

Studies on obstacles and opportunities for doing business in the region

Study no.1

**Prospects for Travelling and Tourism Sector in the
Western Balkans in 2020
(impact of the coronavirus pandemic)**

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Executive summary

Year 2020 brought many challenges and enormous economic and social pressures, for which neither individuals nor countries were ready. To be precise, it brought the coronavirus (COVID-19), which had impact on all aspects of our lives.

In this study, we will look at the overview of policies and measures that the six countries of the Western Balkans (WB6: Albania, Bosnia and Herzegovina, Kosovo, Montenegro, North Macedonia and Serbia) have adopted or will adopt to minimize the negative effects of the coronavirus on the economic sector.

As we know the Tourism and Transport sector of economy (T&T) has been heavily hit by the coronavirus (COVID-19) pandemic, and strong measures were introduced to contain its spread. Depending on the duration of the crisis, revised scenarios indicate that the potential shock could range between a 60-80% decline in the tourism sector in 2020. We emphasise tourist sector because Tourism and Transport are a significant part of many national economies, specially for the countries of Southeast Europe - Western Balkans.

In first part of the study we are showing contribution of the Tourism&Transport to GDP's of Western Balkans countries, as well as the country profiles from T&T point of view. Conclusions that we can draw are, for example, that Albania is the leading country in the number of tourists arriving and in value of international tourist receipts in 2019, but if we look at the percentage increase in the number of tourists arriving and value of international tourists receipts compared to last year (2018.) Montenegro and Bosnia and Herzegovina performed best. On top of this, Montenegro has the largest total contribution of T&T to GDP with 32,1%, Albania is second with 21,2%, while other countries have much lower contribution rate of T&T to GDP. Situation is very similar with total contribution of T&T to employment and share of tourism of total export - highest in Montenegro (54%) and Albania (38%), while share in other countries is quite lower.

These and similar data are shown in the first part of the study, and they are important because we have insight into the structure of the national economies. That is important because it show us which are the most important areas where countries must implement extensive measures. After this part, we prepared an overview of expectations for 2020 prior to coronavirus pandemic outbreak and revised expectations for 2020 after the impact of coronavirus

pandemic, with comparative data for 2019, with two case scenarios: baseline and downsize scenario.

In the second part of the study we can see detailed overview of policies and measures adopted by governments shown through various economic policy measures: fiscal policy, monetary Policy, jobs & skills, market intelligence, as well as EBRD's - policy comparator and Key crisis impact and response indicators in common table for WB. Every country used measures to directly support firms, through wage subsidies and tax/social contributions reductions, as well as payment holidays for loans and rents. One of the key crisis response indicators in each country was external assistance from EU, IMF or WB. At the end of this chapter, an overview of the most and the less successful strategies for combating COVID19 so far, are shown.

Final part of the study consists of recommendations that would guide decision makers and businesses operating in travel and tourism sector in future uncertain times.

Introduction

As the coronavirus emerged in China and spread globally, authorities have acted decisively to limit its spread. Experience with similar diseases reveals that while the human costs are significant, the bulk of the economic costs are due to the preventive behaviour of individuals and the transmission control policies of governments. Current experience is no different. As the virus spread internationally, many countries have already taken or will eventually take action to limit the spread, through social isolation policies, such as shutting educational institutions, limiting work and restricting the mobility of people.

Preventive actions have had an immediate and significant impact on all economies, and through trade and tourism, on partner economies. The coronavirus disease 2019 (COVID-19) pandemic also is exacting a huge toll on individuals, families, communities, and societies across the world. Daily lives have been profoundly changed, economies have fallen into recession, and many of the traditional social, economic, and public health safety nets that many people rely on in times of hardship have been put under unprecedented strain.

In the first six months of 2020, COVID-19 has affected almost all countries and eight million people around the world. COVID-19 has governments operating in a context of radical uncertainty, and faced with difficult trade-offs given the health, economic and social challenges it raises. More than half of the world's population has experienced a lockdown with strong containment measures. Beyond the health and human tragedy of the coronavirus, it is now widely recognised that the pandemic triggered the most serious economic crisis in a century. The OECD predicts global economic activity to fall between 6% and 7.6% in 2020, depending on whether a second wave of infections hits before year-end or not.

Each country must continue to implement National Action Plans based on a whole-of-society approach and a realistic appraisal of what is feasible to achieve first in terms of slowing down transmission and reducing mortality, and subsequently in terms of sustaining low level transmission while society and economic activity resumes. Plans must be flexible enough to react to rapidly changing epidemiological situations in different parts of the country, and take into account the local contexts and capacities to respond.¹

¹ World Health Organization: COVID-19 Strategy update - <https://www.who.int/docs/default-source/coronaviruse/covid-strategy-update-14april2020.pdf>

Contribution of the Tourism&Transport to GDP's of Western Balkans countries, country profiles from T&T point of view

The Tourism and Transport economy (T&T) has been heavily hit by the coronavirus (COVID-19) pandemic, and measures introduced to contain its spread. Depending on the duration of the crisis, revised scenarios indicate that the potential shock could range between a 60-80% decline in the international tourism economy in 2020. Beyond immediate measures to support the tourism sector, countries are also shifting to develop recovery measures. These include considerations on lifting travel restrictions, restoring traveller confidence and rethinking the tourism sector for the future.²

Tourism and Transport are a significant part of many national economies, specially for the countries of Southeast Europe - Western Balkans: Montenegro, Serbia, Bosnia and Herzegovina, Albania, Northern Macedonia and Kosovo. In the continuation of this document, the profiles of the mentioned countries will be presented, precisely from the point of view of the contribution of travel and transport to the gross domestic products of these countries (data are shown for last three years). In addition, an individual overview of performance by country will be presented, which is described in the Travel & Tourism Competitiveness Index (2019 edition) - World Economic Forum.

By the Travel and Tourism Competitiveness Report for 2019, Europe and Eurasia remains the most competitive region when it comes to T&T. The region is home to six of the top 10 scoring economies. It has some of the best cultural resources in the world and leading infrastructure, especially for ground, port and tourist service infrastructure. The region also has the world's best enabling environment and T&T prioritization. Despite its maturity, the region was also the most improved region since 2017, with the greatest average improvement resulting from price competitiveness, air transport infrastructure and ICT readiness. While Western, Southern and Northern Europe remain the competitive core of the region, the Balkans and Eastern Europe and Eurasia subregions showed the highest average TTCI (Travel & Tourism Competitiveness Index) score growth.³

An overview of expectations for 2020 prior to coronavirus pandemic outbreak and revised expectations for 2020 after the impact of coronavirus pandemic, with comparative data for 2019, is provided – with two case scenarios: baseline and downsize scenario.

² OECD: Tourism Policy Responses to the coronavirus (COVID-19) -

https://read.oecd-ilibrary.org/view/?ref=124_124984-7uf8nm95se&title=Covid-19_Tourism_Policy_Responses

³ World Economic Forum: Travel and Tourism Competitiveness Report for 2019 -

http://www3.weforum.org/docs/WEF_TTCR_2019.pdf

Review of tourism and transport sector performance and indicators in the past three years

In last three years, tourism and transport were major economic drivers for WB region. Actually, year 2019. was on the most successful years for these countries in tourism and transport: record level of tourist arrivals, record levels of spending and record levels of intraregional trade led to significant growth of GDP mainly due to strong impact of tourism and transport.

Next chapter provides official data with underpins these conclusions.

Country profiles

Montenegro

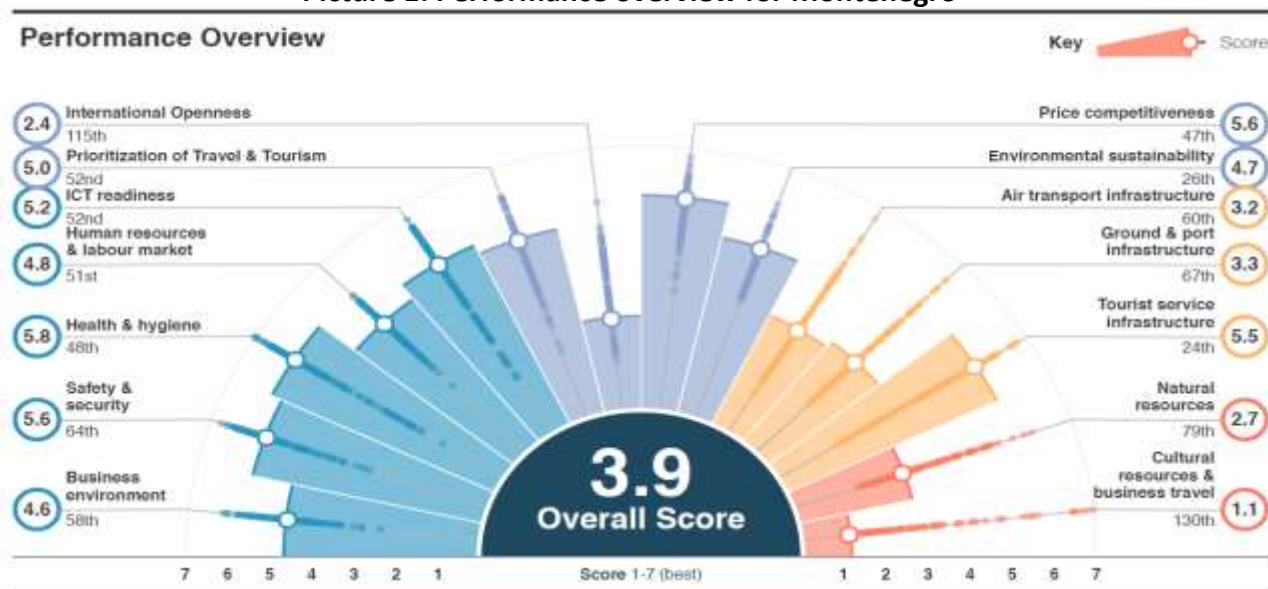


Table 1: Key indicators for Montenegro

KEY INDICATORS		2019	2018	2017
International tourist arrivals		2,5 mil	2,1 mil	1,9 mil
International tourism receipts		\$ 1.200 mil	\$ 1.200 mil	\$ 1.000 mil
Average receipts per arrival		\$ 490	\$ 570	\$ 550
International tourism exports		\$ 1.300 mil	\$ 1.200 mil	\$ 1.100 mil
Share of tourism of total export		54 %	54 %	54 %
Average annual growth for last 10 years (for tourist arrivals)		9 %	7 %	7 %
Total contribution of T&T to GDP	- real prices (in millions)	\$ 1.762,8	\$ 1.655,4	\$ 1.562,7
	- % of total economy	32,1 %	31,05 %	30,8 %
	- % growth	6,5 %	5,9 %	6,9 %
Total contribution of T&T to employment	- % of total employment	32,8 %	33,0 %	32,3 %
	- thousands of jobs	66,9	62,7	58,9
	- % growth	6,7 %	6,4 %	5,6 %

Source: World Tourism Organization (UNWTO)⁴ and World Travel and Tourism Council (WTTC)⁵

Picture 1: Performance overview for Montenegro



Past performance

Travel & Tourism Competitiveness Edition	2015	2017	2019
Rank	67 / 141	72 / 136	67 / 140
Score	3.8	3.7	3.9

Source: World Economic Forum - Travel & Tourism Competitiveness Index 2019 edition⁶

⁴ <https://www.unwto.org/country-profile-inbound-tourism>

⁵ <https://tool.wttc.org/>

⁶ <https://reports.weforum.org/travel-and-tourism-competitiveness-report-2019/country-profiles/#economy=MNE>

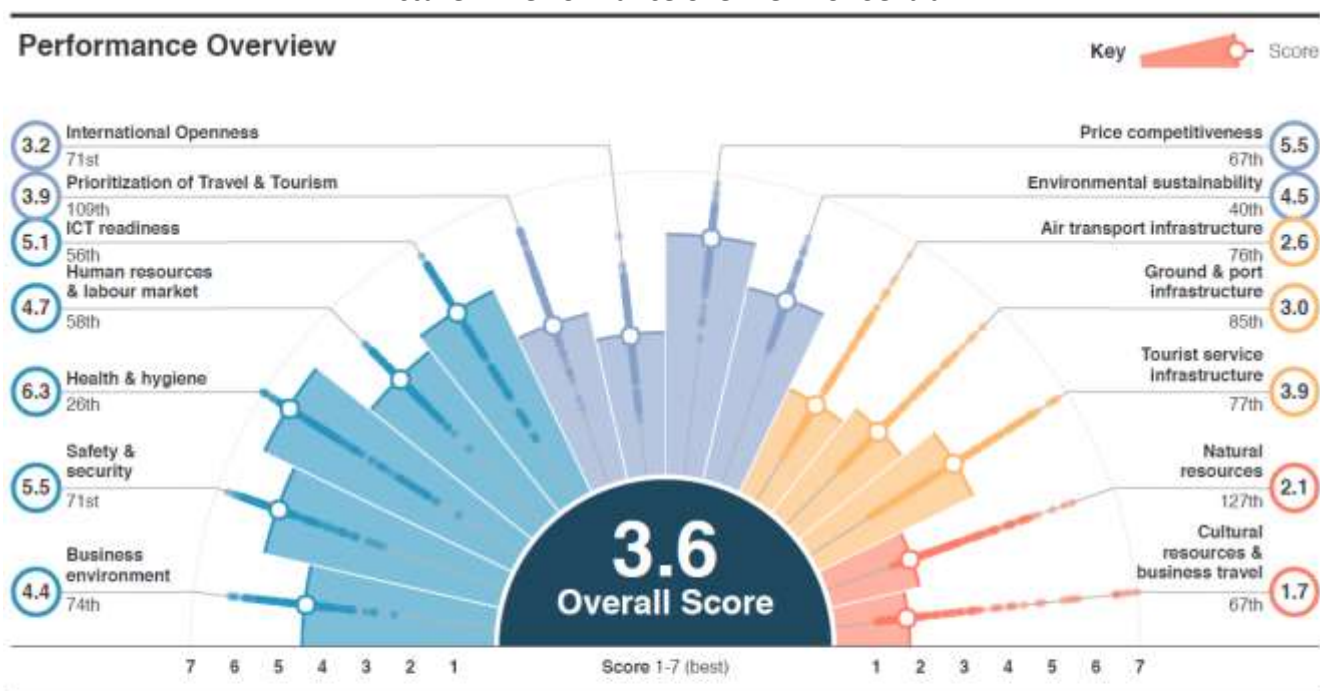


Table 2: Key indicators for Serbia

KEY INDICATORS		2019	2018	2017
International tourist arrivals		1,8 mil	1,7 mil	1,5 mil
International tourism receipts		\$ 1.600 mil	\$ 1.500 mil	\$ 1.300 mil
Average receipts per arrival		\$ 870	\$ 900	\$ 900
International tourism exports		\$ 2.000 mil	\$ 1.900 mil	\$ 1.700 mil
Share of tourism of total export		7 %	7 %	7 %
Average annual growth for last 10 years (for tourist arrivals)		11 %	10 %	8 %
Total contribution of T&T to GDP	- real prices (in millions)	\$ 2.994,9	\$ 2.875,0	\$ 2.759,3
	- % of total economy	5,85 %	5,8 %	5,8 %
	- % growth	4,2 %	4,2 %	7,4 %
Total contribution of T&T to employment	- % of total employment	6,2 %	6,15 %	6,1 %
	- thousands of jobs	134,8	131,0	125,65
	- % growth	2,9 %	4,25 %	8,6 %

Source: World Tourism Organization (UNWTO)⁷ and World Travel and Tourism Council (WTTC)⁸

Picture 2: Performance overview for Serbia



Past performance

Travel & Tourism Competitiveness Edition	2015	2017	2019
Rank	95 / 141	95 / 136	83 / 140
Score	3.3	3.4	3.6

