support from the diaspora. Following a contraction of 5.3 percent in 2020, real GDP is forecasted to grow by 7.5 percent in 2021. The fiscal response to the pandemic provided lifelines for households and firms and cushioned the impact of the shock on those most affected by the pandemic. The fiscal policy stance has tightened to almost a balanced position in 2021 from a deficit of close to 8 percent of GDP in 2020, on the back of a strong rebound in revenues. However, this drag has been more than offset by the extraordinary diaspora inflows and sustained increases in net credit to the private sector. For 2021, inflation is expected to rise above 5 percent year on year on the back of higher energy and food prices that have rebounded back to pre-pandemic levels. On the whole, the banking system has been resilient-with strong capital and liquidity buffers and low NPLs (IMF Country Report No. 22/5, 2022).

Table 13: Policy measures in response to the COVID-19 pandemic

People	**Businesses**	**Other measures**
• Cover pension contributions for the next two months for those who benefit from the minimum wage of EUR 170. • Suspend all verification requirements for pensions. Those with a pension of less than EUR 100 will receive a temporary EUR 30 top-up. • Cover monthly wages in April and May by an amount equivalent to the minimum wage. • Extension of the deadline to fill and pay tax liabilities and pension contributions. • Payments of up to EUR 130 for April, May and June to citizens who lost their jobs due to the public health emergency.	• Financial support for companies in financial difficulties because of a decrease in activities: 1) cover monthly wage expenses up to EUR 170 for April and May (EUR 41 000 000); 2) subsidies leases up to 50% of the value of the lease for SMEs for April and May (EUR 12 000 000); 3) cover the value of pension contributions for wages for April and May (EUR 8 000 000). • Interest-free loans to public enterprises in financial difficulties due to the public health emergency to ensure their temporary liquidity (EUR 20 000 000) • Support to exporters (EUR 10 000 000). • Financial support for commercial companies that hire employees with an employment contract of at least one year during the public health emergency, covering EUR 130 of employees' salary for the two months after the employment registration (EUR 6 000 000). • Loan guarantees by the state benefiting private borrowers. • Financial liquidity ensured for: 1) microenterprises and the self-employed through financing by the Kosovo Credit Guarantee Fund, amounting to up to EUR 10 000 for 24 months (EUR 15 000 000); 2) commercial/authorized companies that provide basic services (similar to those of public enterprises).	• Increase the budget for grants and subsidies for the Ministry of Agriculture, Forestry and Rural Development to increase agricultural production (EUR 5 000 000). • Provide extra financial support to affected municipalities (EUR 10 000 000). • Increase the budget for grants and subsidies to the Ministry of Culture, Youth and Sports due to the impact on sports and cultural activities (EUR 5 000 000)

Source: OECD (2020).

The measures included in the table were designed to address the urgent needs of individuals and businesses during the period of Covid-19. They served as support for those affected by the pandemic and helped maintain economic stability in Kosovo. These kinds of strategies are crucial to ensuring a fast and sustainable recovery after the crisis, helping to ensure that individuals and businesses have the means to continue their activities.

4.4 Microeconomic implications of the Covid Crisis in Kosovo

Covid **-**19 has hit every economic sector, thus the implications and the consequences faced by the citizen of Kosovo are enumerated.

The pandemic of COVID 19 has hit aggregate demand and aggregate supply; thus, from a macroeconomic perspective, the microeconomic perspective has also suffered. Many businesses from different sectors have been closed during a pandemic, and also were terminated because of the pandemic waves. Following are the new enterprises and terminated enterprises in the years 2019-2022 quarterly presented in a table.

Table 14: New enterprises and terminated enterprises from 2019-2022 quarterly.

Year	**New enterprises**	**Terminated enterprises**
2019-Q1	2404	441
2019-Q2	2655	447
2019-Q3	2379	390
2019-Q4	2566	491
2020-Q1	2311	430
2020-Q2	2033	146
2020-Q3	2593	310
2020-Q4	2868	440
2021-Q1	2941	404
2021-Q2	2813	381
2021-Q3	2479	329
2021-Q4	2416	494
2022-Q1	2831	495
2022-Q2	2835	460
2022-Q3	2722	372

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Source: Kosovo Agency of Statistics (2023).

The table below depicts the number of newly established enterprises and the number of enterprises that have stopped their activities in Kosovo for the period from the beginning of 2019 to the third quarter of 2022. While the table offers an important insight into the labor market dynamics and the development of enterprises, it also reflects the absence of annual data and information at large. The number of newly established enterprises in Kosovo varies throughout the period. It peaks in the fourth quarter of 2020 with 2,868 new ventures. This reflects an increase in interest to create businesses, possibly as a consequence of government stimulus measures or changes in market needs. In the year 2021, the numbers remain relatively high: a high number of new registrations contributed to recovering from difficult times, including that of the pandemic.

The number of delisted companies also varies. After a noticeable increase in 2020, especially in the second quarter, with only 146 outages, the number of outages is growing in 2021, reaching 494 in the fourth quarter.

This indicates that, while new ventures are being created, some businesses do not survive, possibly due to economic challenges and the changing market. Data is presented quarterly, which assists in a more detailed analysis of internal trends and to capture unexpected events that may occur within the year. This is especially relevant in periods of economic crises, like the COVID-19 pandemic, whereby impacts might become more visible in a rather shorter period than what an annual scheme allows.

4.5 Socio – political implication of Covid 19 in Kosovo

The COVID-19 pandemic has had a multidimensional impact on Kosovo, causing huge socio-political changes. These implications have affected governance, social relations, and trust in institutions, among other aspects of social and political life. Among the most important influences, there is the management of the health crisis by the government. Decisions on closures, restrictions, and other emergency measures have often been criticized by the opposition and citizens. It has perpetuated political tensions, thereby highlighting the division between different parties and polarizing popular opinion.

The government has been under pressure to ensure that resources and financial aid are managed transparently and with accountability. The pandemic has brought a great impact on social relations. Isolation and physical distance have contributed to a decline in social interactions and further deepened feelings of loneliness among many people. Vulnerable groups, such as retirees and those with health conditions, have been affected more, making it more important for society to support them. COVID-19 has also affected the trust of citizens in institutions. While some citizens look upon crisis management as a test for governance, others show doubts about the efficiency of health institutions and administration. This has increased discussions on the need for reforms in the health system and the strengthening of institutional capacities. The pandemic has also spurred social mobilization. Many individuals and nongovernmental organizations have become committed to helping those most affected with social and humanitarian support. The importance of social solidarity has thereby been underlined, and the desire for an increase in activism for the rights of people has been encouraged. The COVID-19 socio-political implications in Kosovo are complex, interconnected, and reflect challenges and opportunities brought forth by this crisis. Therefore, it is necessary that institutions and civil society should come together to contribute in such a manner that these issues are resolved and help the society and the political system recover from the pandemic.

5 EMPIRICAL ANALYSES OF KOSOVO UNDER THE COVID CRISIS

This chapter is an empirical part of the study and is composed of two sub-chapters. The first, subchapter 5.1 - Survey of Covid crisis implications for the population at large - presents results of the survey made amongst the Kosovo population, while the second, sub-chapter 5.2 presents structured interviews with officials from key economic policy institutions.
This chapter discusses the findings obtained from the citizen online survey. This study investigates the different effects that the COVID-19 pandemic has had on the general population through the gathering of information on topics such as social well-being, health issues, and economic stability. Because of the online approach used, a wide range of people was able to participate in the study, thereby increasing the representativeness of the findings. Specific structured questions were asked in their closed and open-ended formats to elicit qualitative data from the respondents for quantitative analysis. This two-pronged approach helped in exposing the individual experiences and emotions that respondents went through during the pandemic, in addition to statistical tendencies.

5.1 Survey of Covid crisis implications for the population at large

The results obtained from the analysis of the survey are presented in this chapter. These results are prepared by SPSS program and will be presented in this chapter through tables and figures.

In this research, the SPSS program, or Statistical Package for the Social Sciences, was utilized as a tool for the statistical analysis of the data collected. SPSS provides many functions to analyze and interpret data in order to make appropriate conclusions from complex information.

5.1.1 Collection and Organization of Data

This study uses primary and secondary data, as it is explained in the previous chapter of the methodology. Primary data is collected by an online questionnaire.
A Web questionnaire is a research tool; one can gather information from a target group digitally. It usually involves a series of questions which are open, closed, or both. Online questionnaires can be created and forwarded through different platforms such as Google Forms, Survey Monkey, and other similar quizzes. The base on which this study was conducted includes Google Forms, and these were distributed through social networking sites for a wider access to the required population.
There are a lot of advantages in using the online questionnaire for primary data collection. Various discussion groups or online forums can be used for inviting participants to complete the questionnaire. The questionnaire can be filled out from any place at any time provided internet is available. Additionally, this method of collecting data is much quicker than the other modes of

collection like personal interview or paper questionnaires. Another advantage of using an online questionnaire is that the usage of online questionnaires reduces costs associated with printing, distribution, and manual data processing.

Statistics, through several software programs like SPSS, will find it extremely comfortable to interpret data collected when needed. More so, comfort has set in the fact that often participants tend to be relatively comfortable with answering online questionnaires, because one can also be very candid with a guarantee that judgment will be avoided; otherwise, one feels free. The online questionnaire facility can also easily be varied in their type and other looks to meet survey requirements for better response rates. Using other channels in distributing questionnaires can give more diversified channels.

