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THE ECONOMIC IMPACT OF COVID-19 IN THE EU AND TRANSITION COUNTRIES: DOES POLITICAL ORIENTATION MATTER ON ECONOMIC POLICIES?

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ABSTRACT

The paper will assess the impact of COVID-19 on developed and developing countries by measuring GDP and public debt, followed by an analysis of Kosovo as a case study that experienced double challenges such as COVID-19 and three successive governments from February 2020 to June 2021. This article compares the different economic policies undertaken by the three Kosovo governments to accelerate economic recovery. The methodology used to compare the variations in GDP growth, unemployment, and debt as a proportion of GDP between two groups of countries employs a descriptive statistical analysis. In this paper were compared the three different packages implemented by using the data from the Ministry of Finance and Economy and other local and international organizations. It was assumed that all countries experienced an increase in public debt as a proportion of GDP, an increase in unemployment, and a decline in GDP growth. Focusing on Kosovo's economic recovery, we understood that despite economic challenges, economic recovery measures were focused more on the political views of the different governments' convincing massive voters than on any broader economic analysis. The paper analyzes the unequal impact of COVID-19 in the EU and Western Balkans. Thus, in the paper is used Kosovo as a case study, a country that experienced political instability due to three government changes and the COVID-19 pandemic. It is investigated whether political orientation affects economic recovery strategies.

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Key words*: government policies, Western Balkans, transition, social schemes, political orientation.*

1. INTRODUCTION

The Western Balkan countries are marked by numerous economic shortcomings and difficulties. The countries understand that responding to COVID-19 requires more than just business as usual. Current evidence indicates that COVID-19 significantly affects inequality and poverty in these nations by raising the income share of the wealthy and decreasing the income share of the poor. Numerous studies have already been conducted on the COVID-19 pandemic's effects on the economy and society.[1] [2] [3] Whether developed or emerging economies would suffer more from the crisis is a topic of discussion. The report by the OECD for 2020 on the COVID-19 Crisis in the Western Balkans provides very helpful information regarding the economic impact, policy responses, and short-term solutions.[4]

At first, the containment measures had an impact on domestic demand and supply. The creation of jobs would be negatively impacted by a decline in foreign direct investment in the West Balkan economies. Countries like Montenegro and Albania will be hit harder as these two countries are more dependent on tourism, which is one of the most adversely affected economic sectors. Remittances, which constitute about 10% of the West Balkans' GDP, are expected to diminish due to travel restrictions and increased unemployment in advanced countries. However, when it comes to tourism, Liperi in her study evaluating the economic crisis in Albania reported that tourism in Albania was able to survive with the "help" of tourists from Kosovo, which comprised 52% of foreign arrivals in 2020. [5]

A World Bank report for 2020 shows that the developing countries of Europe are facing a multidimensional decline.[6] Total sales fell by 55.1 percent in Koso-

[1] Donthu, N., Gustafsson, A:. Effects of COVID-19 on business and research, *Journal of Business Research*, 117(September) 2020, pp. 284-289.

[2] Krugman, P.: Covid-19 brings out all the usual zombies, *New York Times*, 2020.

[3] Nicola, M. et al.: The socio-economic implications of the coronavirus pandemic (COVID-19): A review, *International Journal of Surgery*, 78(June) 2020, pp. 185-193.

[4] OECD, The COVID-19 crisis in the Western Balkans economic impact, policy responses, and short-term sustainable solutions, 24.11.2020.

[5] Liperi, O.: The impact of Covid-19 in Albania: how to turn the crisis into an opportunity, in: Esch, V., Palm, V. (eds.): *The COVID-19 pandemic in the Western Balkans: consequences and policy approaches*, Aspen Institute Germany, Berlin, 2020, pp. 67-73.