Source: World Economic Forum - Travel & Tourism Competitiveness Index 2019 edition⁹

⁷ <https://www.unwto.org/country-profile-inbound-tourism>

⁸ <https://tool.wttc.org/>

⁹ <https://reports.weforum.org/travel-and-tourism-competitiveness-report-2019/country-profiles/#economy=SRB>



Table 3: Key indicators for Bosnia and Herzegovina

KEY INDICATORS		2019	2018	2017
International tourist arrivals		1,2 mil	1,1 mil	0,9 mil
International tourism receipts		\$ 1.100 mil	\$ 1.000 mil	\$ 900 mil
Average receipts per arrival		\$ 950	\$ 980	\$ 1.000
International tourism exports		\$ 1.200 mil	\$ 1.100 mil	\$ 1.000 mil
Share of tourism of total export		13 %	12 %	12 %
Average annual growth for last 10 years (for tourist arrivals)		14 %	13 %	12 %
Total contribution of T&T to GDP	- real prices (in millions)	\$ 1.820,0	\$ 1.703,3	\$ 1.608,6
	- % of total economy	9,3 %	8,7 %	8,5 %
	- % growth	6,85 %	5,9 %	10,05 %
Total contribution of T&T to employment	- % of total employment	9,6 %	9,2 %	8,9 %
	- thousands of jobs	79,1	74,1	69,8
	- % growth	6,65 %	6,2 %	10,6 %

Source: World Tourism Organization (UNWTO)¹⁰ and World Travel and Tourism Council (WTTC)¹¹

Picture 3: Performance overview for Bosnia and Herzegovina



Past performance

Travel & Tourism Competitiveness Edition	2017	2019
Rank	113 / 136	105 / 140
Score	3.1	3.3

Source: World Economic Forum - Travel & Tourism Competitiveness Index 2019 edition¹²

¹⁰ <https://www.unwto.org/country-profile-inbound-tourism>

¹¹ <https://tool.wttc.org/>

¹² <https://reports.weforum.org/travel-and-tourism-competitiveness-report-2019/country-profiles/#economy=BIH>

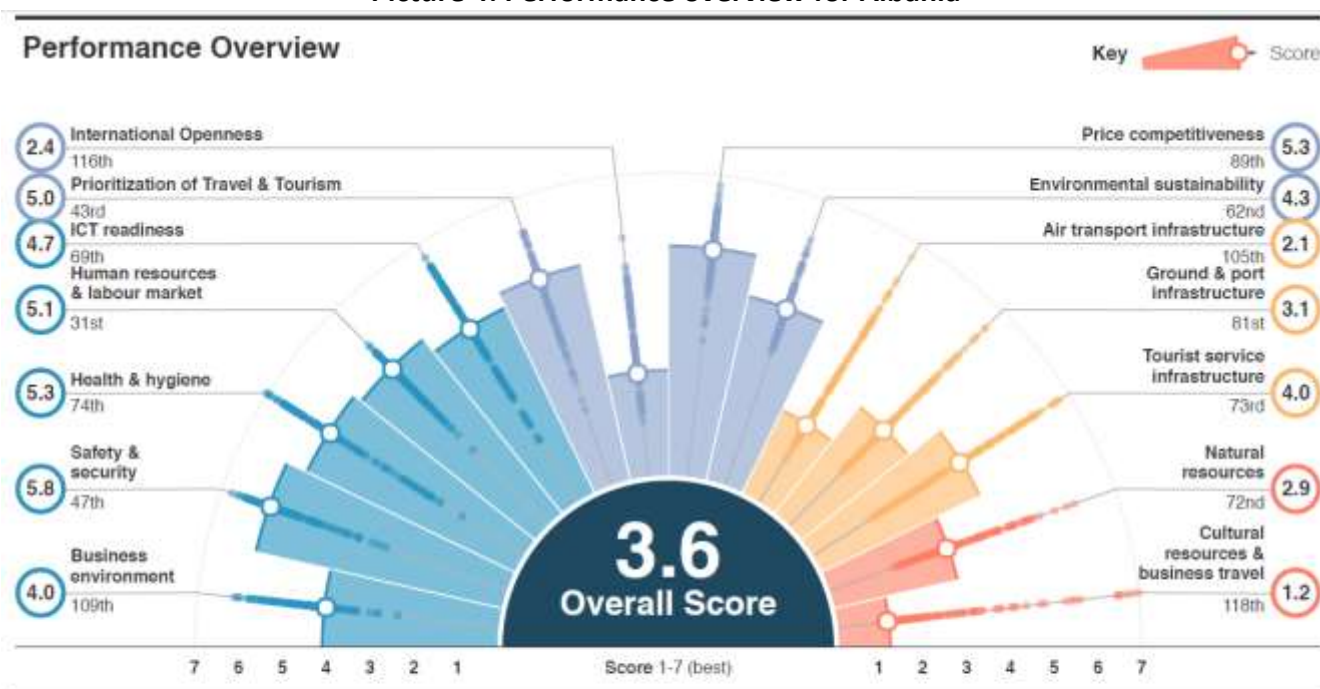


Table 4: Key indicators for Albania

KEY INDICATORS		2019	2018	2017
International tourist arrivals		5,9 mil	5,1 mil	4,6 mil
International tourism receipts		\$ 2.300 mil	\$ 2.200 mil	\$ 1.900 mil
Average receipts per arrival		\$ 390	\$ 430	\$ 420
International tourism exports		\$ 2.500 mil	\$ 2.300 mil	\$ 2.000 mil
Share of tourism of total export		38 %	36 %	37 %
Average annual growth for last 10 years (for tourist arrivals)		13 %	15 %	16 %
Total contribution of T&T to GDP	- real prices (in millions)	\$ 3.264,5	\$ 3.014,2	\$ 2.948,8
	- % of total economy	21,2 %	20,1 %	20,5 %
	- % growth	8,3 %	2,2 %	6,25 %
Total contribution of T&T to employment	- % of total employment	22,2 %	21,1 %	21,4 %
	- thousands of jobs	254,3	239,9	234,3
	- % growth	5,9 %	2,4 %	7,8 %

Source: World Tourism Organization (UNWTO)¹³ and World Travel and Tourism Council (WTTTC)¹⁴

Picture 4: Performance overview for Albania



Past performance

Travel & Tourism Competitiveness Edition	2015	2017	2019
Rank	106 / 141	98 / 136	86 / 140
Score	3.2	3.4	3.6

Source: World Economic Forum - Travel & Tourism Competitiveness Index 2019 edition¹⁵

¹³ <https://www.unwto.org/country-profile-inbound-tourism>

¹⁴ <https://tool.wttc.org/>

¹⁵ <https://reports.weforum.org/travel-and-tourism-competitiveness-report-2019/country-profiles/#economy=ALB>

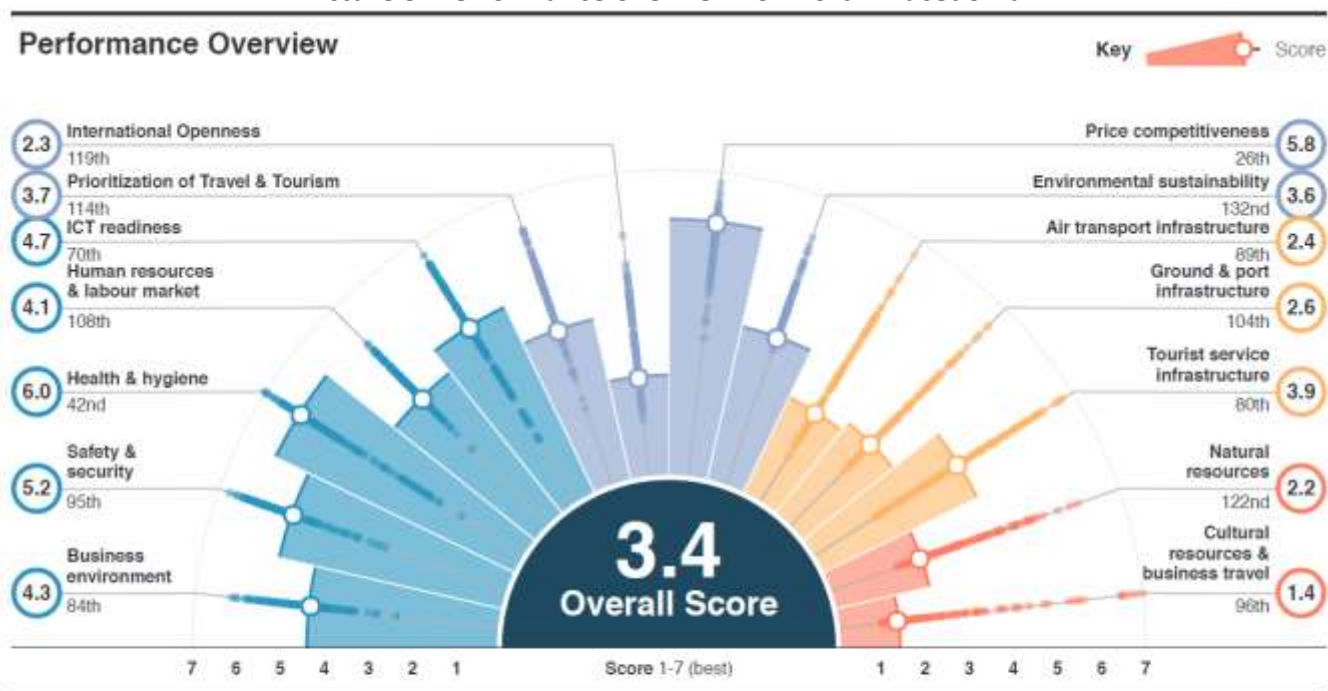


Table 5: Key indicators for North Macedonia

KEY INDICATORS		2019	2018	2017
International tourist arrivals		0,8 mil	0,7 mil	0,6 mil
International tourism receipts		\$ 400 mil	\$ 400 mil	\$ 300 mil
Average receipts per arrival		\$ 520	\$ 540	\$ 520
International tourism exports		\$ 400 mil	\$ 400 mil	\$ 300 mil
Share of tourism of total export		4 %	4 %	5 %
Average annual growth for last 10 years (for tourist arrivals)		11 %	11 %	11 %
Total contribution of T&T to GDP	- real prices (in millions)	\$ 965,3	\$ 910,9	\$ 853,2
	- % of total economy	7,4 %	7,2 %	6,95 %
	- % growth	5,9 %	6,7 %	7,45 %
Total contribution of T&T to employment	- % of total employment	6,8 %	6,6 %	6,3 %
	- thousands of jobs	51,4	49,7	46,9
	- % growth	3,5 %	6,0 %	10,1 %

Source: World Tourism Organization (UNWTO)¹⁶ and World Travel and Tourism Council (WTTC)¹⁷

Picture 5: Performance overview for North Macedonia



Past performance

Travel & Tourism Competitiveness Edition	2015	2017	2019
Rank	82 / 141	89 / 136	101 / 140
Score	3.5	3.5	3.4

Source: World Economic Forum - Travel & Tourism Competitiveness Index 2019 edition¹⁸

¹⁶ <https://www.unwto.org/country-profile-inbound-tourism>

¹⁷ <https://tool.wttc.org/>

¹⁸ <https://reports.weforum.org/travel-and-tourism-competitiveness-report-2019/country-profiles/#economy=MKD>



Since data for Kosovo is not available in previous reports from World and European organizations and institutions (due to its specific status), the profile of the country is presented below, in a slightly different form.

Although facing more problems in different stages of development in the Republic of Kosovo, tourism development is already moving in the same direction as the overall development of the country's economy. The Republic of Kosovo has sufficient tourist potential, yet this potential has not been sufficiently exploited. Therefore, a national strategy is needed where the country will first need to identify, develop and implement a modern tourism concept to attract local and foreign tourists. Kosovo, placing itself in the center of the Balkan Peninsula as a tourist destination, is an important area that can be involved in the development of tourism in the region and Europe.¹⁹

Table 6: Indicator of tourist arrivals and some conclusions for Kosovo

KEY INDICATORS	Values	Year
International tourist arrivals	300.803 (+19% change)	2018
Conclusions		
The geographic position of Kosovo has a major impact on the creation of a positive tourism position of the country as a tourist destination within the Balkans and Europe. There are relatively good conditions for tourism development in Kosovo because this country has a great natural wealth (geomorphologic form, hydrography and climate and other attractive elements).		
Kosovo's* connection with neighbouring countries and Europe is not at the right level because the road network and infrastructure are not so developed (roads are built fifty years ago and are not maintained), rail transport is developed only in the short term within the country, there is only one international airport, international highways are not built according to international standards, is building some national roads that will link Kosovo with Macedonia and Albania.		
In the period 1998-1999, tourism potentials and capacities, i.e. assets created over the years, have been largely destroyed in Kosovo and this has led to the destruction of the country's economy.		
Today there are 3360 tourist companies in Kosovo, employing almost 10,500 employees, respectively 10.5% of the total number of enterprises in the field of tourism and 7.2% of the total number of employees at the country level are in this sector.		
Financial factors for the development of tourism are not at the right level, because both state organizations and private entities do not invest enough in this regard and on the other hand there are major problems in providing favorable loans for subsidizing tourism entities in general.		

Source: *Tourism development perspective in Kosovo in the market framework of European tourist market*²⁰






* This designation is without prejudice to positions on status, and is in line with United Nations Security Council Resolution 1244/99 and the Advisory Opinion of the International Court of Justice on Kosovo's declaration of independence

¹⁹ Tourism development perspective in Kosovo in the market framework of European tourist market, B. Kuqi and S. Martinoska

²⁰ <https://uklo.edu.mk/filemanager/HORIZONTI%202019/Serija%20A%20br%2023/p25.pdf>






Summary tables for countries from Western Balkan for 2019

Table 7: Common table for key indicators for countries from Western Balkan for 2019

Countries / Key indicators for 2019					
International tourist arrivals	2,5 million	1,8 million	1,2 million	5,9 million	0,8 million
International tourism receipts	\$ 1.200 million	\$ 1.600 million	\$ 1.100 million	\$ 2.300 million	\$ 400 million
Average receipts per arrival	\$ 490	\$ 870	\$ 950	\$ 390	\$ 520
International tourism exports	\$ 1.300 million	\$ 2.000 million	\$ 1.200 million	\$ 2.500 million	\$ 400 million
Share of tourism of total export	Tourism as 54 % of Exports	Tourism as 7 % of Exports	Tourism as 13 % of Exports	Tourism as 38 % of Exports	Tourism as 4 % of Exports
Average annual growth for last 10 years (for tourist arrivals)	9 %	11 %	14 %	13 %	11 %
Total contribution of T&T to GDP (% of total economy)	\$ 1.762,8 million (32,1 %)	\$ 2.994,9 million (5,85 %)	\$ 1.820,0 million (9,3 %)	\$ 3.264,5 million (21,2 %)	\$965,3 million (7,4 %)
Total contribution of T&T to GDP - % growth	6,5 %	4,2 %	6,85 %	8,3 %	5,9 %
Total contribution of T&T to employment (% total employment)	66,9 jobs (000's) (32,8 %)	134,8 jobs (000's) (6,2 %)	79,1 jobs (000's) (9,6 %)	254,3 jobs (000's) (22,2 %)	51,4 jobs (000's) (6,8 %)
Total contribution of T&T to employment - % growth	6,7 %	2,9 %	6,65 %	5,9 %	3,5 %

Source: The table is based on the previously presented individual data for each country, taken from the World Tourism Organization (UNWTO) and World Travel and Tourism Council (WTTC)