The questionnaires retrieved from the Web were imported into SPSS to organize and prepare the data for analysis. This included variable creation and response coding, where necessary, to ensure the accuracy of the data and that it was ready to be analyzed. SPSS encompasses a wide variety of techniques in descriptive analysis, inferential analysis, and different statistical tests. For descriptive analyzes of main characteristics in this study, various tests-including, but not limited to, t-tests and analyses of variance-were carried out with the purpose of assessing differences between groups, finding the association between one variable and another, or both. One of the main advantages of using SPSS is the possibility to create a lot of different figures and tables that might help illustrate the results. Visual figures were used to present the data in an effective way in showing the trend and dispersion of the data.

The results, after analysis, were interpreted by relating the statistics to the research questions of the study. It helped to draw some useful conclusions and policy recommendations within the socio-economic context of Kosovo. In this regard, the use of SPSS in this study has been quite fundamental in analyzing data and providing a solid basis for interpreting the results. SPSS allowed the analytical and visual capabilities to structure an effective approach in gaining insight into the COVID-19 pandemic's impact on Kosovo's population.
Further in this chapter, the results from the survey with the citizens is presented and then the results obtained from the interview questionaries with central bank of Kosovo, the Ministry of Finance.

Table 15: Descriptive statistics results obtained from the survey with the citizens

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
Age	243	1	4	2.22	.686

Gender	243	1	2	1.67	.472
Social status:	243	1	2	1.48	.501
The level of education	243	1	4	1.81	.670
Employment	243	1	5	1.74	1.005
Occupation	243	1	10	4.74	3.040
The COVID 19 pandemic has negatively affected your life:	243	1	3	1.81	.946
The COVID-19 pandemic has affected your family expenses:	243	1	3	1.30	.658
You are of the opinion that the COVID 19 pandemic has negatively affected the consumption basket, causing the prices of goods and services to increase:	243	1	5	2.44	1.575
The COVID 19 pandemic negatively affected your work:	243	1	3	1.81	.820
You lost your job during the COVID 19 pandemic	243	1	3	1.93	.378
You have been a beneficiary of the fiscal package for financial support from the COVID 19 pandemic	243	1	3	1.89	.417
You consider that you have been sufficiently supported by the government to face the financial crisis from the COVID 19 pandemic	243	1	5	3.37	1.447
Were the measures taken by the government sufficient for the fight against the corona virus?	243	1	3	2.30	.658
Valid N (listwise)	243				

Source: Own work.

Above is the descriptive statistic of the questionnaire questions included in the research survey. The total number of questionnaires is 243, and there are no missing values for any of the questions. The minimum of the cases is one, and the maximum of the cases is ten; this shows the possible range of values a variable can have in a study or analysis.

The descriptive statistics table gives significant information on the demo-figure-related features and experiences during the COVID-19 pandemic. From this table, the shifts in daily life and general perceptions of the participants can be ascertained rather clearly.

N: In the table, all the variables have 243 participants, which is quite stable for analysis. Ages of Participants: The "Age" variable indicates that the participants are grouped from 1 to 4, with a mean of 2.22 and a standard deviation of 0.686. This indicates that most the participants are in the middle age group. Gender: This variable has an average of 1.67, pointing out that there is a greater number of women than men since this variable was classified with values of 1 and 2 for women and men, respectively. Social Status: The mean of 1.48 and the standard deviation of 0.501 indicate that the low category in social status predominates. Level of Education: The variable "The level of education" gives an average of 1.81, which indicates that the large part of the participants either had a low or high school level of education. Employment: From the data on "Employment," the mean of 1.74 represents a large proportion of unemployed or low-income workers among participants. Occupation: The mean of 4.74 infers that there is a good distribution within the range of the participant's occupations, and a high standard deviation of 3.040 indicates great variability. The variable "The COVID 19 pandemic has negatively affected your life" has a mean of 1.81, which indicates that the greater part of the participants believe that their lives have been negatively affected by the pandemic; the variable the Household Expenditures has the mean of 1.30, indicating that most participants did not experience major impacts on household expenditures with a low standard deviation.

The variable Job Impact: Responses to "You lost your job during the COVID 19 pandemic" has a mean of 1.93, indicating that most of them have lost their jobs. The variable "You consider that you have been sufficiently supported by the government" had an average of 3.37, which indicates that regarding the question of government support in the current crisis, opinions are divided.

The data in this table provide an important insight into the socio-economic impact of the COVID-19 pandemic in Kosovo.

They help identify the affected groups and provide important information for future policies and support to those in need.

Descriptive statistics are essential to understand the nature of the challenges facing individuals in this difficult period.

Table 16: The frequency table of the demographic questions

Variables		**Frequency**	**Percent**	**Valid Percent**	**Cumulative Percent**

Age	18-24	18	7.4	7.4	7.4
	25-35	171	70.4	70.4	77.8
	36-45	36	14.8	14.8	92.6
	46-55	18	7.4	7.4	100.0
	Total	243	100.0	100.0	
Gender	Male	81	33.3	33.3	33.3
	Female	162	66.7	66.7	100.0
	Total	243	100.0	100.0	
Social status:	married	126	51.9	51.9	51.9
	single	117	48.1	48.1	100.0
	Total	243	100.0	100.0	
The level of education	Bachelor	72	29.6	29.6	29.6
	Master	153	63.0	63.0	92.6
	PhD	9	3.7	3.7	96.3
	Secondary school	9	3.7	3.7	100.0

To be continued

Table 17: The frequency table of the demographic questions (cont.)

	Total	**243**	**100.0**	**100.0**	
Employment	private sector	126	51.9	51.9	51.9
	public sector	81	33.3	33.3	85.2
	Unemployment	18	7.4	7.4	92.6
	Other	9	3.7	3.7	96.3
	family business	9	3.7	3.7	100.0
	Total	243	100.0	100.0	
Profession	economist	46	18.9	18.9	18.9
	lawyer	54	22.2	22.2	41.2
	architects	9	3.7	3.7	44.9
	accountant	9	3.7	3.7	48.6
	university professor	9	3.7	3.7	52.3
	Esthetician	21	8.6	8.6	60.9
	financier	38	15.6	15.6	76.5
	IT	23	9.5	9.5	86.0
	civil servant	27	11.1	11.1	97.1
	other	7	2.9	2.9	100.0
	Total	243	100.0	100.0	

Source: Own work.

The above table presents the frequency values of the demographic questions including into survey analysis with the citizens. In the questions about the age of the citizens which were part of the survey.

The results indicates that 7.4 percent of the participants are aged 18-24, 70.4 of the participants are aged 25-35, 14.8 percent are aged 36-45, and 7.4 percent of the participants are aged 46-55. We can also conclude that the large percentage of the participants in the survey research was aged 25-35, thus as a result that this age is also more active in online platforms and do not hesitate to contribute within research, as they know the value of the research and that the data are always confidential and, furthermore, used only for the study purpose. Also, results are proving that 33.3 % of the total number is male participants, while the remaining 66.7 % are females.

The variable social status shows that 51.9 of the participants are married and 48.1 are single. According to results, 26 percent of the participants has bachelor degree, 63 percent has master degree, 3.7 percent PhD degree and 3.7 secondary school. The sample is accurate and that the most of the social media community is young people with master's degrees, but also other educational levels are presented. Different studies have shown that the utilization of social networks, such as Facebook, is higher among young people. This is especially true for those who have finished higher education, such as a master's degree, as they are often more knowledgeable about new technologies and platforms. Diversity in education: Even though most of the participants in the sample have a master's level of education, it is essential to note that the analysis also includes other levels. This gives a full understanding of society and how they use social networks, ensuring that you do not limit yourself to just a narrow group. Many young people with a master's degree discuss and share ideas about topics that interest them on Facebook, but that doesn't mean the others can't do so. These discussions also involve participants of other educational levels, making the environment all the more varied.

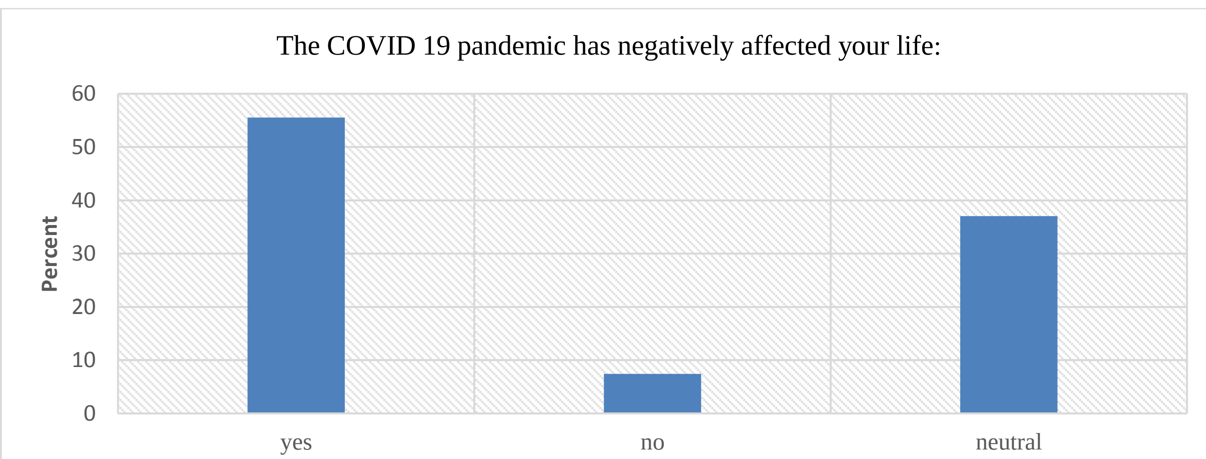
This sampling can reflect the reality in the use of social networks in Kosovo, showing how education affects the engagement of a person on platforms such as Facebook. This helps in further understanding the social and educational dynamics in the country. Also, including different levels of education into consideration, the research would become deeper and more interesting for analysis, in the context of defining how social network use is impacting various layers of society, including people with poor or just secondary education.