[6] The World Bank: GDP per capita, PPP (current international $).

vo, 54.7 percent in Moldova, and 46.7 percent in Albania. The crisis encourages countries and businesses to adapt quickly and develop new ideas. These countries are seeing an increase in the digitalization process. In Kosovo, 25% of enterprises began digitization, 29% in Moldova, and 19% in Albania, with larger firms investing more in this process. According to a study conducted by Qorraj and Jusufi, Kosovo businesses need to have long-term stability to increase the probability of joining the EU market.[7] The financial crisis will hamper emerging countries' businesses in their global expansion process.

The crisis has weighed heavily on the West Balkans impacting significantly these countries' GDP and employment. The West Balkans counties will face a diminishing rate of remittances as their diaspora will face economic hardships as well. This will be a huge blow for these emerging economies as the remittances constitute 10% of the GDP of these countries. [8]

The pandemic is likely to worsen the already unfavorable situation in the West Balkans by increasing unemployment, poverty, and emigration.[9] These countries will not be affected equally due to their economic structures. Tourism-dependent economies will suffer more than, for instance, Serbia, whose economy is not reliant on tourism. The West Balkans' economic crisis emerges mostly in three ways: first, through lockdowns that reduce economic activity; second, through lower demand for goods and services; and third, through a negative impact on consumer and business confidence.[10]

Different measures were taken by European countries to alleviate the crisis. Looking at the budget support measures implemented by West Balkan countries, we can infer that each country intervened to save firms from bankruptcy. The budget support as a percentage of GDP in 2020 was 2.4% in Albania, 2.3 in Bosnia and Herzegovina, 2.8% in Kosovo, in Montenegro 1.0%, in North Macedonia 2.0%, and in Serbia 6.7%.[11] According to the same study, the eco-

[7] Qorraj, G., Jusufi, G.: EU vs local market orientation: Western Balkan entrepreneurs' challenge, *Entrepreneurial Business and Economics Review*, 7(4) 2019, pp. 21-32.

[8] Svrtinov, V. G. et al.: The impact of Covid-19 on Western Balkans economies, *Journal of Economics*, 5(2) 2020, pp. 35-46.

[9] Schwalen, S.: Economic and social effects of the Covid-19 pandemic in the Western Balkans, in: Esch, V., Palm, V. (eds.): *The COVID-19 pandemic in the Western Balkans: consequences and policy approaches*, Aspen Institute Germany, Berlin, 2020, pp. 65-66.

[10] Grieveson, R.: Covid-19 fallout in the Western Balkans: old problems, new challenges, and looking for Opportunities in the post-pandemic world, in: Esch, V., Palm, V. (eds.): *The COVID-19 pandemic in the Western Balkans: consequences and policy approaches*, Aspen Institute Germany, Berlin, 2020, pp. 101-105.

[11] Svrtinov, V. G. et al.: The impact of Covid-19 on Western Balkans economies, *Journal of Economics*, 5(2), 2020, pp. 35-46.

nomic impact would have been significantly greater if these measures had not been implemented. It should also be noted that the primary purpose of these financial measures was to assist society's most vulnerable members.

The difference in intervention was determined by fiscal space and the debt-to-GDP ratio.[12] Countries such as Albania and Montenegro already had large levels of national debt before the COVID-19 pandemic crisis, making government spending for crisis alleviation difficult. West Balkan countries are less resilient to the crisis. Regionally, Serbia was able to soften the decline to -2 percent due to robust fiscal stimulus spending.[13]

Apart from other analyses, the additional question to be addressed in the paper is whether countries with limited budgetary sources could provide economic recovery and financial support for the different sectors, respectively, if the economic recovery measures are directed towards the decrease of poverty and inequality or mostly towards sectors and businesses that could generate economic growth. According to the FES study of the 2018 transfer system, social transfers do little to reduce inequality. Therefore, these economic disparities require sustainable economic policies and social reforms to reduce income inequalities and other economic challenges in these countries. A World Bank report for 2020 regarding the policy measures showed that 65% of businesses in Kosovo benefited from government policy measures; 39% in Albania; and only 2% in Moldova.[14]