Table 8: Common table for performance overviews by countries from Western Balkan

Countries	Montenegro	Serbia	Bosnia & Herzegovina	Albania	North Macedonia	Kosovo
Business environment	4,6	4,4	3,4	4,0	4,3	-
Safety & security	5,6	5,5	5,4	5,8	5,2	-
Health & hygiene	5,8	6,3	5,6	5,3	6,0	-
Human resources & labour market	4,8	4,7	4,1	5,1	4,1	-
ICT readiness	5,2	5,1	4,5	4,7	4,7	-
Prioritization of Travel & Tourism	5,0	3,9	4,1	5,0	3,7	-
International Openness	2,4	3,2	2,4	2,4	2,3	-
Price competitiveness	5,6	5,5	5,5	5,3	5,8	-
Environmental sustainability	4,7	4,5	4,3	4,3	3,6	-
Air transport infrastructure	3,2	2,6	2,0	2,1	2,4	-
Ground & port infrastructure	3,3	3,0	2,4	3,1	2,6	-
Tourist service infrastructure	5,5	3,9	3,9	4,0	3,9	-
Natural resources	2,7	2,1	1,9	2,9	2,2	-
Cultural resources & business travel	1,1	1,7	1,5	1,2	1,4	-
Overall Score (Rank)	3,9 (67th)	3,6 (83rd)	3,3 (105th)	3,6 (86th)	3,4 (101st)	-
Past overall score (Rank) - for 2017	3,7 (72nd)	3,4 (95th)	3,1 (113rd)	3,4 (98th)	3,5 (89th)	-
Overall Change (Rank change)	+0,2 (+5) 	+0,2 (+12) 	+0,2 (+8) 	+0,2 (+12) 	-0,1 (-12) 	-

Source: The table is based on the previously presented performance overview for each country, taken from the World Economic Forum²¹

²¹ <https://reports.weforum.org/travel-and-tourism-competitiveness-report-2019/country-profiles/#economy=>

Based on a Comparative review (Table 7), it is possible to draw certain conclusions by each indicator and each country:

- Albania is the leading country in terms of the number of tourists arriving in 2019, while Montenegro is second. The largest percentage increase in the number of tourists arrivals compared to last year is hold by Montenegro, while Albania is in second place here. North Macedonia ranks last by this criterion;
- Albania is also a leader in value of international tourist receipts, while Serbia is second. The largest percentage increase in this area is in Bosnia and Herzegovina , while North Macedonia is ranked at last place by this criterion also;
- Bosnia and Herzegovina and Serbia are leaders in terms of average receipt per arrival, while Albania has the lowest average receipt per arrival;
- International tourism exports has the same situation as the international tourist receipt, by country ranking;
- Like expected, share of tourism of total export is highest in Montenegro (54%) and Albania (38%), while share in other countries is quite lower (In Bosnia and Herzegovina 13%, in Serbia 7%, and the lowest in North Macedonia – 4%);
- Largest percentual average annual growth for last 10 years in tourist arrivals is in Bosnia and Herzegovina (14 %), but for all countries average annual growth is in the interval from lowest 9 % (Montenegro) to largest 14 %.
- Montenegro has the largest total contribution of T&T to GDP with 32,1% , Albania is second with 21,2% , while other countries have a much lower contribution rate of T&T to GDP; The highest % growth of total contribution of T&T to GDP is hold by Albania – 8,3 %;
- Same situation is with total contribution of T&T to employment - Montenegro has the largest total contribution of T&T to employment with 32,8% , Albania is second with 22,2% , while other countries have a much lower contribution rate of T&T to employment; The highest % growth of total contribution of T&T to employment is hold by Montenegro and Bosnia and Herzegovina – 6,7% in MNE and 6,65% in BiH.

Based on Table 8 (Performance overview by country), the order is as follows:

- Montenegro – 67th overall rank;
- Serbia – 83rd overall rank;
- Albania – 86th overall rank;
- North Macedonia – 101st overall rank;
- Bosnia and Herzegovina – 105th overall rank;

The fields in which all states together have poor grades are: International Openness, Price competitiveness, Environmental sustainability, Air transport infrastructure, Ground & port infrastructure, Tourist service infrastructure, Natural resources and Cultural resources & business travel. This fields should be worked on, improved, in order to take better places in the next ranking.

All countries except North Macedonia made a progress on the list, while only North Macedonia dropped down for 12 places.

Table 9: Index of economic freedom for Western Balkan countries

WB Rank	Region Rank (Europe)	World Rank	Country	2020 Overall Score	Property Rights	Judicial Effectiveness	Government Integrity	Tax Burden	Gov't Spending	Fiscal Health	Business Freedom	Labor Freedom	Monetary Freedom	Trade Freedom	Investment Freedom	Financial Freedom
1	23	41	Macedonia	69,5	62,5	42,7	42,2	91,5	71	87,7	80,6	67	77,7	86,2	65	60
2	28	53	Kosovo	67,4	66,3	54,1	39,2	92,6	76,5	94	75	61	78,4	76,2	65	30
3	30	57	Albania	66,9	57,1	33	38,8	85,9	74,6	86,3	65,7	52,1	81,2	88,4	70	70
4	35	65	Serbia	66	55,4	46,8	44	83,7	49,7	94,1	72,6	66,9	80,7	78	70	50
5	38	82	BosniaHerzegovina	62,6	44,4	33,9	41,8	83,6	49,3	97,3	45,7	67,4	82,7	80	65	60
6	42	91	Montenegro	61,5	59,1	55,3	47,5	85,4	32,1	23,4	70,8	74,8	80,3	83,8	75	50
Western Balkan - Overall				65,7	57,5	44,3	42,3	87,1	58,9	80,5	68,4	64,9	80,2	82,1	68,3	53,3

Source: The table is based on the index data from Heritage website²²

Legend	
0-50	Repressed
51-60	Mostly unfree
61-70	Moderately free
71-80	Mostly free
81-100	Free

Economic freedom is the fundamental right of every human to control his or her own labour and property. In an economically free society, individuals are free to work, produce, consume, and invest in any way they please. In economically free societies, governments allow labour, capital, and goods to move freely, and refrain from coercion or constraint of liberty beyond the extent necessary to protect and maintain liberty itself.

Above (Table 9) is the ranking of the Western Balkans countries according to the criterion of economic freedom for 2020. Based on the table, we conclude that all countries of the Western Balkans have a common yellow colour - economic freedom is moderately free.

²² www.heritage.org/index/

Expectations for 2020 prior to corona virus pandemic outbreak and revised expectations for 2020 after the impact of coronavirus pandemic, with comparative data for 2019

As mentioned in the previous chapter, countries from WB had very strong economic performances in 2019. This induced Governments to prepare yearly budgets based on optimistic projections with focus on enhancing further growth and development.

Business were preparing for record 2020 as well, with significant investment and operational budgets. However, COVID19 hit at the most inappropriate time: late February and beginning of March. Most of business at that time of year are intensively preparing for the summer season and most of investments have been finished. Additionally, these investments have been financed by loans with short and medium term maturity, which is usual for these industries.

Collapse in demand started to show already in February, when China imposed strict lock down measures in January. In March, most of countries in Europe imposed national lock downs as well. This meant that preseason was cancelled.

Unfortunately, even though region reduced number of COVID19 cases to acceptable levels, EU had very strict regime on travel from and to this region. Such decisions, established to protect public health, had negative impact on regional economies. As a result, in every country of WB, we expect fall of GDP, in some cases significant (more than 10%).

Table 10: Economic indicators for Western Balkan countries (2019, 2020e and 2020f)^e

KEY ECONOMY INDICATORS	MONTENEGRO			SERBIA			KOSOVO		
	2019	2020e	2020f	2019	2020e	2020f	2019	2020e	2020f
Real GDP growth (percent)	3.6	2.8	-5.6	4.2	3.9	-2.5	4.2	4.2	-4.5
Composition (percentage points):									
Consumption	2.8	2.4	-3.7	2.7	5.2	-1.9	2.3	5.0	1.2
Investment	-0.5	-0.4	-3.9	3.0	1.3	-1.3	1.7	2.1	-6.1
Net exports	1.2	0.7	2.1	-1.5	-2.7	0.8	0.2	-1.3	0.4
Exports	3.2	2.0	-9.5	4.6	2.1	-5.7	2.8	1.1	-3.4
Imports (-)	2.0	1.3	-11.5	6.0	4.8	-6.5	2.5	2.5	-3.8
Consumer price inflation (percent, period average)	0.4	1.6	0.2	1.9	1.9	2.0	2.7	1.8	1.6
Public revenues (percent of GDP)	43.6	42.5	44.1	42.1	40.1	37.7	26.7	27.2	24.4
Public expenditures (percent of GDP)	46.6	43.5	51.3	42.3	40.7	45.0	29.5	30.4	30.7
Of which:									
Wage bill (percent of GDP)	11.1	10.8	12.4	9.5	9.3	9.8	8.7	8.7	9.4
Social benefits (percent of GDP)	11.3	11.4	13.8	14.5	14.4	15.9	6.3	6.2	7.1
Capital expenditures (percent of GDP)	8.8	6.8	7.6	4.9	4.3	3.7	7.5	8.4	4.4
Fiscal balance (percent of GDP)	-3.0	-1.0	-7.1	-0.2	-0.5	-7.3	-2.9	-3.2	-6.3
Primary fiscal balance (percent of GDP)	-0.8	1.1	-4.9	1.8	1.4	-5.5	-2.5	-2.9	-5.8
Public debt (percent of GDP)	77.2	71.2	83.1	49.7	46.0	56.9	17.0	17.2	22.5
Public and publicly guaranteed debt (percent of GDP)	80.7	75.7	86.9	52.9	49.2	63.9	17.6	17.7	23.1
Of which: External (percent of GDP)	68.7	66.3	76.4	30.3	35.9	36.5	5.8	6.0	8.7
Goods exports (percent of GDP)	9.5	9.5	9.4	35.8	34.2	34.4	5.6	5.4	5.0
Goods imports (percent of GDP)	51.5	52.5	46.9	48.0	51.6	44.0	45.7	44.7	45.8
Net services exports (percent of GDP)	20.7	21.1	14.7	2.3	4.8	1.2	13.2	11.6	13.3
Trade and services balance (percent of GDP)	-21.4	-21.9	-22.7	-9.9	-12.6	-8.4	-26.9	-27.8	-27.5
Remittance inflows (percent of GDP)	4.0	4.0	3.4	5.8	5.2	4.8	12.0	9.9	11.6
Current account balance (percent of GDP)	-15.2	-15.3	-17.0	-6.9	-8.0	-7.0	-5.5	-8.3	-7.2
Net foreign direct investment inflows (percent of GDP)	7.0	8.0	3.0	7.8	6.0	4.8	2.8	4.1	2.9
External debt (percent of GDP)	170.7	178.5	175.8	61.9	55.6	67.7	30.4	34.5	34.0
Real private credit growth (percent, period average)	6.7	n.a.	n.a.	7.1	n.a.	n.a.	7.8	n.a.	n.a.
Nonperforming loans (percent of gross loans, end of period)	5.1	n.a.	n.a.	4.1	n.a.	n.a.	2.0	n.a.	n.a.
Unemployment rate (percent, period average)	15.1	14.7	n.a.	10.4	11.8	13.9	25.7	n.a.	n.a.
Youth unemployment rate (percent, period average)	25.2	n.a.	n.a.	27.6	n.a.	n.a.	49.4	n.a.	n.a.
Labor force participation rate (percent, period average)	57.4	n.a.	n.a.	54.6	n.a.	n.a.	40.5	n.a.	n.a.
GDP per cap., PPP (current international \$)	21,95	23,01	20,97	18,56	19,79	19,77	4,41	4,67	4,32

^e Explanations:

2020e – expectations for 2020, prior to COVID-19 (based on WESTERN BALKANS REGULAR ECONOMIC REPORT no.16) – fall 2019 – Rising Uncertainties

2020f – forecast for 2020, after the impact of COVID-19 on economy (based on WESTERN BALKANS REGULAR ECONOMIC REPORT no.17) – spring 2020 – The Economic and Social Impact of COVID-19 - THE COUNTRY NOTES

Table 10 - Continued

Sources: The table is based on the Western Balkans regular economic reports no.16. and no. 17²³

KEY ECONOMY INDICATORS	BOSNIA & HERZEG.			ALBANIA			NORTH MACEDONIA		
	2019	2020e	2020f	2019	2020e	2020f	2019	2020e	2020f
Real GDP growth (percent)	2.8	3.4	-3.2	2.2	3.4	-5.0	3.6	3.2	-1.4
Composition (percentage points):									
Consumption	2.6	3.1	-2.6	2.6	2.5	-1.3	3.6	1.9	0.6
Investment	0.4	0.4	-1.1	-1.1	1.1	0.2	2.1	1.5	-0.1
Net exports	-0.2	-0.1	0.5	0.7	-0.2	-4.0	-2.1	-0.2	-1.9
Exports	-0.1	0.6	-3.1	2.0	1.4	-8.5	5.5	5.6	-0.1
Imports (-)	0.1	0.6	-3.6	1.3	1.6	-4.5	7.6	5.8	1.7
Consumer price inflation (percent, period average)	0.6	0.8	0.7	1.4	2.7	2.1	0.8	1.8	2.1
Public revenues (percent of GDP)	42.6	42.0	42.4	27.8	27.4	27.0	31.2	32.0	28.2
Public expenditures (percent of GDP)	43.2	41.4	46.1	29.7	29.4	32.4	33.3	34.8	32.9
Of which:									
Wage bill (percent of GDP)	11.0	10.0	11.6	4.6	4.5	4.8	6.3	6.4	6.3
Social benefits (percent of GDP)	18.1	16.8	19.9	11.9	10.3	13.3	15.5	15.7	16.5
Capital expenditures (percent of GDP)	3.6	2.3	2.7	4.5	4.8	5.9	3.4	4.0	1.9
Fiscal balance (percent of GDP)	-0.5	0.6	-3.7	-1.9	-2.0	-5.4	-2.1	-2.8	-4.7
Primary fiscal balance (percent of GDP)	0.3	1.4	-2.9	0.2	0.2	-3.0	-1.0	-1.6	-3.5
Public debt (percent of GDP)	33.1	32.3	37.1	63.5	62.1	71.2	40.2	44.5	46.0
Public and publicly guaranteed debt (percent of GDP)	34.6	33.7	37.4	68.0	66.6	75.8	48.8	52.4	55.7
Of which: External (percent of GDP)	28.9	28.3	31.3	31.5	32.6	34.9	32.7	36.6	38.4
Goods exports (percent of GDP)	29.0	28.7	27.2	6.8	5.7	6.3	47.0	45.4	45.8
Goods imports (percent of GDP)	51.8	52.3	49.3	32.0	33.5	30.4	64.3	60.8	64.6
Net services exports (percent of GDP)	7.5	7.4	6.8	11.4	13.4	4.7	3.0	3.8	2.8
Trade and services balance (percent of GDP)	-15.2	-23.7	-15.3	-13.8	-14.4	-19.4	-14.3	-11.6	-16.0
Remittance inflows (percent of GDP)	8.4	7.7	7.4	5.2	4.9	5.0	1.7	1.9	1.7
Current account balance (percent of GDP)	-3.7	-5.3	-4.8	-7.6	-6.4	-12.0	-2.8	-1.2	-3.3
Net foreign direct investment inflows (percent of GDP)	2.7	2.3	2.6	7.6	7.5	6.7	2.6	3.7	1.4
External debt (percent of GDP)	66.5	65.8	70.5	0.0	59.9	0.0	73.9	78.7	78.5
Real private credit growth (percent, period average)	5.2	n.a.	n.a.	n.a.	n.a.	n.a.	4.9	n.a.	n.a.
Nonperforming loans (percent of gross loans, end of period)	7.4	n.a.	n.a.	n.a.	n.a.	n.a.	4.6	n.a.	n.a.
Unemployment rate (percent, period average)	15.7	n.a.	n.a.	11.5	n.a.	n.a.	17.3	18.0	20.0
Youth unemployment rate (percent, period average)	33.8	n.a.	n.a.	n.a.	n.a.	n.a.	32.8	n.a.	n.a.
Labor force participation rate (percent, period average)	42.1	n.a.	n.a.	n.a.	n.a.	n.a.	57.2	n.a.	56.9
GDP per cap., PPP (current international \$)	13,77	14,26	14,26	n.a.	n.a.	n.a.	17,05	25,04	17,09

²³ <http://documents1.worldbank.org/curated/en/643781570478210132/pdf/Rising-Uncertainties.pdf> ;
<https://openknowledge.worldbank.org/bitstream/handle/10986/33670/The-Economic-and-Social-Impact-of-COVID-19-The-Country-Notes.pdf?sequence=5&isAllowed=y>

Dynamic but negative impact as COVID19 unfolds

Next table (Table 10) shows Original projections (Pre Covid-19), Baseline scenario for 2020, and Downsize scenario for 2020, after the impact of the Covid-19 virus on the real GDP growth by each countries economies. The baseline scenario assumes that the COVID-19 outbreak in Europe begins to slow enough that containment measures can be fully lifted by end-June and economic activity can start recovering in H2 2020. In the downside scenario, its assumed that the outbreaks linger such that containment measures can only be fully lifted in August.