One may notice that there are quite high rates in percentage masters' degree participants. This also is partly explained by the fact that in general every second bachelor student is continuing further on master level studies. We can also say that due to the complexity and limited quota in PhDs, the percentage of participants in the PhD survey is small. The following variable included into the demographics is about the employment sector; from the survey data obtained, 51.9 percent of the participants declare working in the private sector, 33.3 declare they work in the public sector, 7.4 declare they are unemployment, 3.7 choose the option other, and 3.7 declare that they are engaged in family business. The data from the sample can reflect the reality of the use of social networks in Kosovo, showing how education affects the engagement of individuals on platforms such as Facebook.

Because it has several reasons, this option "family business" is separated from the private sector according to the table data. First, in accordance with the table, a family business comprises 3.7% of the total employment, which is not much when compared to 51.9% employment participation by the private sector. This means that this family business is a definite section of the private sector, which may have its special characteristics. Family businesses do have a managerial and cultural structure different from other private sector businesses. They can have special practices, like involvement in management by family members, decision making by emotions, and their attitudes towards risk and investment are different. Unlike the other businesses in the private sector, which often follow profit maximization policies, the goals of family businesses may be more diverse; this could be the preservation of family tradition, providing jobs to family members, social goals, and so on, and give them a more distinctive nature and help them standout. Though family businesses are but a small part of private businesses, they often tend to have a greater significance in the economy, mostly at the local level. Providing local communities with jobs and supportive materials, they contribute to economic development in ways unlike most other businesses. Also, family businesses are bound to have greater sustainability due to the commitment of family members and internal resources. Hence, during bad economic times, this enables them to continue active and help preserve employment.

The last demographic questions included into survey was about the participants' profession. The results revealed that economist are 18.9 percent; lawyer 22.2 percent; architects' 3.7 percent; accountant 3.7 percent; university professor 3.7 percent; esthetician 8.6 percent; financier 15.6; IT sector 9.5, civil servant 11.1 percent and other 2.9 percent.

Figure 18: The impact of Covid -19 pandemic in life

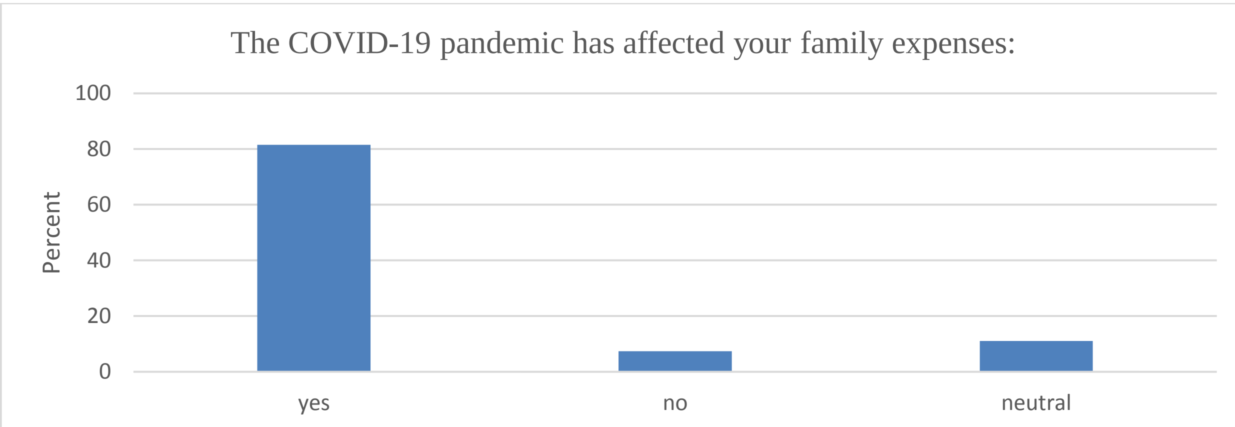


Source: Own work.

The above figure presents the question related the way Covid-19 pandemic has impacted life. In this question the participants have the choice to declare in the statemen: the Covid -19 pandemic has negatively affected your life with the option yes, no and neutral.

If we can see 55.5 percent of them declare confirm that the Covid-19 pandemic negatively impact their life, 37.03 of them declare neutral and only a low rate of percentage 7.4 declare no. We can also add in this point of the results that almost at all citizens the Covid-19 pandemic was worth experienced and has negative impact on the society.

Figure 19: The impact of Covid-19 pandemic in citizens expenses

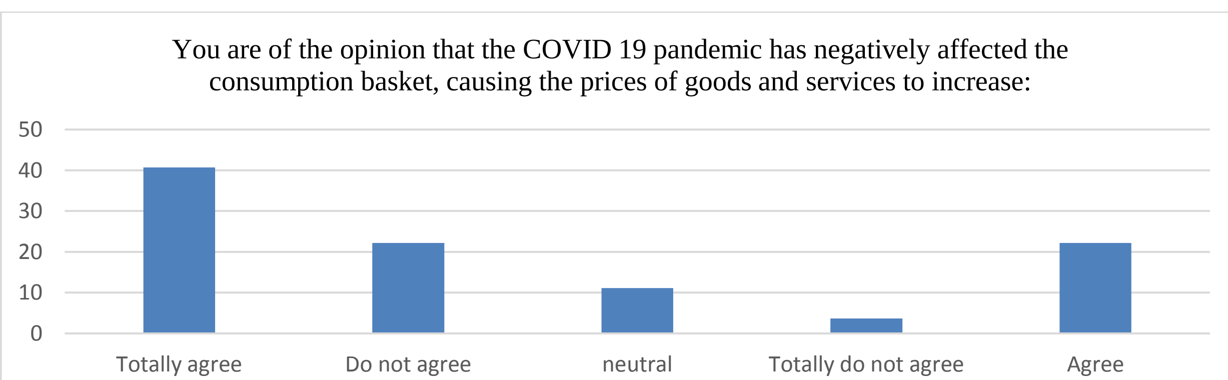


Source: Own work.

The above figure presents the statement about the covid-19 pandemic has affected the family expenses. The participant has the choice to answer in this statement with the option yes, no and neutral. It is easily can be seen that a huge number pf the participants 81.4 percent of them declare that the Covid-19 pandemic has affected their family expenses.

We also can add hat this statement explain further that the effect is negative thus the Covid-19 pandemic has raised the family expenses during the global crisis and was severely experienced.

Figure 20: The impact of Covid -19 in consumption basket



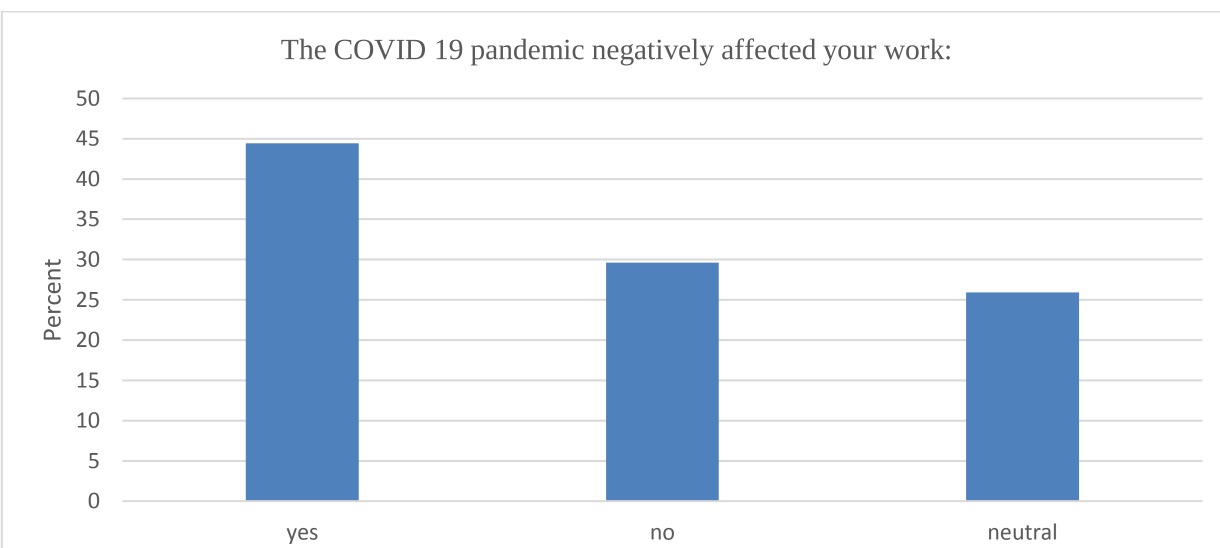
Source: Own work.

The figure above shows the question that was asked to a group of respondents regarding what they think about the COVID-19 pandemic in relation to influencing the consumption basket, asking if they believe the price of goods and services was increased by the pandemic.

Totally agree: 99 respondents (40.7%) say that they fully agree that the pandemic has had a negative impact. 54 Respondents (22.2%) also agree, meaning that a total of 62.9% are of the opinion that the pandemic has had a negative effect. 27 Respondents have chosen a neutral position: 11.1%. 54 respondents (22.2%) disagree, meaning they do not believe the pandemic has had a negative impact. Only 9 respondents (3.7%) are completely against this idea.

Most of the respondents, above 62%, believe that the pandemic has had very significant negative impacts on consumer prices, showing thereby that most people appreciate this price increase and can relate it to the pandemic situation. At the other extreme, those totally disagreeing stand at 3.7%, which proves the opposite: the feeling of the effect of the pandemic is not in their heart. These results show the pervasive concern of the population with increased prices during the pandemic, helping to understand the economic experiences of people and the ways in which the pandemic has affected daily life.