2. METHODOLOGY

This paper will analyze the GDP, unemployment, and debt as a percentage of GDP in these countries for the years 2019, 2020, and 2021 to measure the different effects of this economic crisis on developed and emerging European economies. The West Balkans comprises six countries: Albania, Bosnia and Herzegovina, Kosovo, Montenegro, North Macedonia, and Serbia. These countries were compared with the developed European economies that are part of the EU as categorized by the UN report for 2020: Austria, Belgium,

[12] Schwalen, S.: Economic and social effects of the Covid-19 pandemic in the Western Balkans, in: Esch, V., Palm, V. (eds.): *The COVID-19 pandemic in the Western Balkans: consequences and policy approaches*, Aspen Institute Germany, Berlin, 2020, p. 65-66.

[13] Grieveson, R.: Covid-19 fallout in the Western Balkans: old problems, new challenges, and looking for opportunities in the post-pandemic world, in: Esch, V., Palm, V. (eds.): *The COVID-19 pandemic in the Western Balkans: consequences and policy approaches*, Aspen Institute Germany, Berlin, 2020, pp. 101-105.

[14] The World Bank: COVID-19 business pulse survey dashboard, 07.03.2022.

Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxemburg, Netherlands, Portugal, Spain, and Sweden.[15]

The average GDP per capita-PPP ($) for EU-developed countries is 56,522.8$, with Luxembourg showing the highest rate at 118,503.6$ and Greece with the lowest rate at 28,377.4$. The average HDI value is 0.70, with the most developed countries, Sweden and Finland, at a 0.80 rate, and the least developed, Greece and Luxembourg, with a 0.69 HDI. While the average GDP per capita-PPP ($) for WB developing countries is 16,323.4$. Montenegro shows the highest rate at 20,542.7$ and Kosovo has the lowest rate at 11,383.4$. The average HDI for this group of countries is 0.61. Again, Montenegro is the most developed country in the group with a 0.63 HDI, and North Macedonia is the least developed one with a 0.56 HDI value.

The sample contained a limited number of observations, so a descriptive statistical analysis was utilized to compare the differences between these two groups in terms of GDP growth, unemployment, and debt as a proportion of GDP. The information is quantitative and secondary. To obtain the data, the World Bank and International Monetary Fund reports were used. In addition to the descriptive statistics the Multivariate Analysis of Variance (MANOVA) is also performed. MANOVA is a method to test for differences in means between two or more vectors of means and it is suitable when the analysis contains two or more continuous dependent variables and one or more categorical independent variables as is the case with this analysis.[16] [17] [18]

Increased debt, higher unemployment, economic stagnation, or slower growth are all predicted outcomes. Using descriptive statistical analysis, this study will be able to identify whether the developed EU countries or the WB developing ones were more significantly affected by these three components. The average result will be calculated for each group, and we will describe it in the tables below for each country.

[15] United Nations: *World economic situation prospects*, United Nations, New York, 2020.

[16] French, A. et al.: Multivariate analysis of variance (MANOVA), 2008.

[17] Warne, R. T.: A primer on multivariate analysis of variance (MANOVA) for behavioral scientists, *Practical Assessment, Research & Evaluation*, 19(1) 2014.

[18] Tabachnick, B. G., Fidell, L. S.: *Using multivariate statistics*, Pearson Education Inc., Boston, 2013, pp. 497-516.

3. ANALYTICAL FRAMEWORK

There is still no definite answer as to whether developed or developing countries have been hit harder by the pandemic. To provide clarification on this matter, data involving twenty European countries will be presented. Among these countries, fourteen are classified as developed and are members of the European Union, while the remaining six are developing countries located in the West Balkans that have yet to attain membership in the EU. To answer this question, data were collected on three indicators of development and then compared the differences between the two countries' groupings. The three elements that will be examined are as follows: GDP growth, debt as a percentage of GDP, and unemployment.