Table 11: 2020 Outlook for Western Balkan countries

	MONTENEGRO			SERBIA			KOSOVO			BOSNIA & HERZEGOVINA			ALBANIA			NORTH MACEDONIA		
	Pre Covid-19	Baseline scenario	Downsize scenario	Original Projections	New Base Case	Low Case	Pre Covid-19	Baseline scenario	Downsize scenario	Pre Covid-19	Baseline scenario	Downsize scenario	Pre Covid-19	Baseline scenario	Downsize scenario	Pre Covid-19	Baseline scenario	Downsize scenario
Real GDP growth	3,2	-5,6	-8,9	3,9	-2,5	-5,3	4,1	-4,5	-11,3	4,2	-3,2	-4,2	3,3	-5,0	-6,9	3,6	-1,4	-3,2
Consumption	2,9	-3,6	-4,8	5,7	-2,3	-3,5	3,2	1,1	-0,6	5,0	-2,7	-3,8	3,1	-1,6	-2,2	4,3	0,6	-0,3
Investment	0,0	-8,8	-13,7	5,3	-5,2	-7,7	3,8	-21,5	-28,5	2,1	-6,2	-7,1	7,7	1,0	0,8	8,0	-0,1	-2,6
Exports	4,1	-18,5	-27,8	4,9	-10,2	-18,5	4,0	-12,2	-25,5	1,1	-8,8	-10,0	2,7	-25,0	-30,0	7,4	-0,1	-2,9
Imports	1,9	-12,4	-17,7	7,6	-9,7	-15,1	2,2	-6,8	-8,0	2,5	-6,5	-7,5	4,6	-9,5	-10,6	9,4	1,7	0,1

*Source: Table based on Western Balkans regular economic report no. 17 -
The Economic and Social Impact of COVID-19 – The country notes*

The COVID-19 pandemic exposes how vulnerable **Montenegro** is to external shocks. Montenegro is particularly affected by plummeting tourism, which is a critical driver of growth: tourism receipts account for more than 20 percent of GDP. The country's lack of monetary policy, limited fiscal buffers, and high public debt amplify its vulnerability.

In the baseline scenario, economic activity in Montenegro in 2020 will contract considerably. Growth was forecast to moderate to about 3 percent as highway construction was completed, but the COVID-19 outbreak and associated restrictions are expected to drive Montenegro into recession, with growth contracting by an estimated 5.6 percent. The 34 percent drop in tourism receipts is reflected in a projected 18.5 percent decline in total exports in 2020, while imports are projected to decline by 12.4 percent. It is also estimated that less economic activity and greater uncertainty will reduce both investments and private consumption. Government consumption will be strong due to the budgeted increase in health and education salaries. In 2021, growth would rebound by an estimated 4.8 percent, driven by consumption and exports.

In the downside scenario, Montenegro is confronted by a severe economic recession. The contraction of tourism-related receipts by half will lead to a steep drop in service exports, which will exacerbate the recession. Total exports would shrink by 28 percent in 2020 and imports by 18 percent. In this scenario, in 2020 consumption would contract more severely by about 7 percent because of worse declines in employment and wages. Moreover, given their lower profitability and larger outflows from emerging markets, banks will be forced to ration credit. That in turn implies a more severe drop in investment, which would shrink in 2020 by an estimated 14 percent. In this scenario, growth would be projected to rebound strongly to about 6 percent in 2021. A longer economic recession will worsen internal and external imbalances, exposing how vulnerable Montenegro is to a sudden stop in FDI.

Because of the COVID-19 pandemic, in 2020 the economy of **Serbia** will enter recession. The disruption to economic activities is most pronounced in transport and tourism. Based on government estimates, the transport sector has had losses of about €110 million since the crisis began, and tourism arrivals and bookings declined dramatically.

In the baseline scenario Serbian GDP will drop by 2.5 percent in 2020. The baseline assumes that the coronavirus outbreak in Europe will slow enough that containment measures can be fully lifted by the end of June. It is also assumed that recovery will start in the second half of the year, but will not be enough to annul the losses in the first half. The impact on the economy will vary by sector. Most affected will be manufacturing, with a projected decline of about 9 percent. Services will also be severely affected, but to varying degrees: transport and tourism will be hit hardest because they will not be able to compensate for first-half losses by overperforming in the second half. Services are thus projected to decline by about 1 percent in 2020. Agriculture could see a small increase in 2020.

The downside scenario assumes that a longerlasting pandemic would have a more severe impact on the economy. In this scenario, containment measures can only be fully lifted in August, deepening the recession because GDP would also shrink in the third quarter. Value chains would not be re-established immediately, and services would recover more slowly. In that case GDP could fall by 5.3 percent in 2020. On the spending side, all components of GDP would have a steeper fall, especially exports and consumption. The fiscal deficit would reach 8.6 percent of GDP as revenues decline further and spending for social transfers rises, with public debt rising to 69.1 percent of GDP. Similarly, the balance of payments would deteriorate, and the CAD would reach 9.3 percent of GDP.

In 2020 the COVID-19 outbreak will weigh on growth of **Kosovo**. The impact of the COVID-19 outbreak will be transmitted through both external channels and lower domestic demand.

In the baseline scenario, the economy is projected to contract by 4.5 percent in 2020, followed by a rebound in 2021, as in the rest of the region and the World. Before the pandemic, Kosovo was expected to grow at a strong 4 percent. However, the pandemic and the associated containment measures are expected to cause a contraction of 4.5 percent. Service exports constitute about 23.7 percent of GDP, of which 80 percent relate to travel by Kosovo diaspora. Assuming a 60 percent decline in service exports y-o-y in Q2, this translates into an 11 percent decline from last year. Exports as a whole are expected to subtract 3.4 pp from growth, not only because of lower services exports, but also because of a projected decline in nickel prices. Private investment is also expected to fall because of the uncertainty and cash constraints that containment measures are causing firms and also a decline in real estate FDI. Private consumption is projected to slip only slightly, by just 0.2 percent, but government consumption is expected to grow considerably based on the budget but also due to the necessary COVID-19 response. Budget-financed public investment is likely to decline due to limited fiscal space to respond to the outbreak. Several large public investment projects that were expected to advance, notably railway and road projects financed by international financial institutions (IFIs), may also be delayed. A rebound in growth is expected in 2021, following the contraction in 2020.

In the downside scenario, exports are expected to decline in real terms by 25.5 percent, mainly because of steep nominal declines in exports of services (25.9 percent) and goods (18.6 percent). Net FDI is expected to decline by –8.3 percent due to both lower inflows for real estate and less reinvestment of earnings because of lower profits. Investment, both public and private, is expected to suffer from the uncertainty, financing constraints, and limited fiscal space. Private consumption is also expected to subtract more from growth as employment and disposable incomes fall. Remittances received from informal channels and FDI are expected to go down, making it more difficult to finance the CAD. Given the limited financing options, it is assumed any further revenue shortfalls will be partially compensated by reducing capital spending and spending on goods and services, pushing up the fiscal deficit to 6.6 percent.

What started as a shock to the health sector has quickly become an economic crisis that has engendered both a supply and a demand shock. **Bosnia and Herzegovina** production and supply chains are being disrupted as measures to contain the pandemic are imposed.

A baseline scenario assumes that the region manages to stem the coronavirus tide so that containment measures can be fully lifted by midyear. The World Bank is estimating that BiH will enter recession in 2020 with annual growth contracting by 3.2 percent. Q1 is expected to be slightly positive, followed by a steep decline in Q2 and a slightly negative Q3 as economic activity starts to recover. This scenario depends on the length of the pandemic and the magnitude of the state programs necessary to stabilize the economy.

The downside scenario assumes a longer pandemic and a need for containment extending into Q3 2020, which would cause GDP to contract by 4.2 percent. On both the production and expenditure sides, all components of GDP would be more severely reduced. The impact on services and industry would intensify; on the expenditure side, exports and consumption in particular would be most affected. The fiscal deficit would reach 5.7 percent of GDP, because of a larger revenue shortfall, mainly in both direct and indirect tax receipts. Current spending, especially for transfers and social benefits, would need to go up, pushing public debt up to about 40 percent of GDP. Similarly, the BOP position would deteriorate further, and the CAD would widen to 5.6 percent of GDP.

Together, last year's earthquake and this year's COVID-19 pandemic are likely to drive **Albania** into recession and expose its external and fiscal vulnerabilities.

In the baseline scenario, 2020 will drive Albania into recession. The country's growth was expected to rebound to 3.4 percent because of reconstruction and a return to normal energy production, but the cost of COVID-19 and the related restrictions are projected to cause GDP to contract by 5 percent. Total real exports are projected to fall by 25 percent, based on less activity in tourism, extractives, and manufacturing; imports would decline by 9.5 percent. Less economic activity and higher uncertainty would also reduce private investments and consumption. The government is expected to make a major contribution to domestic demand because of reconstruction and the COVID-19 packages. In 2021, growth is expected to rebound to an estimated 8.8 percent, driven by base effects on exports, consumption, and investments.

In the downside scenario, Albania must deal with a more severe recession as GDP contracts by almost 7 percent. Major domestic demand shocks are expected to results from a longer interruption and downsizing of activities and a sharper contraction of manufacturing and extractive exports. In this scenario, consumption contracts more severely, by about 2.2 percent in 2020 as employment and wages fall further and as containment measures prevent nonessential retail trade. Liquidity concerns would further deter private investment. Compared to the baseline scenario, medium-term growth prospects would dim, with unemployment rising and the financial health of businesses deteriorating.

Unprecedented downside risks related to the coronavirus pandemic now confront the economy of **North Macedonia**, which entered recession in Q2 2020.

If the coronavirus outbreak is largely contained by mid-2020 (**a baseline scenario**), by year-end the economy will still have to deal with a recession of 1.4 percent. Under this scenario, the recovery is expected from July as measures to contain the virus are gradually lifted and financial market and supply-chain disruptions ease. In this scenario, the economy would contract by 11.5 percent in Q2, led by manufacturing, construction, tourism, trade and real estate, and exit recession in Q3 at 0.4 percent growth. Personal consumption is expected to slow significantly compared to 2019, and exports and investments will also decline. However, government consumption would ramp up in an attempt to boost the economy and to counter the impact of the coronavirus. Higher government spending will result in higher deficit and debt levels just as both domestic and external financing conditions are likely to tighten. The budget revision under preparation will need to reprioritize spending. Poverty reduction gains will likely be lost as firms defer to labor shedding in tourism and manufacturing, the sectors most affected by

the crisis. These are also the sections that have contributed most to reducing poverty in the past.

On the other hand, prolonged disruption of economic activities until August 2020 (**the downside scenario**) would cause growth to fall by -3.2 percent, the biggest drop since 2001. The prolonged shock would worsen the contraction in demand and probably cause a longer disruption of supply chains. For aggregate demand, this would imply less consumption as consumer confidence dwindles, unemployment rises despite government support schemes, and both wages and household lending fall. The nascent 2019 recovery of private investment will be severely affected as investors struggle to avoid bankruptcy and financing conditions tighten. Public investment would be postponed to finance crisis-related emergencies. On the supply side the major shock will come from the slowdown in manufacturing as global-supply chains are disrupted and sourcing of both capital and intermediate goods halts, affecting both foreign-funded and local companies. Consequently, this would also affect services with close ties to manufacturing. Companies will also suffer from the deterioration in financing conditions as banks become more risk-averse and there are flight-to-safety flows in international financial markets.

In depth overview of policies and measures adopted by governments related to COVID19

The economic consequences of the COVID-19 pandemic call for urgent policy responses to keep the economy afloat and enable people to retain their jobs and incomes. Measures undertaken so far are both macroeconomic and fiscal: emergency liquidity by central banks, broad-based tax relief, wage subsidies, unemployment benefits, the deferment of utility bills and rent payments, mortgage relief, , loans and loan guarantees to businesses.

These measures all proceed from the urgent need to prevent a catastrophic economic collapse that would have dire human, social, and health consequences. Emphasis could more effectively be placed on measures that benefit smaller businesses, including those operating in services sectors, as well as on investments in strengthening broader healthcare and social safety nets from which everyone benefits to kick-start final demand after the immediate crisis, reduce excess savings, and rebalance the global economy.

Similar situation is in Western Balkan countries. Each country faced and still faces individual challenges to prevent greater economic and social damages.

In the following chapter, we are presenting specific WB by country response on economic impact of COVID19.

For a few months it seemed that the Balkans were having a “good” pandemic. Infection and death rates were low. In March, as covid-19 began to spread fast across Europe, most Balkan countries locked down quickly and strictly. In May the Montenegrin prime minister stated that his was the first COVID-free country on the continent. But by the end of July Montenegro had the second-highest infection rate in Europe. Now, eight of the ten European countries with the fastest-rising infection rates are in the Balkans. If it were ever true that early firm action had worked, that advantage was lost with rapid reopening. Or perhaps the early numbers were wrong, thanks to poor measurement or a cover-up; maybe the picture was never as good as it had seemed to be.²⁴

Next chapter is an overview of the policies and measures adopted by governments in the fight against the virus is presented. Adopted policies and measures are classified into the following categories: fiscal policy, monetary policy, jobs & skills, market intelligence and other. After this part, the most and the less successful anti-Covid strategies so far are presented.

²⁴ The Economics: Balkan governments said the coronavirus was under control; They spoke too soon - <https://www.economist.com/europe/2020/08/08/balkan-governments-said-the-coronavirus-was-under-control>

The most and the less successful anti-COVID strategies

Countries across Europe are seeing a resurgence in COVID-19 cases after successfully slowing outbreaks early in the year. Some countries — such as Albania, Bulgaria, Czech Republic, Montenegro, North Macedonia — are seeing higher case numbers than earlier in the year. France, the UK, Poland, the Netherlands and Spain are likely dealing with the much-feared second wave and have started taking action to curb it. The main problem is not the measures introduced by the government, as they generally differ little from state to state. The main problem is in the obedience of the same measures by the citizens, as well as in providing the conditions for the implementation of the introduced measures by the states.

Although no cure is in sight, we have had the opportunity to learn from the successes of some, and the failures of others. While the battle is still raging, the following might be the top factors that made the difference between success and failure until now.

Pills don't work in pandemics, people do

In the absence of an effective antiviral agent or vaccine, the fast-spreading and lethal Covid-19 has troubled even the wealthiest nations. Recent experience however suggests that the presence of a well-established public health system that reaches deep into the grassroots level is more crucial than nancial prowess. Kerala and Sri Lanka are examples, where a well-oiled machinery and established chain of command ensured that the orders given by the department of health were actually carried out on the ground.