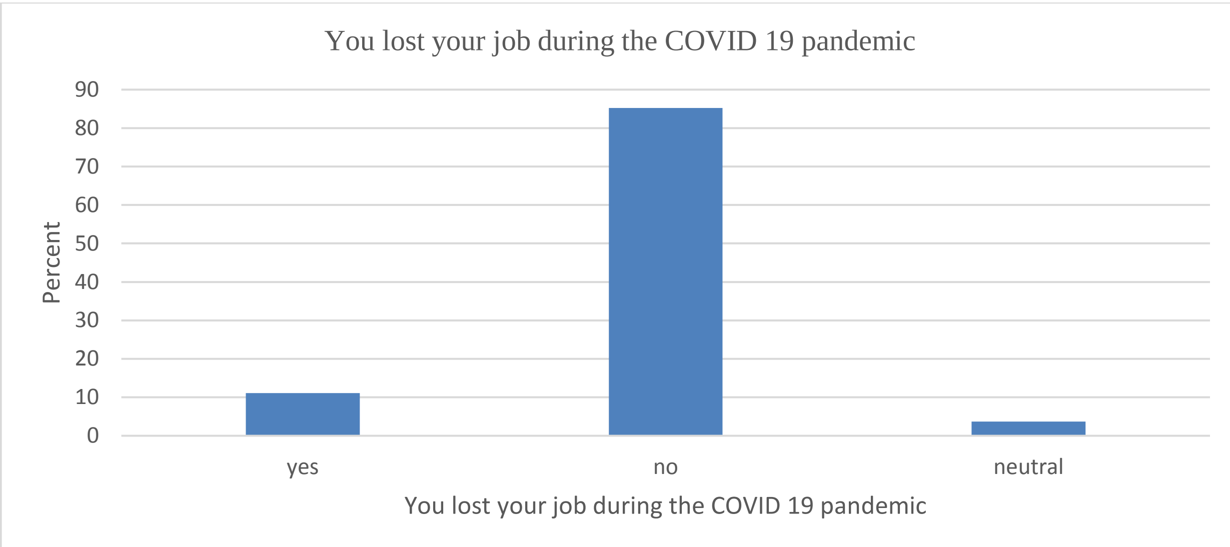
Figure 21: The impact of Covid-19 in the workplace



Source: Own work.

The above figure indicates the effect of the Covid -19 pandemic in one's workplace. To the question, the Covid-19 pandemic has made a negative impact on your working situation, 44.4 percent of the participants declare yes; 29.6 percent declare no, and 25.9 declare neutral. Here is meant if the participants have lost their jobs during the pandemic, or they have taken decrease salaries etc. The next figure goes further, with the analysis if the Covid-19 pandemic caused job loss among the participants who were surveyed.

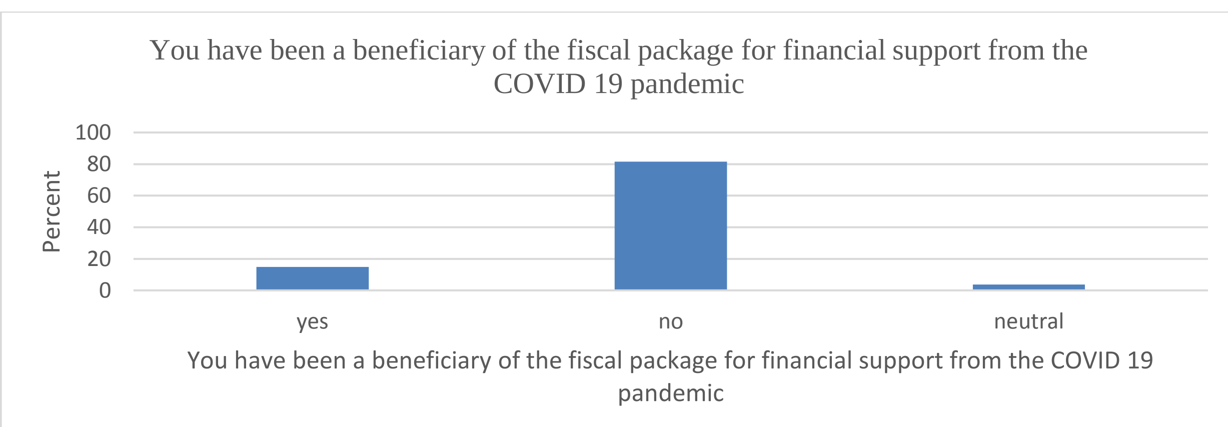
Figure 22: The impact of Covid-19 pandemic in job loss



Source: Own work.

From the results obtained from the survey, regarding the statement you lost your job during the Covid-19 pandemic, it is easily can be seen that 85.1 percent declare that they do not lose their job, 11.1 declare that they lost their job and 3.7 declare neutral.

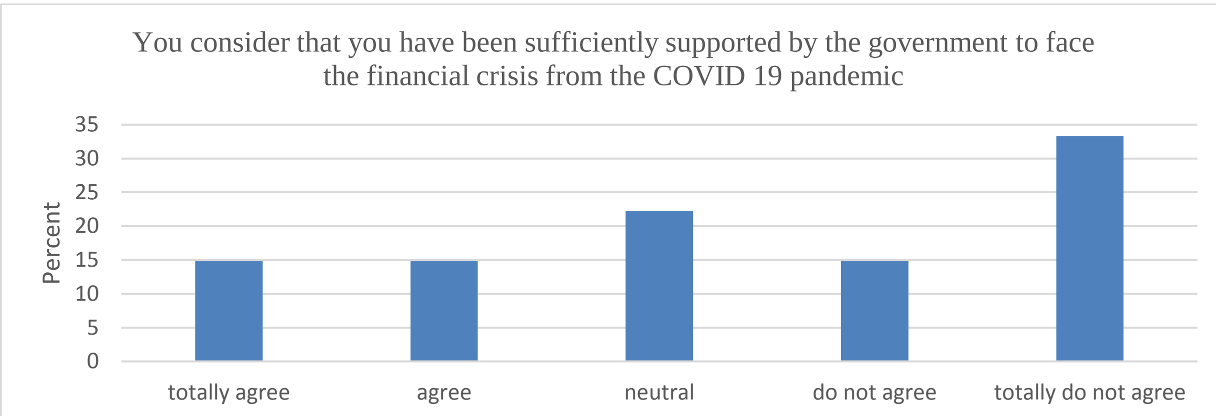
Figure 23: The benefit of the fiscal package during Covid-19 pandemic



Source: Own work.

The above figure presents the results on the statement you have been a beneficiary of the fiscal package for financial support from the COVID 19 pandemic, 81.4 of the participants on the survey declare that they were not have any benefit of the fiscal package that was planned to support citizens of Kosovo during Covid-19 pandemic, thus only a small percentage of the participants declare that they benefit from this scheme 18.4 percent and 3.7 declare neutral.

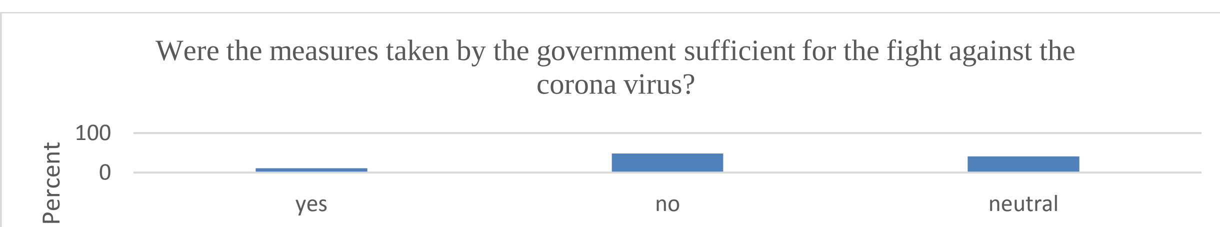
Figure 24: Support forms the governance during financial crisis caused form the Covid-19



Source: Own work.

The figure above presents the results obtained from the Likert scale questions on statement you consider that you have been sufficiently supported by the government to face the financial crisis from the COVID 19 pandemic. The scale was in five levels including the options totally agree, agree, neutral, do not agree and totally do not agree. In this statement, 14.8 percent of the participants declare totally agree, 14.8 agree, 22.2 neutral, 14.8 declare do not agree and 33.3 declare totally do not agree. As we can see a high rate of the percentage of the participant were in the opinion that they were not been sufficiently supported by the government in order to face the challenges of the financial crisis caused by the Covid-19 pandemic.

*Figure 25**:** The importance of the measures taken by the government to protect the spread of the Corona virus*



Source: Own work.

The above figure presents the opinion of the respondents about the measures taken by the government and their importance toward the fight against corona virus, only 11.1 percent of the respondents is in opinion that the measures taken by the Kosovo's government were sufficient against the spread of Corona virus, 48.1 of the participants declare no and 40.7 percent of them declare neutral.

In summarize of the survey results of the participants, a high rate of the participants was aged 25-36 and almost a lot of them were bachelor and master with low-rate percentage of PhD's. The participants in general deal with difficulties during Covid-19 crisis, they declare no impact at all for fiscal package and also in the measurement against the spread of the Corona virus during pandemic in the case of Kosovo. Almost in much cases the pandemic Covid-19 has impacted the participants finance, jobs and salaries.

5.2 Structured interviews with officials from key economic policy institutions

This section of this presents the results obtained from the interviews conducted with interested parted in this aim of the research.