Table 1. Developed Countries – GDP per capita – PPP ($) and Human development Index (Year – 2020)

Developed Countries		
Countries	**GDP per Capita - PPP($)**	**Human Development Index**
Austria	55,648.9	0.75
Belgium	52,626.6	0.76
Denmark	60,551.6	0.76
Finland	50,810.5	0.80
France	46,712.0	0.76
Germany	54,263.6	0.75
Greece	28,377.4	0.69
Ireland	95,237.2	0.79
Italy	41,890.2	0.73
Luxemburg	118,503.6	0.69
Netherland	59,334.2	0.79
Portugal	34,090.7	0.77
Spain	38,343.2	0.73
Sweden	54,929.5	0.80
AVERAGE	**56,522.8**	**0.70**

Source: World Bank (2020)[19] & World Bank Group (2020)[20]

[19] The World Bank: GDP per capita, PPP (current international $).

[20] World Bank Group: *The human capital index 2020 update. Human capital in the time of COVID-19*, The World Bank, Washington.

Table 2. Developing countries – GDP per capita – PPP ($) and human development Index (2020)

Developing Countries		
Countries	**GDP per Capita - PPP($)**	**Human Development Index**
Albania	13,899.9	0.63
Bosnia and Herzegovina	15,732.8	0.58
Kosovo	11,383.4	0.57
Montenegro	20,542.7	0.63
North Macedonia	17,015.2	0.56
Serbia	19,366.8	0.68
AVERAGE	**16,323.4**	**0.61**

Source: World Bank (2020)[21] & World Bank Group (2020)[22].

Additionally, the second part will explain the economic situation in Kosovo due to the COVID-19 and undertaken measures by the three successive governments.

4. BACKGROUND OF GOVERNMENT INTERVENTION REGARDING ECONOMIC RECOVERY IN KOSOVO

As 2020 has been a challenging year for Kosovo, the government and society continue to tackle the crisis and address its social and economic consequences. The first package was the Fiscal Emergency Package. The government inherited the 30th March 2020 €180 million in emergency fiscal measures and the 3rd April 2020 associated operation plan. In total, about €50.5 million in funds were allocated to execute the whole package (based on the criteria set by the previous government), financed through the Economic Recovery Fund as foreseen by the amended law on the budget for 2020. About €44.7 million was also committed to finance emergency measures number two (2) and fifteen (15), as these were considered to be under-financed and yet of high priority.[23] [24]

21 The World Bank: GDP per capita, PPP (current international $).

22 World Bank Group: *The human capital index 2020 update. Human capital in the time of COVID-19*, The World Bank, Washington.

23 Republic of Kosovo: Fiscal economic measures for Covid-19, 2020.

24 Republic of Kosovo: Operational Plan On Emergency Fiscal Package, 2020.

The second program outlined nine (9) measures for economic recovery, totaling €365,000,000 (three hundred sixty-five million euros), including a commitment to mobilize €1.2 billion (over a three-year investment period) to preserve the public and economic health of the country. Around €60 million provided financial support directly to the private sector (based on the number of employees).[25]

As noted above, the overall economic recovery plan included financing from the Fiscal Emergency Package, a summary of which is provided below. The Fiscal Emergency Package was initially designed for the sum of €132,650,000, of which 93% was financed (€127,501,539) and reached over 426,001 beneficiaries. In addition, an update of the financing amount for additional investments under the 15 measures under the Economic Recovery Plan has been completed as of September, totaling €87,000,000, as provided below.

Direct transfers include support for companies of €60 million, with approximately half of the transfers going to some 33.6 thousand [less than 10 employees] small businesses employing over 94 thousand people. In addition to this decision, the government has taken other decisions to support municipalities (10 mil), education (10 mil), and other allocations for the Ministry of Culture, Support for Non-Majority Communities, and Ministry of Regional Development, etc. An additional 21.5 million euros, received as a loan from the World Bank, was transferred as a capital increase for the Kosovo Guarantee Fund, to support the fulfillment of measure 1 (A) of the economic recovery plan. To sum up, the implementation of the economic packages and related "COVID-19 expenses" for pandemic management (over 41.5 mil.) include (i) about €34 million for wages and salaries (bonuses, overtime), (ii) about €23.8 million for goods and services, and (iii) about €228.8 million for subsidies and transfers, for a total of €287.3 million (including 21.5 million euro transferred for a capital increase of KCGF).