Testing, contact tracing and isolation is painstaking work, requiring competent ground-level support. Several developed nations including the US and UK who had state-of-the-art hospitals and research facilities could not match the old-fashioned person-to-person healthcare worker teamwork that silently kept entire communities safe in these areas.

Timing is everything

Early assertive action has saved many nations, especially resource-limited countries such as India, Vietnam and Sri Lanka. In a pandemic where the spread is exponential (the time taken for 10 cases to become 20 is the same as for ten thousand to become twenty thousand), acting one day early will make a significant difference.

India acted early in the course of the pandemic, banning all group gatherings at a stage when there were only 536 cases in the country. In contrast, by the time Italy locked down, that country already had 59,138 cases. Considering Italy's population is only one-twentieth of India, the consequence of this equation is self-explanatory. A SEIR (susceptible-exposed-infectious-removed) model study by Niti Ayog, India concluded that 14,00,000 - 29,00,000 cases and 37,000-78,000 deaths were prevented by the lockdown.



MONTENEGRO

FISCAL POLICY

A third package of economic measures was adopted by the Government on July 23. The package, comprised of short- and long-term measures, is worth EUR 1.22 billion over four years (EUR 281.2 million in 2020). Short-term measures in 2020 amounting to EUR 82.7 million include:

- I. Support to the tourism sector (such as interest subsidies on loans and the reduction of VAT from 21 percent to 7 percent in the hospitality industry);
- II. Interest subsidies for the agriculture sector;
- III. Programs for improving competitiveness;
- IV. Wage subsidies; and
- V. One-off support to veterans and pensioners.

Longer-term measures target the IT, tourism, energy, agriculture and fisheries sectors, and ports.

This follows the second package of economic measures approved on April 24, which include:

- I. Subsidies in April and May of 70 percent of the minimum wage for employees in sectors that are closed because of the pandemic, employees who are unable to work due to childcare for children aged under 11, or people who have to be self-isolated and quarantined;
- II. A subsidy of 50 percent of the minimum wage for employees in sectors at risk due to the pandemic-related lockdown;
- III. A subsidy of 70 percent of the gross minimum wage of newly employed workers in SMEs for six months if these workers are registered as unemployed;
- IV. State bodies and state-owned companies will impose a six-month moratorium on the enforcement of claims for companies that are not operating due to the pandemic;
- V. Energy firms will exempt the fixed portion of electricity bills for businesses that have stopped operating due to the pandemic-related lockdown;
- VI. The state utility EPCG will double its electricity subsidies for vulnerable households;
- VII. Assistance to the agriculture and fisheries sector, including one-off assistance to fishermen and payments for the contributions of insured agricultural workers; and
- VIII. One-time assistance of EUR 50 to all persons recorded as unemployed in the Employment Agency of Montenegro and who did not receive any compensation.

Previously announced measures include:

- I. The removal of the excise on medical alcohol sold in pharmacies;
- II. Postponement of payment of taxes and contributions on earnings as well as obligations under the Law on Rescheduling of Tax Claims.
- III. The creation of a new Investment Development Fund (IRF) credit line of EUR 120 million to improve the liquidity of entrepreneurs;
- IV. Postponement of repayment of loans at the request of citizens and economy with all banks, micro-credit institutions and the Investment and Development Fund for 90 days.
- V. The deferral of lease payments for state-owned real estate, also for a period of 90 days.
- VI. Advance payments to contractors for capital projects;
- VII. One-off financial assistance to low-income pensioners and social welfare beneficiaries in the amount of EUR 50 each (EUR 1 million has been allocated); and
- VIII. An increase in the March wages of healthcare workers by up to 15 percent (EUR 0.5 million has been allocated).

A study from Columbia university³¹ has shown that 36,000 deaths (55%) could have been saved in the US if social distancing measures were implemented one week

MONETARY POLICY	<p>On July 30, the Central Bank announced that banks are obliged to grant a moratorium to borrowers from two priority sectors: tourism, as well as agriculture, forestry, and fishing. The moratorium can be used in the period of September 1, 2020 to August 31, 2021, and is available to borrowers in these sectors who are not past due in loan repayments for more than 90 days and whose loans were not classified as non-performing assets as of December 31, 2019. Banks are also allowed to treat approved or restructured loans in these sectors as loans from category “A” during the duration specified above.</p> <p>This follows the announcement of May 20 that banks can approve a new moratorium for borrowers facing difficulties due to the pandemic. Banks may also, under clearly specified conditions, approve the restructuring of loans, including unsecured cash loans. A previously announced moratorium on loan repayments for a period of up to 90 days (announced on March 17) was available to all borrowers.</p> <p>The central bank has also announced measures to temporarily prohibit banks from paying dividends to shareholders, except in the form of equity, and to allow banks to increase exposures to a person or group of related parties beyond the prescribed exposure limits (25 percent of the bank’s own funds), with prior central bank approval.</p> <p>Other measures include the decision to halve the fee that banks are required to pay for withdrawing reserve requirement liquidity (announced on May 7) and the reduction of the reserve requirement rate by 2 percentage points (announced May 12).</p> <p>The Deposit Protection Fund has also increased its credit line with the EBRD to EUR 50 million (from EUR 30 million).</p>
JOBS & SKILLS	<p>During the shut-down of schools and kinder-gardens, one parent of a child not older than 11 years of age is entitled to a paid leave from work, with the exception of healthcare employees, and employees in certain state institutions. State has not undertaken to refund the employers. Recommendation to employers to organize remote work where possible. The Ministry of Labour and Social Welfare will provide financial support for families who would receive the assistance in the amount of EUR 50 each.</p> <ul style="list-style-type: none"> • Second Package of economic measures applicable for tourism sector include grants for salaries for April and May for the tourism sector will be given to entrepreneurs, SME companies in the field of tourism, whose work is not prohibited, but the scope of activities is significantly reduced as a result of orders from the Ministry of Health, issued in order to combat the virus corona pandemic. • Subsidies to companies for new employment are given to businesses that: <ul style="list-style-type: none"> - did not reduce the number of employees compared to February 2020; - record new employees in a period of six months starting from April 1, 2020. • Subsidies for salaries of employees on paid leave. • Subsidies for salaries of employees in quarantine or isolation - The right to a subsidy on this basis is opened for a maximum of one month, namely: the month of April (in case the employee was in quarantine or isolation was mostly in March or April), or for the month of May (in case the employee is in quarantine or isolation resided predominantly in May).
MARKET INTELLIGENCE	<p>Market inspections will monitor whether there is price abuse with respect to basic food products, hygiene products, drugs and medical devices.</p>

Background: The first confirmed COVID-19 case was reported on March 17, 2020. After several COVID-free weeks (the Prime Minister had announced on May 25 that Montenegro was the first coronavirus-free country in Europe), the virus returned in mid-June and the government declared an pandemic in the entire country on July 22. Containment measures include mask and physical distancing requirements, limitations on public and private gatherings, the continued closures of night clubs, and a postponement of the start of the school year. With the rise in cases, the EU removed Montenegro from its safe list of countries on July 15, and non-essential travel by Montenegrin citizens to the EU member states is not allowed.

Reopening of the economy: A phased reopening of the economy began on May 4, and borders were reopened to countries with infections of less than 25 per 100,000 inhabitants on June 1. A decision was taken on June 30 to open borders to residents of all EU member states without additional conditions. The “green list” was further updated on August 3 to include Russia and Azerbaijan. From Aug 15, the land borders with Serbia, Albania, Kosovo and Bosnia and Herzegovina were reopened. Residents from these countries as well as the USA are permitted to enter Montenegro with a negative PCR test not older than 72 hours. Montenegrin residents who have traveled to regional countries are also required to undertake health supervision measures upon their return.



COVID-19: MEASURES TO SUPPORT THE NATIONAL ECONOMY²⁶

SERBIA



A first package of fiscal measures amounted to about RSD 390bn (7% of GDP).

Key measures include:

- I. 10 percent wage increase for public healthcare sector (RSD 13bn) and increased healthcare spending (about RSD 60bn);
- II. One-off payment to all pensioners (RSD 7bn);
- III. Universal cash transfer of EUR 100 to each citizen over 18 years old (about RSD 71bn);
- IV. Three-month deferment of labor taxes and social security contributions for all private companies, to be repaid in 24 installments starting from 2021 (RSD 100bn);
- V. Deferment corporate income tax advance payment during the second quarter of 2020 (RSD 21bn); and
- VI. Wage subsidies, including payment of minimum wages for all SME employees and entrepreneurs for three months (RSD 93bn) and payment of 50 percent of the net minimum wage for three months for employees in large private sector companies and for employees who are currently not working (RSD 4bn).
- VII. Other measures include a 3-month moratorium on enforcement and interests on tax debt under rescheduling agreements and 10 percentage points reduction of the interest rate on tax debt. A state guarantee scheme for bank loans to SMEs has been approved (RSD 240bn), as well new loans to SMEs from the Development Fund (RSD 24bn).

A second round of measures was adopted in late July, including wage subsidies for SME employees for another two months (RSD 36 billion), and deferment of labor taxes and social security contributions for all private companies for an additional month (RSD 30 billion).

In late August, the authorities announced one-off fiscal support to help hotels in cities, through a fixed subsidy per room and per bed, with a cost of about 0.02 percent of GDP.

²⁶ <https://webunwto.s3-eu-west-1.amazonaws.com/s3fs-public/2020-06/europe.pdf> ,
<https://www.imf.org/en/Topics/imf-and-covid19/Policy-Responses-to-COVID-19#M>

MONETARY POLICY

On March 12, the National Bank of Serbia (NBS) cut the key policy rate from 2.25 percent to 1.75 percent and narrowed the interest rate corridor from $\pm 1.25\text{pp}$ to $\pm 1\text{pp}$ relative to the key policy rate. On April 9, the NBS cut the policy rate from 1.75 percent to 1.5 percent. On June 11, it cut the policy rate again to 1.25 percent. It has also provided liquidity (both in dinars and euros) to banks through additional EUR/RSD swap auctions and repo purchase auctions and outright purchases of dinar government securities, and reduced the FX swap interest rates (NBS deposit facility rate plus 10 bp for dinars and 0 percent for euros). Moreover, the NBS introduced a 3-months moratorium on all repayments under bank loans and financial leasing agreements. In May, local-currency denominated corporate bonds became eligible for open market operations (OMOs) and as collateral for banks to receive daily liquidity loans and short-term liquidity from the NBS. On June 11, the NBS relaxed the loan-to-value (LTV) cap for first-home buyers mortgage loans, increasing the limit from 80% to 90%.

In July, the NBS set up a repo line arrangement with the ECB to address possible euro liquidity needs of Serbian financial institutions. Under this repo line, the ECB provides euro liquidity (up to EUR 1 billion) to the NBS in exchange for adequate euro-denominated collateral. Moreover, a new 2-month moratorium was introduced, relieving debtors of repaying their liabilities during August and September.

In August, the NBS adopted a new set of temporary measures through 2021 intended to provide easier access to housing loans for individuals. These measures include the earlier approval of mortgages before construction is completed, the possibility of extending mortgage repayment periods, and a temporary relaxation of the approval procedure for short-term dinar loans up to a certain amount.

The NBS has intervened heavily in the foreign exchange market to maintain a relatively stable exchange rate during the crisis period.

JOB & SKILLS

Measures to support employment and economic relief for citizens include:

- Direct payments to the companies, through the payment of three minimum wages. It is a measure set to pay minimum wage for entrepreneurs, micro, small and medium-sized enterprises in the private sector; subsidy of 50 % of the minimum wage to large enterprises whose employees were sent on forced leave due to reduced volume of business or complete shutdown. The state will pay three minimum wages for each employee to all entrepreneurs, lump sums and small businesses. The Government proposes to pay 50 percent of earnings to those who have lost work in large companies.
- Payment of direct one-off assistance in the amount of EUR 100 in RSD equivalent to all adult citizens of Serbia. The value of the programs envisaged by this measure is RSD 70 billion.

Other measures include:

- One-time assistance in the amount of RSD 4.000 for all pensioners, as well as assistance packages for the most vulnerable pensioners with income up to RSD 30.000.
- Increase in earnings of the employees in the Health sector by 10% from April 2020.
- All beneficiaries of social assistance, child benefits, personal care benefits and compensations related to special care of the children whose entitlement to these social protection benefits has expired on March 15 have got an automatic extension of those benefits until the end of the state of emergency.
- All entrepreneurs, micro and small enterprises will be entitled to grants in the amount equivalent to one minimum wage per employee (275 US\$/month), including the owners, for each of the three months of duration of the state of emergency, provided that they haven't laid off more than 10% of their workers.
- All employees in the medium and large private enterprises for whom a decision on work termination has been issued from 15 March 2020 in line with the Articles 116 and 117 of the Labour Law will be given 50% of their monthly wages. The number of employees is also increased by the number of part-time employees, commensurate with their engagement, based on data from the PPP-PD tax return.

Maintaining constant contact, gathering, and exchanging relevant data and information with all stakeholders in tourism and hospitality from the public and private sectors regularly. Exchange and collection of information with representatives of the health sector. Tracking trends and information from the most relevant global and European tourism authorities in the tourism and hospitality industry.

Background: Serbia reported its first confirmed COVID-19 case on March 6, 2020. The government declared a national state of emergency on March 15 and adopted several containment measures. These included closing borders, prohibiting movement of citizens during the weekends and between 5pm and 5am during weekdays (total ban for senior citizens), suspension of public transport and all activities in parks and public areas intended for recreation and sports, closing education centers and shopping malls (except grocery stores and pharmacies). GDP growth reached -0.6 percent in Q1 and -9.9 percent in Q2 (s.a. qoq)—+5 percent and -6.5 percent in yoy terms in Q1 and Q2, respectively.

Reopening of the economy: Since April 21, containment measures were gradually relaxed (with protective measures in place), including the reopening of green markets, fitness centers, hairdressers, parks, bars, coffee shops, and restaurants; and allowing outdoor sports and recreation activities. Inter-city and urban public transportation resumed on May 4. On May 7, the state of emergency was lifted, abolishing the ban on movement of citizens, including senior citizens. Shopping malls reopened on May 8 and kindergartens on May 11 and commercial flights have resumed since in mid-May. Since May 15, both Serbian and foreign citizens are allowed to enter the country presenting a negative PCR testing not older than 72 hours (Serbs could alternatively stay in quarantine for 14 days). As of May 22, a negative test is no longer required to enter Serbia. On May 15, a gradual resumption of commercial flights started. As of June 1, outdoor sports competitions with public are allowed, with safety measures in place, as well as outdoor public gatherings with a maximum of one thousand people. As of June 5, there are no more restrictions on the number of people allowed in outdoor public gatherings and events. For indoor gathering and events, the maximum number of attendees has been increased from 100 to 500.

Domestic tourism: In 2020, the Government of the Republic of Serbia set aside 2.8 billion RSD for 560,000 tourist vouchers worth 5,000 RSD intended for (at this moment maximum) 560.000 citizens of Serbia who want to spend their vacation (or part of it) in the Republic of Serbia.



COVID-19: MEASURES TO SUPPORT THE NATIONAL ECONOMY ²⁷



BOSNIA & HERZEGOVINA

FISCAL POLICY

The entity governments have allocated around KM 50 million (0,15% of GDP) for dealing with COVID-19, including purchasing medical equipment and supplies. The Federation of BiH (FBiH) will transfer KM 30 million (0,1% of GDP) to hospitals.

The Republika Srpska (RS) announced the health fund will cover health care costs for all patients and has postponed payments for business tax from end-March to end-June, while speeding up tax and SSC refunds. The RS decided to cover PIT and SSC for about 40.000 workers in the sectors that are closed by the government decision from March to May (KM 50 million, 0,15% of GDP). The RS also announced that the government will pay minimum salaries for all employees in these sectors in April (KM 53 million, 0,16% of GDP) and is planning to increase the transfers to unemployment funds (KM 25 million, 0,08% of GDP).