5.2.1 Ministry of finance

In this subsection, the findings from the interviews are presented. First, the thoughts and opinions of the representative of the Ministry of Finance of Kosovo will be presented. After that, the findings from the interviews with the representatives of the Central Bank of Kosovo and the Chamber of Commerce will be presented.

Table 18: Overview of Kosovo's Economic Challenges during the COVID-19 Pandemic and International Support, Based on Interviews with representative of the Ministry of Finance in Kosovo

Department: Ministry of Finance **Representatives**: Behxhet Haliti / Esida Bujupi **Position**: Director of the Department of Macroeconomics **Discussion**: Interview on Kosovo's economic challenges during the COVID-19 pandemic and support from international institutions
CAN YOU PROVIDE INSIGHTS INTO THE SPECIFIC CHALLENGES THAT KOSOVO HAS FACED IN MANAGING ITS ECONOMIC RESPONSE TO THE PANDEMIC?
As a unilaterally Eurozied economy without control over monetary policy levers, and with no access to international debt markets, Kosovo was particularly vulnerable to a large-scale external shock such as the global pandemic. Both health and education systems – which became vital to managing the ramifications of the pandemic – were unprepared to withstand a grave shock. Low average maturity of domestic debt which added to the financing needs presented another challenge. Moreover, in its short history as an independent state, Kosovo had never experienced even a technical recession and had no institutional memory of managing one. Against this context, available policy choices were limited.
Political instability was an additional challenge which added to the complexity of delivering a rapid and effective response, especially on policy measures which required Parliamentary approval. Coincidentally, availability of contingent budget funds previously planned for the implementation of the law on public wages played an important role for ensuring sufficient flexibility to deliver the initial response amidst a challenging political context.
The pandemic induced Kosovo's first recorded recession, associated with a contraction of economic activity by 5.3 percent in real terms. Given the challenges in collecting and the limitations of official statistics during the pandemic, it is likely that the scars of the shock could have been even deeper[1]. Between March 2020 and February 2022, 3,105 lives were lost to the virus. The pandemic led to an 8.8 percent y/y reduction in public revenue, which in turn led to a spike in budget deficit (from a pre-pandemic 5-year average of 2.1 percent of GDP to 7.6 percent of GDP).
Despite these challenges, during the decade leading to the pandemic, Kosovo established a rules-based fiscal framework and maintained low levels of indebtedness and adequate levels of budget reserves. This was vital, first and foremost, for absorbing the initial impact of the pandemic on government operations, including the added cost for providing the pandemic-related public services in health, education, and security against rapidly falling revenue.

To be continued

Table 19: Overview of Kosovo's Economic Challenges during the COVID-19 Pandemic and International Support, Based on Interviews with representative of the Ministry of Finance in Kosovo (cont.)

In addition to supporting the government operations, adequate liquidity on the fiscal front provided the economy with reassuring signals at a time of unprecedented uncertainty. In this context, support from donors and International Financial Institutions (IFIs) was crucial; starting with the IMF's Rapid Financing Instrument, which was critical in a time of a challenging political context, as it was disbursed without the requirement for parliamentary approval. The EU and the World Bank, and later EBRD, EIB, and CEB, also provided significant financial support, as well as technical expertise. The US Government support in terms of access to vaccines also became vital to managing the pandemic. The Government also organized the first non-competitive private placement of Government bonds with the Kosovo Pension Savings Trust. The adequate initial position and the ability to mobilize funds with donor support gave the Government the tools to also take a more proactive approach. It was able to introduce temporary tax payment deferrals at a critical time, and at the same time introduce measures – amounting to more than 4 percent of GDP - aimed at mitigating the impact on most vulnerable citizens and firms.
Within its limited mandate, the Central Bank played an important guiding and coordinating role within the financial sector, facilitating the financial sector's response to the pandemic.
H**OW HAS THE WORLD BANK SUPPORTED KOSOVO IN RESPONDING TO THE ECONOMIC FALLOUT OF COVID-19, AND WHAT SPECIFIC FINANCIAL OR TECHNICAL ASSISTANCE HAS BEEN PROVIDED?**
The World Bank provided close to $100 million in concessional financing to the Government of Kosovo during 2020 and 2021 in support of managing the impacts of the pandemic. This was carried out primarily through its Emergency COVID-19 project ($68.2 million) dedicated to financing the additional cost of the pandemic on the health system, the Financial Sector Strengthening Project ($25 million) which provided support for the additional capitalization of the Kosovo Credit Guarantee Fund, as well through restructuring other pre-pandemic projects (such as the health project, the export and competitiveness project, etc.). The World Bank also designed a project to support the social assistance system both at the initial pandemic phase and the later structural reform of the system, but this project was only ratified in 2023.

Source: Own work.

5.2.2 The Central Bank of Kosovo - the Interview Results

In this subsection are presented the interviews results obtained with representative of the Central Bank of Kosovo about the impact of Covid-19 crisis and the measurement undertaken from the Central Bank in facing the challenges of the Covid -19 pandemic. The interview includes semi structured questions and the results are presented in the tables below.

Table 20: Answers of the Central Bank of Kosovo regarding the Impact of the COVID-19 Pandemic on the Economy and the Financial System

Department:	Central Bank of Kosovo
Representatives:	Fehmi Mehmeti- Governor Arben Mustafa – Advisor
Discussion:	Responses of the Central Bank of Kosovo and Assessment of the Impact of the COVID-19 Pandemic on the Economy and Financial System of Kosovo

Question	Answer	Comment
Did the COVID-19 pandemic have a negative impact on Kosovo's economy:	Yes	The pandemic had a negative impact on the economy of Kosovo.
Did the COVID-19 pandemic penetrate the financial system:	Yes	The pandemic also affected the financial system of Kosovo.
Do you believe that the COVID-19 pandemic had a negative impact on deposits:	Strongly agree	Deposits were negatively affected by the pandemic.
Did the COVID-19 pandemic have a negative impact on credit policy:	Neutral	There were no visible changes in the credit policy.
Do you consider that the COVID-19 pandemic was a cause for a decrease in credit demands:	Yes	The pandemic has caused a drop in the demand for loans.
Did you support commercial banks in the lending process during the COVID-19 pandemic:	No	The Central Bank has not supported commercial banks during the pandemic.
Did you implement measures to freeze interest rates during the COVID-19 period for bank customers:	No	No measures have been implemented to freeze interest rates.
Do you believe that the measures taken by the Central Bank were appropriate and helped Kosovo's economy during the recession:	Strongly agree	The measures were appropriate and helped the economy during the recession.
Do you consider that the measures taken by the government to combat the coronavirus were sufficient:	Neutral	Neutral impact

Source: Own work.

The Central Bank of Kosovo consider that the COVID-19 pandemic has a negative impact on Kosovo's economy further more they declare also that the consequences of the Covid -19 pandemic penetrate also the financial system in the case of Kosovo. The results also show in the scale of strongly agree that the Covid-19 pandemic crisis in the case of Kosovo also have negative impact on deposits. In the case of the credit policy the results are neutral but is very important the finding that the representative of the Central Bank of Kosovo consider that Covid-19 pandemic was a cause for a decrease in credit demand. The Central Bank also do not support the commercial banks in the lending process during the Covid-19 pandemic in the case of the Kosovo. In the question did you implement measures to freeze interest rates during the COVID-19 period for bank customers, the answer was no. In the following five Likert scale questions of the interview, in the statement do you believe that the measures taken by the Central Bank were appropriate and helped

Kosovo's economy during the recession, the answer was strongly agreed. In the next question of the interview the response in the statement do you consider that the measures taken by the government to combat the coronavirus were sufficient, the response in neutral. The following questions of the interview are open question and the result are presented in the following table

Table 21: Measures Undertaken by the Central Bank of Kosovo according to interviewees to Manage the Impact of the COVID-19 Pandemic

QUESTION:	**ANSWER:**
How did the Central Bank of Kosovo respond to the economic challenges posed by COVID-19, and what measures were implemented to mitigate its impact on the financial system and overall economy?	*CBK activated the Business Continuity Team, which had the task of monitoring and providing guidance that ensures the smooth running of the CBK functions and of the financial system in general. In this way, the regular functioning of the payment and cash supply system throughout the country was ensured at all times.*
Could you discuss the monetary policy measures undertaken by the Central Bank to support the economy during the pandemic? How did these measures affect inflation and interest rates?	*Since Kosovo operates with Euro, RFI (Rapid Financing Instrument) has been approved by the IMF in the amount of EUR 52 million to cover urgent and temporary needs of balance of payments because of the COVID-19 pandemic. The European Central Bank has approved the request of the CBK to establish a repo financing line in the amount of EUR 100 million. This financing line enables the CBK to borrow liquidity in EUR currency from the Eurosystem, to address the potential liquidity needs of financial institutions in Kosovo in the event of market dysfunction due to the COVID-19 pandemic.*
to What role did the Central Bank play in facilitating financial relief to individuals and businesses affected by the pandemic, and what were the outcomes of these relief measures?	• *These measures initially consisted in the application of a moratorium on loan repayments without any punitive measures for all borrowers who have been adversely affected by the pandemic. This Annual Report 2020 CBK 16 | moratorium has temporarily relieved the borrower of the loan repayment burden, thus improving their liquidity position to finance other needs. By May 2020, EUR 1.95 billion or 63.5% of the total loan portfolio applied for a loan moratorium, while the approval rate of these applications was over 95% or EUR 1.87 billion. Following the end of the moratorium period, the CBK has published guidelines for loan restructuring in order to establish the criteria on which the loan restructuring process should be based for borrowers who have encountered financial difficulties as a result of the pandemic*.
Did the pandemic affect the remittances in Kosovo and FDI?	*Remittances received in Kosovo amounted to 980.1 million euros, which represents an annual increase of 15.1 percent, while Foreign Direct Investments (FDI) in Kosovo reached the value of 341.7 million euros, which represents a significant increase of 34.2 percent.*

Source: Own work.