The FBiH plans to subsidize contributions and taxes and pay minimum wages for all employees of the companies impacted by Covid-19. The FBiH announced that total amount about KM 1 billion (3% of GDP) will be secured to support the economy, through:

- 1) Setting up a special fund to stabilize the economy (KM 500 million, 1,5% of GDP); and
- 2) Establishing a guarantee fund at the Development Bank (up to KM 500 million, 1,5% of GDP) which will be serve to maintain and improve the liquidity of companies.

The RS recently adopted a guarantee program to mitigate the impact of the COVID-19 pandemic, which aims to facilitate access to financial funds for micro, small and medium enterprises.

MONETARY POLICY

Banking Agencies have announced a six-month loan repayment moratorium for restructuring credit arrangements for individuals and legal entities which are found to have aggravated circumstances for loans repayments due to COVID-19. Banking Agencies have instructed banks to track clients and exposure portfolios affected by COVID-19. Banks are also instructed to consider additional customer relief, including reviewing current fees for services and avoiding charging fees to handle exposure modifications. All banks were ordered not to pay dividends or bonuses.

The government announced a the creation of a guarantee fund to provide guarantees to banks for working capital loans to the most affected sectors.

The International Monetary Fund (IMF) approved on 20 April an EUR 330 million to Bosnia and Herzegovina to combat the coronavirus pandemic and remedy the economic consequences.

JOBS & SKILLS

The following measures have been taken:

- Time spent in isolation or self-isolation is treated as sick leave. It will be paid by employer but will be refunded by the cantonal health fund within 45 days from the request for refund. Sick leave certificate can be issued in a state-run healthcare institution or in a private practice.
- Recommendations for employers: reduction of working hours and organization of remote work if possible; annual and other leaves to be allowed according to the law; leave allowances to parents with children not older than 10 years (one parent per family); unclear whether paid or unpaid leave; all business trips to be cancelled; meetings with a larger number of participants to be cancelled, and if necessary, to be organized in large rooms ensuring with sufficient distance between participants (1-2 meters).

²⁷ <https://webunwto.s3-eu-west-1.amazonaws.com/s3fs-public/2020-06/europe.pdf> ,
<https://www.imf.org/en/Topics/imf-and-covid19/Policy-Responses-to-COVID-19#M>

MARKET INTELLIGENCE	<p>The Government of Bosnia and Herzegovina has established a National crisis headquarters for prevention and control of the pandemic to slow its spread and protect the health of people.</p>
OTHER	<p>Background: The first confirmed COVID-19 case was reported on March 5, 2020. In March, the government declared a state of emergency throughout the country, closed schools and universities, shuttered restaurants and shops, suspended public transportation, banned public gatherings, and imposed severe restrictions on the movement of people. Border are closed to non-BiH citizens. Incoming BiH citizens are quarantined for 14 days.</p> <p>Reopening of the economy: Both entities have ended their curfews for individuals of all ages. Most public events remain cancelled and public gatherings face limitations on total number of people present. Restaurant and cafes throughout the country are open, along with most other businesses. There are still social distance restrictions in place. Grocery stores and pharmacies are open, and masks are required indoors. Masks or scarves are no longer required when social distancing measures can be observed. Masks should be worn inside and when social distancing is not possible. Sarajevo airport has reopened to passenger traffic. BiH citizens and residents, and citizens of Croatia, Serbia, and Montenegro may enter the country. Starting July 16, BiH borders are open for citizens and residents of EU and Schengen countries with a negative PCR test not older than 48 hours. For other non-resident foreign nationals, there is still an entry ban, though some with special circumstances (e.g. For a business meeting, to a funeral, for medical treatment, or in the company of a BiH-citizen spouse) may enter. Special documentation and/or a negative COVID test may be required.</p> <p>Public-Private partnerships: The Ministry of Foreign Trade and Economic Relations of Bosnia and Herzegovina will coordinate with professional associations in tourism to develop and implement the program to stimulate tourism sector, promotions, development of new products to attract international tourists at the same time to focus on developing in our domestic tourism.</p> <p>This Ministry is in constant contact with entity ministries such as the Federal Ministry of Environment and Tourism and Ministry of Trade and Tourism of Republika Srpska to mitigate the effects of the pandemic on the tourism sector. The Ministry of Foreign Trade and Economic Relations of Bosnia and Herzegovina is also in agreement with foreign donors (USAID, UNDP, GIZ, EBRD) to help the tourism sector through new projects.</p> <p>Recommendation from the Ministry of Foreign Trade and Economic Relations of Bosnia and Herzegovina is to promote domestic tourist attractions. It is extremely important to bring to the citizens the importance of traveling to local destinations in an attempt to recover domestic tourist capacity in the in circumstances caused by a Covid pandemic.</p>

earlier. After studying the China pandemic on a SEIR model, Shengjie Lai et al³² projected an 18-fold increase in the number of cases if the lockdown measures were delayed by 3

³² *Effect of non-pharmaceutical interventions for containing the COVID-19 outbreak in China -*
<https://www.medrxiv.org/content/10.1101/2020.03.03.20029843v3.full.pdf>



COVID-19: MEASURES TO SUPPORT THE NATIONAL ECONOMY ²⁸



ALBANIA

The government has adopted two support packages for people and businesses affected by the COVID-19 pandemic of a combined size of Lek 45 billion (2,8% of GDP) consisting of budget spending, sovereign guarantees and tax deferrals.

The first package adopted on March 19 through a normative act had support measures of Lek 23bn (1,4% of GDP) through a combination of spending reallocations, spending increases and sovereign guarantees to support affected businesses. The key measures are:

- I. Additional funding for health sector in the amount of Lek 2,5 billion.
- II. Lek 6,5bn for the support of small businesses/self-employed that are forced to close activities due to the COVID-19 pandemic by paying them minimum salaries (up to two in the case of family businesses with unpaid family members), doubling of the unemployment benefits and social assistance layouts.
- III. Lek 2bn of defense spending reallocated toward humanitarian relief for the most vulnerable.
- IV. Lek 11bn (0,6% of GDP) sovereign guarantee fund for companies to access overdrafts in the banking system to pay wages for their employees for up to 3 months with an interest rate capped at 2,85% for a maturity of up to 2 years. The government will bear the interest costs.

The second package adopted on April 15. It includes:

- I. Lek 7bn (0,4% of GDP) fund to pay for a one-off transfer of Lek 40.000 to employees of small businesses affected by the pandemic not covered in the first package, employees of large businesses laid off due to the pandemic, and employees in the tourism sector;
- II. A sovereign guarantee of Lek 15 billion (0,9% of GDP) to provide loans for working capital for all private companies that were tax-compliant and solvent before the pandemic. The government will guarantee 60% of the loans, and interest are capped at 5%. As of September 3, more than 94% of the overall budgeted direct support measures had been paid out while the take up for the first guarantee scheme was 59% and for the second scheme 42%.

A third smaller support package was adopted on August 13, providing an additional minimum wage to public transport workers who resumed work one month later than the rest. The measure costing Lek 135m is accommodated within the existing transport budget.

The government has also adopted tax deferral measures allowing all large companies (except banks, telecommunication, public enterprises and other essential businesses) to defer payment of profit tax for the second and third quarter of 2020 in 2021. Tourism, active processing and call centers can defer payments for the rest of 2020 to 2021. Small businesses with turnover below Lek 14m will not pay profit tax for the remainder of 2021.

weeks, and a 3-fold increase if even a week's delay had occurred. They also projected that 66% fewer cases would have occurred in China if these measures were taken one week early.

²⁸ <https://webunwto.s3-eu-west-1.amazonaws.com/s3fs-public/2020-06/europe.pdf> ,
<https://www.imf.org/en/Topics/imf-and-covid19/Policy-Responses-to-COVID-19#M>

To address the liquidity bottlenecks of companies and individuals, the Bank of Albania extended a temporary suspension of requirements for loan classifications and provisioning to August 31, enabling clients to ask banks to defer loan installments without penalties.

On May 28, the BoA also adopted regulations to allow banks to restructure loans within 2020 without additional provisioning or downgrades for borrowers' status. Entry in force of more stringent classification and provisioning measures for reclassified loans was postponed by one year to 2022. Out of court restructuring for distressed borrowers under a special regulation will be possible for an additional year until 2022.

On March 25, the Bank of Albania cut its key policy rate-the weekly repo, by 50 basis points to a new historic minimum of 0,5%. The Governor announced that the banking sector is liquid and well capitalized, and the central bank stands ready to provide unlimited liquidity for as long as needed.

The Bank of Albania suspended dividend distribution for banks until the end 2020 in order to boost capital and support lending during this period. The central bank also halved the salaries of its supervisory board and top management for the duration of the pandemic.

To urge the use of internet banking and reduce the number of people requiring services in bank premises, the central bank also waived the commissions for transfers in local currency.

On July 17, the Bank of Albania announced it had set up a €400 million repo line with the ECB. The line will remain in place until June 2021, unless an extension is decided.

Albania has a floating exchange rate. The Bank of Albania intervenes only in pre-announced purchases to boost reserves or to smooth excessive and disruptive short-term volatility. On June 30, the Bank of Albania announced it had intervened in the market in end-March to smooth temporary excessive volatility caused by initial disruptions of lockdown measures.

The Government of Albania introduced 2 packages of financial assistance:

1. Through the 1st package of financial assistance by the government, determined based on the Decision of the Council of Ministers (dated 27.03.2020) "For the determination of procedures, documentation and the measure of obtaining financial assistance for employees in business entities with annual income up to 14 mln ALL, economic assistance and payment of income from unemployment during the period of natural disaster, declared as consequence of covid-19":
 - financial aid ALL 5, 85 bln;
 - category that will benefit from financial assistance nr. 1 will be: Self-employed / employed individuals in entities with an annual income of up to ALL 14 mln for 2019 (small businesses);
 - beneficiary categories will receive 3 minimum salaries, specifically 26,000 ALL/month;
 - This assistance is predicted for the months of April - June 2020.
2. 2nd Financial assistance package, determined according to the Decision of the Council of Ministers (dated 16.04.2020) "On the determination of procedures, documentation and measures of receiving financial assistance for current employees and dismissed employees as a result of Covid-19" introduces the following:
 - financial aid 7,04 bln ALL;
 - category that will benefit from financial assistance Nr. 2 will be: -employees of entities, physical/juridical persons, who operate in the accommodation structures activity;
 - direct payment is 40.000 ALL (400 US \$) where benefit: 176 thousand families, 100 thousand employees in small businesses, 66 thousand employees in large businesses and 10 thousand employees in the tourism sector;
 - this assistance is provided for the period April - June 2020 and is obtained only once as a single amount.

	<p>From both packages of financial assistance by the government, benefit around 3641 entities in the field of tourism, specifically:</p> <ul style="list-style-type: none"> a) 2694 Accommodation structures; b) 148 Tour operators; c) 536 Travel agencies; d) 245 Tourist guide; e) 18 Agro-tourism subjects. <p>The Anti COVID-19 Financial Package (dated 21.03.2020) "On Some Changes to the 2020 Budget Law No. 88/2019):</p> <ul style="list-style-type: none"> - 65 million US \$ package for three months (SP, unemployment benefit, and salaries for small business' workers); - 20 million US \$ have been awarded to the Ministry of Defence for communitarian services; - 10 Million US \$ have been allocated as a reserve fund to the GoA for any eventual emergencies; <p>The Government approved a 2nd Anti COVID 19 Financial Package of 70,4 million US \$ on April 13, 2020:</p> <ul style="list-style-type: none"> - 176,000 workers will receive a payment of 400 US\$ each in April 2020; - 66,000 employees from big businesses; - 100,000 employees from small businesses - 10,0000 employees from the tourism sector; - European Union: 50 million Euros for social protection and business recovery.
MARKET INTELLIGENCE	<p>The Ministry of Tourism and Environment, in collaboration with its subordinate institutions is in permanent close exchange with the tourism industry and other tourism stakeholders to discuss the current situation/problems, facts and recommendations for action to provide guidance to all tourism stakeholders for further steps. The aim is to minimise the potential damage to the image of the Albanian tourism through protecting travellers and restoring trust.</p> <p>The Ministry of Tourism and Environment in collaboration with Sustainable Rural Development (SRD) - which is a program implemented by GIZ, funded by BMZ (German Federal Ministry of Economic Cooperation and Development), with the aim of diversifying the rural economy, especially sustainable tourism development and growth of competition in the agricultural sector has been trying to identify issues being faced by businesses and companies in the tourism industry related to the COVID-19 pandemic and emergency situation in Albania, has developed a questionnaire for this purpose. Considering that tourism is one of the sectors most affected by the crisis caused by COVID-19, through this questionnaire, it is intended to understand the current situation of accommodation structures to enable their support.</p>
OTHER	<p>Background: The first confirmed COVID-19 case was reported on March 9, 2020. Due to its proximity and close links to Italy, Albania adopted some of the toughest lockdown measures in Europe. The parliament adopted on April 18 amendments to the penal code, legislating harsh punishments for those breaching the lockdown or quarantine. The state of natural catastrophe which enabled the government to use extended powers for its three months duration ended on June 23.</p> <p>In a sign of solidarity with its neighbour and main trading partner, Albania sent teams of doctors and nurses to help fight against the COVID-19 pandemic in north Italy, one of the worst hit areas in the world.</p> <p>Reopening the economy: On June 1, Albania removed all domestic restrictions to movement and travel and re-opened its land borders after virtually shutting them since mid-March. Maritime passenger transport resumed on June 22 and airlines have resumed flights on a lighter schedule since mid-June. There are no quarantine requirements for incoming visitors and tourists. Due to an increased number of cases since restrictions were lifted, Albania is not included in the list of third countries with which travel restrictions to the EU were lifted on August 8. Most businesses are open, including bars and restaurants for outside sitting. However, the reopening led to a spike in new infections, with the number of active cases and victims rising fast. Gradual reopening started since mid-April</p>

based on a strategy prepared by the Ministry of Health, which factors in new number of cases, hospitalization and patients needing intensive care. The government wants to avoid a second lockdown and has called on citizens to abide to physical distancing measures. The use of masks indoors became mandatory on July 15. Large gatherings continue to be banned and cinemas, theaters, night clubs and swimming pools remain closed. Wedding parties are not allowed, and funerals are restricted to family members. Public transport was allowed to resume on June. Pre-university schools will re-open on September 14, with preparations being made to use a combination of shifts and on-line learning. Universities will start on November 1.

Public-Private partnerships: The Albanian Government, since the beginning of April, has been repatriating Albanians remaining in Europe because of the closing of borders due to the pandemic and temporarily accommodating them for 14 days in accommodation facilities in order to prevent the risk of the spread of Covid-19 virus. Some hotels have provided their infrastructure and facilities for accommodation of people on quarantine. The Ministry of Tourism and Environment also maintains constant communication with all tourism stakeholders – tourist organizations, associations, hoteliers, restaurateurs, tour operators and travel agents and informs regarding the situation but also to address their emerging issues.

Restarting tourism: Ministry of Tourism and Environment in collaboration with the Ministry of Health and Social Protection have drafted “The protocol of Anti-Covid-19 measures during tourism season of 2020” , which is a supporting document to orient and regulate the necessary preconditions to be undertaken by tourism enterprises during tourism season of 2020, to guarantee the successful progress of the activity as well as to prevent the risk of spreading the Covid-19 virus inside and outside accommodation structures, in order to protect the health of employees and visitors. This draft proposal on the rules of operation for the tourism enterprise in the conditions of Covid-19 will be implemented in case of further liberalization of measures from the Government. Albania is one of four destination worldwide that lifted the travel restrictions to continue tourism (Source: UNWTO Sixth report on travel restrictions). Allowing tourists from all countries and nations to enter without restrictions.



COVID-19: MEASURES TO SUPPORT THE NATIONAL ECONOMY²⁹



NORTH MACEDONIA

FISCAL POLICY

The government has adopted fiscal measures to help address firms' liquidity problems, protect jobs and support the most vulnerable. The measures, which are temporary, include subsidies on private sector wages and social security contributions for firms that maintain employment, postponement of income tax payments, loans at favorable terms and loan guarantees, and sector-specific support. Also, vulnerable households have received financial support through existing social assistance schemes and cash vouchers. Students will receive partial reimbursement of university tuition fees and IT courses. Finally, the government has implemented price controls on basic food products, medicines, and disinfection products, and abolished the import duty on medical supplies.

The following measures that have been adopted:

- Establishment of a Tourism Fund to support the tourism industry, a request to ZAMP to put a stop to claims on restaurants and hotels are part of the Ministry of Economy's measures to mitigate the impact of COVID 19.
- Government also decided to freeze the prices of the basic food products in order to avoid price shocks.
- The Tourism Fund currently estimates about MKD 74 million out of which MKD 44 million denar are under the Ministry of Economy programs that will not be used and MKD 30 million denar are from the Agency for Promotion and Support of Tourism. Exemption from monthly income tax advance payments.

²⁹ <https://webunwto.s3-eu-west-1.amazonaws.com/s3fs-public/2020-06/europe.pdf> ,
<https://www.imf.org/en/Topics/imf-and-covid19/Policy-Responses-to-COVID-19#M>

	<ul style="list-style-type: none"> ▪ Cancelling advance VAT payments for three months (April-June) for most affected companies, to facilitate liquidity problems. ▪ Reallocating surpluses on public agencies' accounts to Budget for COVID-19 response. ▪ Decreasing legal penalty interest rate by 50%. ▪ All elected and appointed officials will receive only minimum salary of US \$ 260 in April and May 2020. ▪ State-owned enterprises to reduce expenditures by 15% in 2020. ▪ Employees in the public sector will not receive holidays allowance for 2020, suspending the right from the Collective Agreement for the Public Sector.
MONETARY POLICY	<p>The National Bank of the Republic of North Macedonia (NBRNM) has cut its policy rate twice since the start of the crisis by a cumulative 50 basis points to 1.5 percent. The fees for withdrawing and returning cash to the National Bank's central vault have been abolished to minimize any risk of transmitting the virus infection by coins and bills. In addition, the NBRNM has reduced by 60 percent the amount of CB bills offered to banks, thus providing additional liquidity to the economy.</p> <p>On financial sector measures, the NBRNM has revised its credit risk regulation, to encourage banks to restructure loans temporarily (initially through September 2020, but recently extended through March 2021), and has relaxed the loan classification standards for NPLs. It has also reduced the base for the reserve requirement by the amount of new loans to firms in affected sectors and has extended the deadline for banks to submit their first Internal Liquidity Assessment Report in order to allow them to focus on providing credit while maintaining the quality of the loan portfolio.</p>
JOBS & SKILLS	<ul style="list-style-type: none"> ○ Unemployment benefit for the citizens who lost their jobs due to the crisis, amounting to 50% of the employee's average salary, and up to 80% of the average salary in the country. ○ For those who are left without work or were part of the informal economy, quick access to the social protection system for April and May. They will receive an average of US \$ 125 per household. ○ Deferral of rent payment for social housing users and freezing of prices of basic necessity products such as bread, salt, oil, milk and dairy products, eggs, flour, meat and pasta, disinfectant at the price level these products had on the day the WHO declared a pandemic outbreak (unless imported at higher prices). ○ Financial support for the private sector, by providing a minimum wage of US \$ 260 per employee for April and May, or alternatively, subsidized 50% of mandatory social contributions, conditional to saving the same number of workers by September 2020. Not applying to those who received a net monthly salary higher than US \$ 715 in the last three months. The measure also covers the media sector, sport workers and 141 freelance artists.
OTHER	<p>Background: The first confirmed case in North Macedonia was reported on February 26. The number of new daily cases picked up in June and continues to be relatively high. After a strict lockdown, the government is taking measures to gradually reopen the economy, but important social-distancing restrictions remain in place to slow down contagion. Reflecting the impact of the containment measures, GDP contracted by 12,7% year-on-year in the second quarter.</p> <p>Reopening the economy: The Republic of North Macedonia has officially reopened for international tourism July 1, 2020 and is now allowing tourists from all countries to visit, restriction free.</p>



COVID-19: MEASURES TO SUPPORT THE „NATIONAL“ ECONOMY ³⁰



K O S O V O*

FISCAL POLICY	<p>Key spending and tax measures include:</p> <ol style="list-style-type: none"> Allocation of €6 million to the health ministry; Deferrals for corporate income and personal income taxes, and VAT; Advancing payments for social assistance schemes by additional one month's amount (from one month to two months) to support families in need; Removal of VAT on imports of wheat and flour; Deferral of public utilities payments until end of April. <p>In addition, fiscal package in the amount of 180 million euro (2,5% of GDP) been adopted by government and 76% of this package been executed as of August 26. New Economic Recovery Program in the amount of 384 million been adopted by the new government within which program are also projects foreseen under emergency fiscal package. Ministry of Finance has approached IFIs (e.g., IMF, WB, EU and EBRD) and other bilateral donors for financial support. Ministry of Finance has started making payment to workers as been planned under fiscal package where 89 million euro been paid so far. The process of midyear budget review been adopted by the assembly and execution of remaining part of the package has started. Midyear budget review includes additional budget 'economic recovery program' to address some sectors affected by COVID-19. New law on economic recovery been adopted by the government and still not adopted by the assembly. New calendar on excise rate on tobacco been adopted, increase by 1 euro per unit from Sept this year, followed with another 1 euro increase in Jan 2021, 2022 and continues until it reaches 55 euro per unit in 2025.</p>
MONETARY POLICY	<p>The Central Bank of Kosovo (CBK) together with the Kosovo Banking Association decided to suspend the payment of loan instalments for businesses and individuals starting from March 16 until April 30 and then extended to three months until mid-June and later one this was extended for mid-August. The CBK will apply regulatory forbearance on loan provisions and capital requirements on reprogrammed loans.</p> <p>No measures on balance of payments controls or restrictions. No exchange rate measures are possible as Kosovo is unilaterally euroized.</p>
OTHER	<p>Background: The first confirmed COVID-19 cases were reported on March 13, 2020. Number of new cases increased significantly after reopening the economy with slowing trend during last two weeks when number of new cases dropped below 100 per day and number of deaths to zero per day during last week. Ministry of Health prepared a manual which sets rules that must be respected by everyone in order to control the situation. Containment measures taken by the government in order to delay the spread of the coronavirus include temporary suspension of educational process on all levels, closures of all non-essential businesses, social distancing, travel and movement restrictions. Starting from April 15th stronger movement restriction been introduced allowing people to go out only for 1,5 hours, since May 4th this was extended to 3 hours per day and from May 18 to 4 hours. From May 27,</p>

³⁰ <https://webunwto.s3-eu-west-1.amazonaws.com/s3fs-public/2020-06/europe.pdf> ,
<https://www.imf.org/en/Topics/imf-and-covid19/Policy-Responses-to-COVID-19#M>

movement of people been extended to 16 hours per day from 5.00 until 21.00 and starting from June 8 no movement restrictions. After relaxation of containment measures, number of new cases has shown an increase, as a result from July 6, movement restrictions been reintroduced from 21.00 till 5.000 in four municipalities with highest number of cases and these restrictions been extended to four more municipalities as of July 13 and as of July 27 these restrictions extended to 5 more municipalities. School reopening will be made in three phases, from September 14 and to be defined when exactly each grade will start. Initially grades 1,2,3,6,9 grouped in first phase than second phase with grades 4 and 5 and third phase grades 7,8,10,11 and 12.

Due to the increase to the number of new cases, set of new measure been undertaken by the government; Wearing protection masks is obligatory, Institutions are obliged to keep disinfectants and masks at accessible places, Activity of kindergartens in public and private institutions is suspended, Recreational, cultural, and sport activities in closed premises are suspended, All shopping centers are obliged to stick to the working hours from 05:00-21:00, by completely following the Manual on Protection from COVID-19, Religious ceremonies at religious institutions in Kosovo are suspended, Gathering of citizens more than 5 persons at public squares, parks and similar is prohibited. Very high fines will be applied for those they do not respect these new measures.

Reopening of the economy: Starting from May 4, relaxation of some containment measures has started by Ministry of Health. Business activities under construction sector, real estate, trade of vehicles and some small shops been allowed to work. Second phase of relaxation measures has started on May 18 when more business activities allowed to work such are dentists, barbers, restaurants (take away), green market, museums, art galleries, urban transport. Starting from June 1st third phase started being implemented where almost all business activities allowed to work. Also, workers in public institutions been asked to show up in the office starting from June 1st. Starting from June 8 no movement restrictions and borders with countries in the region are open. From June 26, the airport started operating with number of conditions to be followed. As of July 6, restaurants and cafe bars in four municipalities with highest number of cases allowed to work only if they have open space or take away service. Restriction measures for cafe bars and restaurants been extended to four more municipalities as of July 13 and as of July 27 these restrictions are applied to 5 more municipalities.

Prior experience helps

The people of the state of Kerala (state in India) are no strangers to the concept of virus or person-to-person transmission, after having fought off a Nipah virus outbreak in the recent past. The Kerala Government therefore did not have to spend much time educating the public on the basics of epidemiology. It was essentially like starting a 100 m race from the 20-metre mark. Socially responsible media and a well-educated public also helped Kerala's cause. Likewise, Taiwan had suffered the deadly SARS outbreak of 2003, and knew exactly what to do as soon as news broke about the Wuhan cluster of pneumonia cases.

Law enforcement keeps the world safe

In a pandemic, the wrongful actions of just a few people could compromise the efforts of all others, putting entire nations at risk from super-spreading events. Although the vast majority of people are law-abiding, public health measures are bound to fail without enforcement.

In Sri Lanka, where citizens generally obey the law, over 60,000 arrests have already been made against violators of curfew and quarantine.

Several European nations have enforced stiff penalties to law-breakers. Singapore is yet another example of early success achieved by a law-abiding public, responding to a transparent leadership by their government

Group gatherings are dangerous

Although many things about the SARS-Cov-2 virus are still unknown, one of the most critical and indisputable facts is that this virus spreads fast from person to person, especially when people gather in closed spaces. As people talk and spend time together, aerosols (invisible droplets like mist) are generated, which are inhaled by others. Before the onset of symptoms, infected individuals carry large numbers of viruses in the throat, these are dispatched as droplets when they talk.

At the outset, by allowing small public gatherings of up to 50, Sweden surprised the world by taking a more relaxed approach to the pandemic in contrast to its neighbour Norway. However, this strategy cost Sweden dearly, when they later discovered that their death rates were six times greater than Norway. Several nations have witnessed a new surge in cases after allowing group gatherings, including South Korea and Malaysia. Also, in Western Balkan region Montenegro is an good example.

Allowing group gatherings is a dangerous measure at this stage of the pandemic — the consequences of which cannot be reversed.

No one knows the ending of the story yet, but experience with this virus has consistently been that it could flare up anytime we let our guard down. While letting the economy breathe after lockdown, there must be no compromise on social distancing —at least till a medical breakthrough happens, or the virus goes away on its own.

EBRD – Western Balkans policy comparator

In the Coronavirus policy response report, EBRD (*European Bank for Reconstruction and Development*) made a policy comparator between countries, so the table below shows the policy comparator for Western Balkan (Table number 11). It is a simple overview by countries policies, that have been or have not been implemented in shown sectors.

Also within the Coronavirus policy response report, EBRD made a briefly overview by selecting key crisis impact indicators and also key crisis response indicators, with the Key short term priorities for each country, listed at the end. This is shown below in Tables 12-17.

Table 12: Policy comparator for Western Balkan

Western Balkan countries		Albania	Bosnia & Herzegovina	Kosovo	Montenegro	North Macedonia	Serbia
Financial Sector	Policy rate reduced	x				x	x
	Liquidity increased	x					x
	Prudential req. loosened				x	x	
Direct support to firms	Wage subsidies	x	x	x	x	x	x
	Tax/social contr. deferred/reduced	x	x	x	x	x	x
	Loan subsidies				x	x	x
	Guarantees	x	x	x			x
	Inspections/ audits suspended						
Payment holidays	Loans	x	x	x	x	x	x
	Rent	x	x	x	x	x	x
	Utilities	x		x		x	x
Temporary controls	Prices		x	x		x	x
	Exports						x
Support to individuals	Universal transfers						
	Self-employed	x		x		x	x
	Pensioners		x	x	x		x
	Low income households	x	x	x	x	x	x
Increased social benefits	Enhanced sick leave		x		x		
	Enhanced unemp. benefits	x	x	x	x	x	
	Public works						
Health	Additional spending	x	x	x	x		x
External Assistance	(available or negotiated)	x	x	x	x	x	x

Source: EBRD – Policy comparator³³

Table 13: Key crisis impact and response indicators - Montenegro

³³ <https://www.ebrd.com/what-we-do/economic-research-and-data/cse-economists/covid19-repository-of-policies-ebrd-policy-comparator.html>

Source: EBRD – Coronavirus policy response³⁴

Montenegro	Selected key crisis impact indicators		Selected key crisis response indicators	
	EBRD GDP growth outlook (May 2020)	2020: 8% 2021: 10.5%	Extension of deadlines for loan repayments	90 days
	Share of legal entities' loans for which a moratorium on the repayment has been asked (April 2020)	73.4% of total number of legal entities' loans (EUR 535.1million total, 37% of corporate loans outstanding)		
	Share of travel agencies that might go bankrupt (Association of Travel Agencies; May 2020)	50%	Government support to most vulnerable citizens	EUR 1 million earmarked (EUR 50 per person)
	Decline in foreign tourist arrivals (Jan-May 2020)	75.1% year on year	Committed external assistance	IMF RFI: EUR 74 million EC MFA: EUR 60 million EC to extend EUR 53 million in coronavirus relief funds to the country
Key short term priorities	Provide liquidity to the economy, particularly SMEs in tourism sector, and revenue support to vulnerable workers and other individuals			

Table 14: Key crisis impact and response indicators – Serbia

Serbia	Selected key crisis impact indicators		Selected key crisis response indicators	
	EBRD GDP growth outlook (May 2020)	2020: 3.5% 2021: 6%	Total value of aid package	EUR 5.1 billion (11% of GDP)
	Share of firms that drastically reduced their productive capacities (survey, April 2020)	60,5 %		
	Share of firms expecting difficulties in covering liabilities (survey, April 2020)	91%	Extension of deadlines for loan repayments, including leasing	90 days
	Share of firms and individuals that applied for 3 month loan moratorium	93% and 94%, respectively	Committed external assistance	CEB: EUR 200 million loan WB: USD 100 million loan EU: EUR 93 million financial support package
	Decline in workers' remittances (Jan-Apr 2020)	26% year on year		
Key short term priorities	Provide liquidity to the economy, particularly SMEs, and revenue support to vulnerable workers and other individuals			

Source: EBRD – Coronavirus policy response³⁵

Table 15: Key crisis impact and response indicators – Bosnia and Herzegovina

	Selected key crisis impact indicators	Selected key crisis response indicators
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³⁴ <https://www.ebrd.com/what-we-do/coronavirus/coronavirus-policy-response> - Montenegro

³⁵ <https://www.ebrd.com/what-we-do/coronavirus/coronavirus-policy-response> - Serbia