5.2.3 Results of the Role of the Chamber of Commerce in Kosovo against Covid-19 Pandemic

In this subsection, the results of the interview conducted with Ms. Lulzim Rafuna, the President of the Chamber of Commerce in Kosovo, are presented. The interview provided valuable insights into the current state of business and economic development in Kosovo, highlighting key challenges, opportunities, and the role of the Chamber of Commerce in supporting local businesses during the Covid – 19 Pandemic.

Table 22: The Role of the Kosovo Chamber of Commerce in Supporting Businesses during the Covid-19 Pandemic: Interview results

Nr.	**Department: Chamber of Commerce in Kosovo** **Representatives: Lulzim Rafuna - President**	**Discussion:** **The Role of the Chamber of Commerce in Kosovo against Covid-19 Pandemic**
1.	What has been the Kosovo Economic Chamber of Commerce's role in supporting businesses and industries during the COVID-19 crisis?	It served as a point of contact between the business community and government representatives, supplying vital information and promoting laws that would lessen the pandemic's negative economic effects.
2.	Can you describe any specific initiatives or programs that the Chamber has implemented to assist businesses affected by the pandemic?	The Chamber also made an effort to guarantee that local firms' interests were taken into account during policy debates and provided advice on how to deal with the additional difficulties brought on by COVID-19.
3.	How has the Chamber facilitated communication and collaboration between businesses and the government to address the economic challenges posed by COVID-19?	regularly updated information on policies, health recommendations, and business continuity best practices and about the Financial Support Advic and: they provided guidance on how to apply for grants and other forms of financial assistance from the government.
4.	What are the main concerns and priorities of the business community in Kosovo as conveyed to the Chamber during the pandemic?	Initiatives which were launched to assist companies in making the transition to e-commerce and digital platforms and also the some kind of Training and Webinars which were conducted in order to assist firms in adjusting to new realities and gaining knowledge about remote working tactics and tools, the Chamber arranged webinars and training sessions
5.	How has the Chamber assessed the impact of COVID-19 on various sectors of the economy in Kosovo, and what strategies have they recommended for recovery?	In order to manage cash flow, preserve health and safety, and navigate pandemic rules, it is imperative to consider the legal form of company registration, financial relief, health and safety precautions, market access issues, and regulatory uncertainties.
6.	Has the Chamber been involved in advocating for economic relief packages or stimulus measures for businesses affected by the pandemic? If so, what has been their level of success in these efforts?	The Chamber of Commerce and Industry (KECC) has established a resource portal for information on COVID-19 safety precautions and operational modifications, encouraged innovation through assistance programs, and deployed digital solutions to help firms make the switch to online operations.

To be continued

Table 23: The Role of the Kosovo Chamber of Commerce in Supporting Businesses during the Covid-19 Pandemic: Interview results (cont.)

7.	**How has the Chamber helped businesses adapt to changing market conditions and encouraged innovation in response to the pandemic?**	**With campaigns**
8.	What role has the Chamber played in disseminating information and best practices related to COVID-19 safety measures and business continuity to its members?	has established a resource portal for information on COVID-19 safety precautions and operational modifications, encouraged innovation through assistance programs, and deployed digital solutions to help firms make the switch to online operations.
9.	Looking ahead, what is the Chamber's vision for the post-COVID economic recovery and resilience of Kosovo, and what initiatives are they planning to support this vision?	To enhance the business climate

Source: Own work.

The chamber of commerce represents the interests and concerns of the business community to the government, helping develop laws that are beneficial and further to encourage communication between companies and public servants, they arranged roundtable talks and forums. Thus, in order to better understand business requirements and make sure government solutions were addressed appropriately, the Chamber solicited feedback from companies.

Legal form of company registration, financial relief, health and safety precautions, market access issues, and regulatory uncertainties all will be at the front in managing cash flow, preserving health and safety, and navigating pandemic rules. In response to the changed circumstances in the market, KECC conducted a sector study on the effects of COVID-19 on the Tourist and Hospitality Industries to suggest recovery methods such as industry-specific packages, digital transformation, and innovation. In question six, there is the answer that The Chamber of Commerce and Industry KECC lobbying efforts were made to provide support for stimulus plans and financial aid packages. Even as some of the demands regarding finance and policy changes came through due to the campaign, all company demands were still not fully met without any hurdles.

Evidence can be seen from the following questions that KECC collaborated with international organizations and donors to secure additional resources and expertise, and were engaged with donors to access funding for specific initiatives aimed at supporting businesses during the crisis.

KECC has set up an information resource portal for COVID-19 safety measures and operational adjustments, while promoting innovation through support programs, and deploying digital solutions to enable firms to transition their operations online.

5.2.4 Results from the business about the impact of Covid-19 pandemic in doing business in the case of Kosovo

The survey analysis shows that small, medium, and big Kosovar enterprises have all suffered due to the Covid-19 epidemic. There is a difference in the quantity of workers, occupations, and time of service. In this study, the questions of the survey ask about effects on enterprises, costs, job satisfaction, business suspension, financial help from fiscal packages, and government support. The majority of respondents believe that traditional businesses have suffered from the epidemic and shifted to operate online. In order to deal with the financial crisis, the majority of respondents got assistance from the government please refer to the appendix I for detailed percentages. The table below presents the results obtained from the questionnaires.

Table 24: Results obtained from the questionnaires groups of stakeholders- business

Nr.	Questions	Answers
1.	Your business is:	Small business: 45 Micro business: 25% Medium-sized business: 20% Large business: 10%
2.	Number of employees:	1-5: 30% 6-10: 25% 11-20: 20% 21-30: 15% 31-40: 5% 40+: 5%
3.	Your current position at work:	Manager 45% Owner 35% Employe 15% Other 5%
		Retail 65% Manufacturing 25% Other 10%
	Your duration of engagement in this business:	Up to 1 year: 15% 2-3 years: 30% 4 or more years: 55%
	The COVID-19 pandemic has had a negative impact on your business:	Yes: 70% No: 15% Neutral: 15%

To be continued

Table 25: Results obtained from the questionnaires groups of stakeholders- business (cont.)

	The COVID-19 pandemic has increased your expenses:	Yes: 65% No: 20% Neutral: 15%
	Do you believe that the COVID-19 pandemic has negatively affected doing business, shifting from traditional businesses to online ones:	Strongly agree: 30% Agree: 40% Neutral: 20% Disagree: 7% Strongly disagree: 3%
	The COVID-19 pandemic has had a negative impact on your job:	Yes: 60% No: 25% Neutral: 15%
	Have you suspended your business during the COVID-19 pandemic:	Yes: 35% No: 55% Neutral: 10%
	Have you benefited from the fiscal package for financial support due to the COVID-19 pandemic:	Yes: 40% No: 60%
	Have you received support from the government to cope with the financial crisis caused by the COVID-19 pandemic:	Yes: 45% No: 55%
	Were the measures taken by the government to combat the coronavirus pandemic sufficient:	Yes: 35% No: 65%
	What would you do differently from your perspective to protect businesses from the consequences of COVID-19?	increased financial support 45% more targeted health measures 25%, improved communication from the government 15% Other 15%

Source: Own work.

5.2.5 Opposition's stance on the government's response to the covid-19 crisis in Kosovo

The following sections present the findings related to the opposition's claims with respect to Covid-19 pandemic issues in the case of Kosovo. Most often, the opposition criticized that the government's reaction has either not been sufficiently performed on time or has been done too late. They have criticized the general approach to crisis management by the government and have doubted the effectiveness of the government's measures. However, there is a lot of belief among opposition leaders that insufficient is done to stop the spread of viruses, or to soften the impacts of the virus on economy, often referring to certain poorly adopted planning or administration. There are also underlined the new approaches and measures proposition. The following table offers the findings from the semi-structured interview:

Table 26: Structured interview with group of stakeholders – opposition

QUESTIONS	ANSWERS
How has the opposition assessed the government's response to the COVID-19 pandemic?	The opposition has criticized the government for its delayed and inadequate response. They have raised concerns about the management of the crisis and questioned the effectiveness of the government's tactics.
What does the opposition think about the government's efforts to stop the spread of the virus and the economic consequences?	The opposition believes that the government has not done enough to stop the spread of the virus or mitigate the economic consequences, pointing to poor planning and management.
What new measures has the opposition proposed?	Increased capacity for contact tracing and testing. - More extensive economic aid plans, including direct financial assistance and extended support packages. - Strengthening the health system.
What criticism has the opposition made of the government's communication during the pandemic?	The opposition has highlighted inconsistencies in policy changes and communication, claiming that they have caused public confusion and non-compliance with the measures.
Does the opposition consider the government's economic assistance sufficient?	No, the opposition believes that the economic aid plans are insufficient and do not include all affected groups and individuals.
What kind of additional assistance has the opposition requested?	Additional funding for small businesses. - Direct aid for low-income families. - Greater support for the most affected groups.
What suggestions has the opposition made for improving	Greater allocation of funds for health infrastructure and resources. - Ensuring sufficient staff and equipment for hospitals. - Reforms to increase emergency

the healthcare system?	response capacities.
What measures has the opposition proposed to increase vaccination?	**More efficient organization of vaccine distribution. - Public education programs to increase vaccine uptake.**
What concerns has the opposition raised about healthcare during the pandemic?	The opposition has expressed concerns about the lack of health care, including testing and treatment for COVID-19.
How has the opposition assessed the government's transparency regarding pandemic data?	The opposition has accused the government of a lack of transparency in publishing data on the pandemic, such as the number of cases and policy decisions, saying this has undermined public trust and implementation of measures.
What steps has the opposition taken to hold the government accountable?	The opposition has participated in legislative committees to review the response to the pandemic and has provided constructive suggestions and criticism.