	EBRD GDP growth outlook (May 2020)	2020: 4.5% 2021: 6%	Stabilisation Fund in FBiH	EUR 250 million
	Number of overnight stays cancelled (Minister of Foreign Trade and Economic Relations, 16 March 2020)	850 thousand		
	Share of manufacturing companies facing difficulties in operations (survey, April 2020)	92%	Payment holidays for loans, for those applying (months)	6 months
	Fall in manufacturing output (March May 2020)	20% year on year	Committed external assistance	IMF RFI: EUR 333 million EC MFA: EUR 250 million EU: EUR 80.5 million (reallocated from IPA)
Key short term priorities	Provide liquidity to the economy, particularly SMEs, and revenue support to vulnerable individuals			

Source: EBRD – Coronavirus policy response³⁶

Table 16: Key crisis impact and response indicators – Albania

Albania	Selected key crisis impact indicators		Selected key crisis response indicators	
	EBRD GDP growth outlook (May 2020)	2020: -9% 2021: 12%	Value of two support packages	EUR 360 million in total (2.8% of GDP)
	Decline in exports to Italy (March-May 2020)	42.7% year on year		
	Share of bars/restaurants facing bankruptcies by end 2020 (Association of bars and restaurants; April 2020)	50%	Payment holidays for loans, for those applying	Until 31 August 2020
	Increase in the number of unemployed (from end 2019 to 20 April 2020)	37%	Committed external assistance	EC MFA: EUR 180 million IMF's RFI: EUR 174 million EU: EUR 50.7 million (reallocated from IPA)
Key short term priorities	Provide liquidity to the economy, particularly SMEs, the tourism and fashion industry, and revenue support to vulnerable individuals			

Source: EBRD – Coronavirus policy response³⁷

Table 17: Key crisis impact and response indicators – North Macedonia

	Selected key crisis impact indicators	Selected key crisis response indicators
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³⁶ <https://www.ebrd.com/what-we-do/coronavirus/coronavirus-policy-response> - Bosnia and Herzegovina

³⁷ <https://www.ebrd.com/what-we-do/coronavirus/coronavirus-policy-response> - Albania

	EBRD GDP growth outlook (May 2020)	2020: -3,5% 2021: 5,5%	Estimated value of three support packages	EUR 550 million (5.5% of GDP)
	Decline in industrial output (Jan-May 2020)	14.4% year on year		
	Share of negatively affected micro business and self employed (poll, April 2020)	89%	Loans to SMEs by Development Bank of North Macedonia	EUR 50 million (soft loans) EUR 12 million (interest free loans) IMF's RFI: EUR 176.5 million; EC MFA: EUR 160 million;
	Budget revenues (May 2020)	24.4 % year on year	Committed external assistance	WB: EUR 50 million (plus EUR 90 million to be signed); EC:EUR 66 million (EUR 62 million from IPA)
	Share of firms applying for minimum wage subsidies for April and May (Public Revenue Office, May 2020)	43%		
Key short term priorities	Provide liquidity to the economy, particularly SMEs, and revenue support to vulnerable workers and other individuals			

Source: EBRD – Coronavirus policy response³⁸

Table 18: Key crisis impact and response indicators – Kosovo

Kosovo	Selected key crisis impact indicators		Selected key crisis response indicators	
	EBRD GDP growth outlook (May 2020)	2020: -5% 2021: 7,5%	Emergency relief package	EUR 179.6 million
	Share of businesses that had to close (UN survey, May)	56%	2020/21 economic recovery package	EUR 1.2 billion
	Increase in the number of registered job Seekers (Jan-April 2020 vs Jan April 2019)	5.4 times	Payment holidays for loans for those applying)	Until mid August 2020
	Estimated daily losses from the pandemic (Minister of Finance, May 2020)	around EUR 6 million	Committed external assistance	EC MFA: EUR 100 million EU: EUR 68 million (reallocated from IPA) IMF's RFI: EUR 51.6 million CEB: EUR 35 million Germany: EUR 13.5 million (grants)
Key short term priorities	Provide support to vulnerable households plus support for SMEs and essential SOEs			

Source: EBRD – Coronavirus policy response³⁹

³⁸ <https://www.ebrd.com/what-we-do/coronavirus/coronavirus-policy-response> - North Macedonia

³⁹ <https://www.ebrd.com/what-we-do/coronavirus/coronavirus-policy-response> - Kosovo

Recommendations for governments and business sector (best practices from OECD)

In the Report – The Covid-19 crisis in the Western Balkans of OECD, are shown economic impact of Covid-19 virus, policy responses, and short-term sustainable solutions (recommendations) for Western Balkan countries. A part which is related to short-term sustainable solutions, is presented below by selected sectors:

Table 19: Short-term policy priorities for the tourism sector

T O U R I S M	<i>Establish efficient cooperation mechanism between the government, private sector and civil society</i>
	A whole-of-government approach that harnesses synergies across relevant sectors, such as transportation and health, is more important than ever to set strategies to support industry recovery. The current situation also underlines the need to collect timely data in order to inform decision-making and better plan for the type and scale of the immediate impact of the current crisis and the tourism recovery planning.
	<i>Promote the domestic demand for tourism</i>
	In the short-term, the region's economies can foster domestic tourism through the provision of incentives for citizens to spend their holidays in their own economies, such as tourism vouchers.
	<i>Emphasise health and safety measures to regain the tourists' trust</i>
	This could include the development of health and safety guidelines for tourism companies, especially for accommodation facilities and restaurants. Guidelines should be also accompanied with targeted training options to advise service providers on how to ensure the health and safety of the visitors in their facilities.
	<i>Introduce targeted marketing campaigns promoting ecotourism</i>
	Given the current health and safety requirements induced by the current pandemic, a shift away from mass tourism can be expected in the short to medium-term. Therefore, the tourism agencies across the region can promote alternative travel destinations, allowing for experiences for individuals/ small groups.
	<i>Reconsider their current tourism policies and define tourism products aligned with new trends</i>
	The region's economies need to diversify their offer and disperse further tourism development to new destinations while emphasising the principles of sustainable tourism development. The region has high potential (natural and cultural heritage) for tourism development, from mass tourism with overcrowded destinations to green and sustainable destinations, offering unique tourism experiences.

Source: *The Covid-19 crisis in the Western Balkans*, OECD⁴⁰

⁴⁰ <http://www.oecd.org/south-east-europe/COVID-19-Crisis-Response-Western-Balkans.pdf>

Table 20: Short-term policy priorities for the sector of Employment and labour

E M P L O Y M E N T and L A B O R	<i>Further facilitate the transition towards teleworking</i>
	Develop the collaboration with technology companies to provide SMEs and the self-employed with free and rapid access to communication and sharing tools.
	<i>Help women, workers and families with caring responsibilities</i>
	Offer public childcare options to working parents in essential services. Offer direct financial support to workers who need to take leave and give financial subsidies to employers who provide workers with paid leave.
	<i>Provide income replacement to quarantined workers who cannot work from home</i>
	Adapt regulations ensuring that quarantined workers have access to paid sick leave and that non-standard workers in quarantine receive support. Consider reimbursing employers who provide paid sick leave to quarantined workers.
	<i>Secure jobs and the economic viability of firms</i>
	Implement measures to secure jobs and incomes, and grant firms flexibility to quickly recruit staff replacements, where necessary. Simplify procedures and provide easy access to online information for employers, promoting the uptake of online training for employees.
	<i>Tailor support to the needs of women and youth:</i>
	Women and youth will likely suffer the most from business shutdowns in a number of sectors where they are typically overrepresented, such as restaurants, hotels, passenger transports, personal care services and leisure services. This situation warrants specific support measures tailored to the needs of women and youth.

Source: *The Covid-19 crisis in the Western Balkans, OECD*

Table 21: Short-term policy priorities for the trade sector

T R A D E	<i>Preserve the flow of goods and services</i>
	Preserve the flow of goods and services within and outside the region. Unimpeded transport at border key points will be crucial to maintain availability of goods, in particular of essential goods and equipment that the region largely imports during the time of the crisis but also goods embedded into GVCs and necessary for the local industries' production. Close co-operation with the private sector through the chambers of commerce and sector associations is needed to tackle the logistical constraints affecting the ability to get strategic products.
	<i>Continue the flawless agro-food supply:</i>
	At present regional food markets remain well-balanced. It is paramount to continue the effective regional cooperation to keep food supply chains flowing to ensure the food delivery and to reduce the risk of food loss. There is also a need to continue the efforts that food supply flows to quarantined areas, and that appropriate biosecurity arrangements are in place. Finally, make the most of the positive regional initiatives triggered by the COVID crisis (green lanes) and translate them to longer-term solutions.
	<i>Redouble efforts to overcome tariff barriers</i>
	Redouble efforts to overcome tariff barriers and make it cheaper and easier for people to

stay connected to jobs and markets: Reducing tariffs, in particular, those imposed on basic supplies whose shortage could lead to a runaway price is paramount. Imposing costs on firms and consumers through tariffs not only increases the already present suffering from lost income, but also forces more public aid to support firms and consumers.

Avoid export restrictions

Avoid export restrictions on essential goods, such as medical equipment and, especially, food products. Export bans temporarily lower domestic prices and raise availability, but they also discourage domestic production and tend to undermine trust in international markets, which raises panic and hoarding buying further escalating problems in import-dependent economies.

Source: The Covid-19 crisis in the Western Balkans, OECD

Table 22: Short-term policy priorities for the sector of investments

I N V E S T M E N T S	<i>Leverage investor networks and investment promotion agencies in addressing the medical supply shortage</i>
	In doing so, the region's governments can encourage and support businesses that can shift their production toward essential healthcare goods and services.
	<i>Consider essential security objectives while designing investment policies</i>
	Economies in the region should keep paying attention to protect sensitive assets in strategic sectors, while continuing to promote market openness. This could be achieved by establishing a foreign investment negative list which prohibits or enumerates foreign investment conditions and clearly delimits sectors with essential security objectives.
	<i>Ensure that FDI serves the purpose of economic development</i>
	Private investment, especially FDI that brings innovation, decent and inclusive jobs, and sustainable production methods can help attenuate the impact of the pandemic. Private investment will be key in contributing to the development finance equation, in a time where capital and public investment will be heavily stretched.
	<i>Continue improving the clarity, reachability and predictability of legal frameworks for investment</i>
	Especially for foreign investors, would greatly help further improve the overall investment climate. The lack of readily accessible information on these matters online hinders the legibility of the legal framework for foreign investors. Having a clear and easy access has become all the more important with the pandemic crisis.

Source: The Covid-19 crisis in the Western Balkans, OECD

Recommendations for decision makers and businesses

Having in mind tough times we are facing in near future, both businesses and decision makers need to work closely together in order to manage risks arising from COVID19 pandemic.

We have prepared list of recommendations both for businesses and decision makers.

Recommendation for businesses

- Revise strategic plans
- Postpone most investment plans due to uncertainty of business environment
- Prioritize selected investments
- Sell non-core business and assets to obtain additional liquidity
- Restructure loans to gain extra liquidity (12 month grace period and longer maturity)
- Optimise businesses processes
- Build resiliency into cost structure
- Reduce staff working hours
- Rethink pricing policy
- Speed up collection for overdue accounts
- Slow down payments to suppliers
- Focus on daily cash flow
- Embrace digitalisation and e-commerce
- Enhance proper communication with customers
- Invest in digital marketing
- Pressure decision makers through business community
- Adopt and implement enhanced sanitation procedures specifically designed to combat the transmission of COVID-19.
- Establish a set of procedures aligned with official guidance for COVID 19
- Focus on domestic and regional market
- Prepare plans for recovery

Recommendation for decision makers (Governments, institutions, regulators etc)

- Restructure public debt with significantly longer maturity
- Obtain additional funding for state budget from money markets
- Postpone part of capital projects financed by the state in order to provide necessary funding for businesses from state budgets
- Central banks must provide all necessary liquidity to commercial banks
- Reduce regulatory demands for Loan Loss provisions for restructured loans
- Reduce collateral requirements for new financing
- State supported Loan Guarantee schemes must be plentiful and effective, targeting critical companies which need support
- Create operational bodies which would deal with problems of business sector on daily basis
- Strengthen partnerships with business sector
- Facilitate in limiting pricing wars
- Continue subsidies to workers in hardest hit industries
- Provide business with 0% interest rate loans
- Defer taxes for businesses
- Defer various fees for businesses (local level and national level)
- Reduce taxes for tourism and travel industries until corona virus pandemic is put under control
- Enable schemes for domestic tourists
- Ensure all safety measures are in place
- Reduce bureaucracy and work on elimination business obstacles
- Prepare all state resources for implementation of Economic and Investment Plan for the Western Balkans, recently introduced by EU
- Continue to provide additional resources to public health stakeholders

Conclusion

Like Europe and the rest of the world, the Western Balkans are projected to endure recessions in 2020, their extent depending on the duration of the COVID-19 pandemic. This crisis is an unprecedented shock that has taken the world and its economy by surprise. As countries shift to stay-at-home mode to slow and stop the spread of the virus, governments and societies are dealing with the high human, social, and economic costs. By April 27, there were more than 3 million confirmed cases of COVID-19 affecting at least 180 countries and putting more than 3 billion people in lockdowns.

The COVID-19 pandemic hit the six Western Balkans (WB6: Albania, Bosnia and Herzegovina, Kosovo, Montenegro, North Macedonia and Serbia) amidst a reacceleration of economic activity and promising economic outlook for 2020. With the rapid spreading of the coronavirus in the Western Balkans, governments introduced measures to protect their fragile health systems by purchasing medical equipment and medicine, converting medical centres to specialised COVID-19 centres and concert and sport arenas to temporary field hospitals, increasing the salaries of medical staff, and changing the work hours to safeguard the medical staff. In addition, governments responded with lockdowns and partial shutdowns in the second half of March, resulting in the closure of airports and borders, educational institutions, restaurants and shops, bans on large gatherings, restrictions on domestic travel, and the instatement of curfews. These containment measures and external shock are expected to result in a notable contraction across the region.⁴¹

The COVID-19 crisis has already curtailed global international travel demand and will lead to a collapse in tourism ahead of the summer season. Montenegro and Albania will be hit harder than others from the angle of Tourism & Transport, as T&T revenues exceed 20% of GDP in both economies (for Montenegro contribution of T&T to GDP is 32,1%, and for Albania is 21,2%), but for the entire region of the Western Balkans, the crisis will certainly slow down the economy and cause many problems. Also the crisis will have a major impact on the employment rate, especially in these sectors of the economy. Depending on the severity of the pandemic, the decline in the international tourism industry is projected to be between 45 to 70% in 2020 (OECD, 2020).

Globally, according to the latest UNWTO assumption, international tourist arrivals could fall by as much as 30 percent, much higher than the global decline of 4 percent seen in 2009. In the baseline scenario, Albania, Kosovo, and Montenegro experience a 20–35 percent fall in tourism receipts for 2020, which subtracts significantly from their 2020 GDP growth because for all three countries direct and indirect tourism receipts are estimated to account for 15 to more than 25 percent of GDP. Economic recovery in transport and tourism is also expected to be more gradual, so that growth later in the year would not compensate for the summer season losses.⁴²

⁴¹ <http://www.oecd.org/south-east-europe/COVID-19-Crisis-Response-Western-Balkans.pdf>

⁴² <http://documents1.worldbank.org/curated/en/606131588087679463/pdf/The-Economic-and-Social-Impact-of-COVID-19-Western-Balkans-Outlook.pdf>

COVID-19 pandemic will change the way the people travel as well as the tourists expectations. One can expect a shift from mass tourism to a more individual, personal/tailored experience. Developing sustainable tourism for Western Balkans countries will be a key to the post COVID-19 recovery.

Only with coordinated activities both business and decision makers can enable quick recovery of national economies. Western Balkan countries is no exception: all levels of government and institutions must closely listen to business community and act jointly in order to improve business environment in these uncertain times.