Source: Own work.

The opposition has suggested ramping up contact tracing efforts and building capacity for more tests. They have called for broad economic relief programs that have both direct financial assistance and stretched packages of support. Recommendations include strengthening the health system and ensuring that all the hospitals have adequate staffing and equipment. The opposition has attacked the administration for its slow-acting management of the epidemic, particularly in its early stages: They point to inconsistencies in policy updates and messaging, citing these as reasons for confusion among the public and a lack of adherence to regulations. Another criticism against the economic aid programs is that not everyone who needed them was reached.

The opposition generally feels that the stimulus and economic relief plans were not enough. They feel that the actions were not broad enough to cover all the groups and individuals that were affected. They have called for more targeted and meaningful aid, like infusing more money into small businesses and one-on-one aid for low-income families. The opposition wants more money allotted for healthcare infrastructure and resources in order to better manage the spikes of COVID-19 cases. There have been requests for an effective vaccination rollout along with public education programs to raise uptakes of vaccines. Strengthening general public health capacities, increasing the health system's resilience to respond to emergencies, reform is one thing suggested. They have also expressed their concern over the accessibility of treatments related to healthcare for these groups, especially COVID-19 testing and treatment.

The opposition has constantly attacked the administration for not being open in sharing data on the epidemic, such as case counts and policy choices. They argued that a lack of transparency has destroyed public confidence and adherence to health recommendations. The opposition is of the view that it has a duty to ensure that the administration is held accountable for its handling of the issue and pressed for more effective measures.

6 CONCLUSIONS

The COVID-19 pandemic, famous all over the world for its plenty of health implications, didn't leave all spheres of society unscathed. The pandemic shook every sphere of human life. This virus spreading with dizzying speed-the virus of death-created the unknown and instilled fear into the heart of every citizen. In this direction, countries of the world, one by one, began to mobilize against this deadly virus and took all measures to prevent the virus, invested in the health sector, while not neglecting investment in the economy.

This study has used a wide range of literature including different scientific articles and different reports in order to highlight the importance and implications of the Covid 19 pandemic in the world and especially in Kosovo. The research field in general and for Kosovo is extended in particular, referring to the micro-economic, macroeconomic socio-political implications of this pandemic. It employs a mixed-method approach, both qualitative and quantitative, to reach answers to the questions and problems of scientific research. A large number of questionnaires were carried out, as well as semi-structured interviews, and the study concludes that the Covid 19 pandemic has had a big impact on Kosovo's economy, including the findings of the questionnaire from the citizens, where a large number of them have stated that the effect has been negative, also businesses, a large number of them had negative experiences. Despite the answers from the Ministry of Finance and the Central Bank and from the interviews that were done, one might conclude it is worth saying that vast measures were undertaken but have not caused so many positive effects in surmounting this crisis named by the SARS COVID 19 pandemia.

The Government of Kosovo approved the package of fiscal measures in emergency, with 15 measures where the beneficiaries of the package are detailed. Obviously, the beneficiaries were all those physical and legal persons affected by the covid 19 pandemic. Apart from the health budget, the tax administration of Kosovo also had an important role in the implementation of the emergency fiscal package, which publicly announced the physical and legal persons who had the right to benefit from the emergency fiscal package approved by the Kosovo Assembly, thus protecting the state of Kosovo from retrenchment to a certain extent. In that direction, the consumption of the citizens and the general one has definitely been a great contribution at one time representing the most important impact on economic growth in the country of Kosovo.
From the point of view of the recovery from the economic crisis caused by the covid 19 pandemic, the most important macroeconomic indicators show that Kosovo's economy was attacked during the first quarter of 2020, after which the macroeconomic indicators showed positive trends, which without any doubt resulted from measures taken by the government, which without any doubt was an instruction from the World Health Organization. The reason is that overcoming the crisis caused

by the COVID-19 pandemic was extremely hard, and this was followed by a second crisis brought about by the Russian-Ukrainian war with crust. Due to inflation, economic indicators have a growth rate slower than the forecasts coming from the World Bank and the European Commission. The research study recommends that based on its findings, efforts should be made by the interested parties to enforce domestic consumption. Domestic consumption in this way will contribute to domestic production, and in the long run, household consumption will positively impact the sustainable economic growth and development of the state of Kosovo. Otherwise, the study also recommends increasing the employment rate and decreasing the unemployment rate, especially among young people, since employment is a macroeconomic indicator that, together with consumption, has a positive effect on economic growth**.**

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APPENDICES

Appendix 1: Povzetek (summary in Slovene language)

Pandemija COVID-19 je leta 2020 povzročila močan padec gospodarske rasti v praktično vseh državah sveta, intenzivnost tega zmanjševanja pa nima primerjave v sodobni zgodovini. Kot odziv na krizo so vlade držav širom sveta sprejele obsežne svežnje finančne pomoči usmerjene tako v pomoč gospodarstvu kot gospodinjstvom. Namen diplomskega dela je predstaviti izzive, s katerimi se je v pogojih pandemije soočilo gospodarstvo Kosova in njegova družba kot celota, ter analizirati, s kakšnimi ukrepi se je kosovka vlada na te odzive odzvala. Za boljše razumevanje posledic pandemije, magistrsko delo predstavi tudi stanje na Kosovu v obdobju pred izbruhom pandemije COVID-19. V metodološkem smislu je delo študija primera države, katero temelji na statističnih podatkih in drugih informacijah pridobljenih iz dveh skupin virov. Osnovo predstavljajo podatki pridobljeni iz sekundarnih virov, predvsem iz Ministrstva za finance, Ministrstva za zdravje, Agencije za statistik in drugih nacionalnih institucij. Četrtletni makroekonomski podatki zajemajo obdobje 2019–2023, predstavljeni pa so v obliki teksta, tabel in grafov. Koriščeni so tudi podatki pridobljeni iz baz številnih mednarodnih institucij, kot na primer Svetovne zdravstvene organizacije, Svetovne banke, Mednarodnega denarnega sklada in Organizacije za ekonomsko sodelovanje in razvoj. Glavni vsebinski prispevek magistrskega dela pa predstavlja analiza temelječa na primarnih podatkih, ki so bili zbrani oziroma pridobljeni s pomočjo ankete izvedene med prebivalstvom ter strukturiranih intervjujev s predstavniki ključnih državnih institucij, katere so bile odgovorne za obvladovanje negativnih učinkov pandemije. Osnovni zaključek magistrskega dela je, da je pandemija COVID-19 močno prizadela kosovsko gospodarstvo, tako na finančnem kot fiskalnem področju. Čeprav so sprejeti ukrepi pozitivno vplivali na obvladovanje pandemije, pa niso mogli preprečiti negativnih socialno-ekonomskih učinkov, kateri so se izražali predvsem v obliki izrazitega padca gospodarske rasti, porasta nezaposlenosti in povečanih finančnih problemov, s katerimi so se soočila številna podjetja.

Appendix 2: Questionnaire with business and the results

This questionnaire has been prepared for the purpose of a master's research study titled:

COVID-19 CRISIS AND ITS ECONOMIC IMPLICATIONS: KOSOVO COUNTRY CASE

Your participation in this study will enable the completion of the research and help me obtain a master's degree. Your answers are anonymous and will be used solely for the purpose of this research.

Thank you for your time,

With respect,

Doruntina Hamza

1. **Your business is:**

   a) Small business: 45%

   b) Micro business: 25%

   c) Medium-sized business: 20%

   d) Large business: 10%

2. **Number of employees:**

   a) 1-5: 30%

   b) 6-10: 25%

   c) 11-20: 20%

   d) 21-30: 15%

   e) 31-40: 5%

   f) 40+: 5%

3. **Your current position at work:**

   a) Manager 45%
   b) Owner 35%
   c) Employe 15%
   d) Other 5%

4. **Your profession:**

a) Retail 65%
b) Manufacturing 25%
c) Other 10%

5. **Your duration of engagement in this business:**

a) Up to 1 year: 15%

b) 2-3 years: 30%

c) 4 or more years: 55%

II. Research Questions

1. **The COVID-19 pandemic has had a negative impact on your business:**

a) Yes: 70%

b) No: 15%

c) Neutral: 15%

2. **The COVID-19 pandemic has increased your expenses:**

a) Yes: 65%

b) No: 20%

c) Neutral: 15%

3. **Do you believe that the COVID-19 pandemic has negatively affected doing business, shifting from traditional businesses to online ones:**

a) Strongly agree: 30%

b) Agree: 40%

c) Neutral: 20%

d) Disagree: 7%

e) Strongly disagree: 3%

4. **The COVID-19 pandemic has had a negative impact on your job:**

a) Yes: 60%

b) No: 25%

c) Neutral: 15%

5. **Have you suspended your business during the COVID-19 pandemic:**

a) Yes: 35%

b) No: 55%

c) Neutral: 10%

6. **Have you benefited from the fiscal package for financial support due to the COVID-19 pandemic:**

a) Yes: 40%

b) No: 60%

7. **Have you received support from the government to cope with the financial crisis caused by the COVID-19 pandemic:**

a) Yes: 45%

b) No: 55%

8. **Were the measures taken by the government to combat the coronavirus pandemic sufficient:**

a) Yes: 35%
b) No: 65%

9. **What would you do differently from your perspective to protect businesses from the consequences of COVID-19?**

a) increased financial support 45%
b) more targeted health measures 25%,
c) improved communication from the government 15%
d) Other 15%

Appendix 3: Chamber of Commerce Questionnaire

1. What has been the Kosovo Economic Chamber of Commerce's role in supporting businesses and industries during the COVID-19 crisis?

2. Can you describe any specific initiatives or programs that the Chamber has implemented to assist businesses affected by the pandemic?

3. How has the Chamber facilitated communication and collaboration between businesses and the government to address the economic challenges posed by COVID-19?

4. What are the main concerns and priorities of the business community in Kosovo as conveyed to the Chamber during the pandemic?

5. How has the Chamber assessed the impact of COVID-19 on various sectors of the economy in Kosovo, and what strategies have they recommended for recovery?

6. Has the Chamber been involved in advocating for economic relief packages or stimulus measures for businesses affected by the pandemic? If so, what has been their level of success in these efforts?

7. Can you provide insights into any partnerships or collaborations the Chamber has engaged in with international organizations or donors to support businesses during the COVID-19 crisis?

8. How has the Chamber helped businesses adapt to changing market conditions and encouraged innovation in response to the pandemic?

9. What role has the Chamber played in disseminating information and best practices related to COVID-19 safety measures and business continuity to its members?

10. Looking ahead, what is the Chamber's vision for the post-COVID economic recovery and resilience of Kosovo, and what initiatives are they planning to support this vision?

Appendix 4: Opposition's stance on the government's response to the covid-19 crisis in Kosovo

1. What is the opposition's stance on the government's response to the COVID-19 crisis in Kosovo? Do they believe the government's actions have been effective?

2. Has the opposition proposed alternative strategies or measures to combat the pandemic, and if so, what are they?

3. What criticisms, if any, have the opposition parties raised regarding the government's handling of the COVID-19 crisis, and how do they propose addressing these issues?

4. How has the opposition assessed the economic relief and stimulus packages introduced by the government in response to the pandemic? Do they believe these measures are sufficient?

5. Has the opposition presented any specific recommendations for improving the healthcare and public health response to COVID-19 in Kosovo?

6. What are the opposition's concerns regarding the impact of COVID-19 on vulnerable populations, including low-income individuals and marginalized communities in Kosovo?

7. How does the opposition view the government's communication and transparency in providing information about the COVID-19 situation to the public?

8. What role, if any, do the opposition parties see themselves playing in supporting the national effort to combat the pandemic and its economic consequences?

9. Have there been any attempts by the opposition to collaborate or cooperate with the ruling party or government to address the COVID-19 crisis?

10. How does the opposition envision the post-pandemic recovery and economic resilience of Kosovo, and what policies or strategies do they propose to achieve these goals?

Appendix 5: Questionnaire with citizens

This questionnaire has been prepared for the purpose of a master's research study titled: COVID-19 CRISIS AND ITS ECONOMIC IMPLICATIONS: KOSOVO COUNTRY CASE Your participation in this study will enable the completion of the research and help me obtain a master's degree. Your answers are anonymous and will be used solely for the purpose of this research. Thank you for your time, With respect, Doruntina Hamza

In the first section, demographic questions are included:

1. Your Age:

- 18-24
- 25-35
- 36-45
- 46-55
- 56-65
- 65+

2. Gender:

- Female
- Male

3. Marital Status:

- Married
- Unmarried

4. Educational Level:

- Elementary
- High School
- Vocational High School

- Bachelor's Degree
- Master's Degree
- Doctorate

5. Employment Status:

- Employed in the private sector
- Public sector
- Family business
- Unemployed
- Other

6. Your Profession:

- Write your profession: _______________

7. Current Job:

- Write your current job: _______________

In the second section, research questions are presented:

1. The COVID-19 pandemic has had a negative impact on your life:

- Yes
- No
- Neutral

2. The COVID-19 pandemic has increased your family's expenses:

- Yes
- No
- Neutral

3. You believe that the COVID-19 pandemic has negatively affected the cost of living by causing prices of goods and services to rise:

- Strongly agree
- Agree
- Neutral
- Disagree
- Strongly disagree

4. The COVID-19 pandemic has had a negative impact on your job:

- Yes
- No
- Neutral

5. Have you lost your job during the COVID-19 pandemic?

- Yes
- No
- Neutral

6. Have you benefited from the fiscal package for financial support due to the COVID-19 pandemic?

- Yes
- No

7. Have you received support from the government to cope with the financial crisis caused by the COVID-19 pandemic?

- Yes
- No

8. Were the measures taken by the government sufficient for the fight against the coronavirus?

- Yes
- No

- Neutral

9. What would you do differently from your personal perspective to protect the economy from the consequences of COVID-19?

Appendix 6: Questionnaire with central bank of Kosovo

What is your current occupation:

In the second section, research questions are presented.

1. Did the COVID-19 pandemic have a negative impact on Kosovo's economy:

   a) Yes

   b) No

   c) Neutral

2. Did the COVID-19 pandemic penetrate the financial system:

   a) Yes

   b) No

   c) Neutral

3. Do you believe that the COVID-19 pandemic had a negative impact on deposits:

   a) Strongly agree.

   b) Agree

   c) Neutral

   d) Disagree

   e) Strongly disagree

4. Did the COVID-19 pandemic have a negative impact on credit policy:

   a) Yes

   b) No

   c) Neutral

5. Do you consider that the COVID-19 pandemic was a cause for a decrease in credit demands:

   a) Yes

b) No

6. Did you support commercial banks in the lending process during the COVID-19 pandemic:

a) Yes

b) No

c) Neutral

7. Did you implement measures to freeze interest rates during the COVID-19 period for bank customers:

a) Yes

b) No

8. Do you believe that the measures taken by the Central Bank were appropriate and helped Kosovo's economy during the recession:

a) Strongly agree.

b) Agree

c) Neutral

d) Disagree

e) Strongly disagree.

9. Do you consider that the measures taken by the government to combat the coronavirus were sufficient:

a) Yes

b) No

c) Neutral

10. How did the Central Bank of Kosovo respond to the economic challenges posed by COVID-19, and what measures were implemented to mitigate its impact on the financial system and overall economy?

11. Could you discuss the monetary policy measures undertaken by the Central Bank to support the economy during the pandemic? How did these measures affect inflation and interest

rates?

12. What role did the Central Bank play in facilitating financial relief to individuals and businesses affected by the pandemic, and what were the outcomes of these relief measures?

13. What would you do differently from your personal perspective to protect the financial sector from the consequences of COVID-19 and ensure sustainable economic growth

Appendix 6: Questionnaire with representative of ministry of finance in case of Kosovo

This questionnaire has been prepared for the purpose of a master's research titled:

COVID-19 CRISIS AND ITS ECONOMIC IMPLICATIONS: KOSOVO COUNTRY CASE

Your participation in this research will make the study possible and will enable me to obtain a master's degree. Your responses are anonymous and will be used solely for the purpose of this research.

Thank you for your time,

With respect,

Doruntina Hamza

In the first section, demographic questions are included.

1. Your age:

   a) 18-24

   b) 25-35

   c) 36-45

   d) 46-55

   e) 56-65

   f) 65+

2. Gender:

   a) Female

   b) Male

3. Marital Status:

   a) Married

   b) Unmarried

4. Education Level:

a) Primary

b) High School

c) Vocational School

d) Bachelor's Degree

e) Master's Degree

f) Doctorate

5. Your profession:

Your current occupation: ________________________

II. In the second section, research questions are presented.

1.The COVID-19 pandemic has had a negative impact on Kosovo's economy:

a) Yes

b) No

c) Neutral

2. The COVID-19 pandemic has increased government spending and public debt:

a) Yes

b) No

c) Neutral

3. Do you believe that the COVID-19 pandemic has negatively affected public revenue:

a) Strongly agree.

b) Agree

c) Neutral

d) Disagree

e) Strongly disagree

4. The COVID-19 pandemic had a negative impact on tax revenue collection:

a) Yes

b) No

c) Neutral

5. Do you consider the COVID-19 pandemic as a cause of a decrease in foreign direct investments in Kosovo:

a) Yes

b) No

6. Did you increase your total government spending during the COVID-19 pandemic:

a) Yes

b) No

c) Neutral

7. Did you approve a fiscal package for financial support during the COVID-19 pandemic, including all categories of economic agents affected by the crisis:

a) Yes

b) No

8. Do you think the emergency fiscal package was necessary and helped Kosovo's economy during the recession:

a) Strongly agree

b) Agree

c) Neutral

d) Disagree

e) Strongly disagree

9. Do you consider the measures taken by the government to combat the coronavirus to be sufficient:

a) Yes

b) No

c) Neutral

10.What would you do differently from your personal perspective to protect the economy from the consequences of COVID-19 and ensure sustainable economic growth?

11.Can you provide an overview of the economic impact of the COVID-19 pandemic on Kosovo, including key indicators such as GDP growth, employment, and inflation?

12.The pandemic forced many governments to increase public spending to support healthcare systems and provide economic relief. Can you discuss the fiscal measures taken to address these needs and how they affected the national budget?

13.What steps were taken to ensure the flow of financial resources to individuals and businesses affected by the pandemic? How was the allocation and distribution of financial relief programs managed?

14. How did the COVID-19 pandemic impact foreign direct investment (FDI) and remittances in Kosovo, and what strategies or policies were implemented to mitigate the effects of the pandemic on these crucial sources of external finance for the country's economy?