In addition to the first two packages, the new government applied another package in June 2021, (Table 13 in the appendix). As stated in the official document released in the same month, this package aims to achieve four main objectives: employment and formalization of the economy, with a primary focus on strengthening the role of women and youth in the economy; improving the structure of GDP composition by favoring certain economic sectors, especially in the field of production and improving the country's trade balance; balanced and comprehensive economic growth, taking care that it is accompanied by improvement of key welfare indicators; maintaining long-term sustainability and minimizing the country's fiscal risks by controlling the growth of pub-

[25] Republic of Kosovo: Economic Recovery Package, 2021.

lic debt in the country and better coordination with the donor community to ensure maximum benefit to the economy and households. The total amount of this Economic Recovery Package is 420 million euros, with 190 million financed from the budget and 230 million others financed by borrowing. Aiming to provide balanced and inclusive economic relief, the third economic package supports the public sector with 112,000,000€, with the health sector receiving the biggest share of this measure, consisting of 53,000,000€. The second biggest share goes to investment in production and economic recovery, with 108,000,000€. Then an investment in infrastructure and environment with 100,000,000€. As economic recovery measures, employment support and family support each receive 50,000,000 € too.

5. RESULTS

The results of the economic situation before the pandemic (2019) and after the pandemic (2021) will be presented in this section. The three elements explored in this section will be the difference in debt as a percentage of GDP, GDP growth, and unemployment between the selected EU Developed Countries and WB Developing Countries. As expected, all of the listed countries faced an increase in debt as a percentage of GDP, an increase in unemployment rates, and a decrease in GDP growth rate.

5.1. DEBT AS A PERCENTAGE OF GDP

Debt as a percentage of GDP is an important factor to consider. Every country faced a debt increase since a larger budget was required during the recession period so that the government could play a proactive role in assisting the economy's recovery by implementing various economic policies to increase spending, assist vulnerable groups in society, and support businesses.

Table 3. WB developing countries – debt as a percentage of GDP 2019 - 2021

WB Developing Countries			
	Debt as a percentage of GDP 2019	**Debt as a percentage of GDP 2021**	**Difference 2019 – 2021(percentage points)**
Albania	67.79%	81.47%	13.68
BIH	32.52%	38.92%	6.40
Kosovo	17.55%	25.76%	8.21
Montenegro	78.79%	93.40%	14.61
North Macedonia	40.64%	52.95%	12.31
Serbia	52.77%	59.85%	7.08
AVERAGE	**48.34%**	**58.73%**	**10.39**

Source: International Monetary Fund (2021)[26] [27] [28].

As is reported in Table 3, the average debt as a percentage of GDP for developing countries was 48.34% in 2019, and then it grew to 58.73% in 2021. The average debt increase during this period is 10.39 percentage points, with Montenegro showing the highest increase in debt as a percentage of GDP at 14.61 percentage points and Bosnia and Herzegovina showing the lowest one at 6.40 percentage points. In general, all of these countries showed an increase in their public debt. The developed countries of the EU experienced debt increases as well. Even though the average debt as a percentage of GDP for EU developed nations was 79.41 percent, higher than the WB developing countries rate, it climbed even more in 2021 to 92.19 percent for the selected countries. In 2021, the average rise in debt as a percentage of GDP over 2019 is 12.78 percentage points (table 4).

[26] International Monetary Fund: Gross debt position (% of GDP), https://www.imf.org/external/datamapper/G_XWDG_G01_GDP_PT@FM/ADVEC/FM_EMG/FM_LIDC/FLK.

[27] International Monetary Fund: Real GDP growth (annual percentage change), https://www.imf.org/external/datamapper/NGDP_RPCH@WEO/OEMDC/ADVEC/WEOWORLD.

[28] International Monetary Fund: Unemployment rate (percent), https://www.imf.org/external/datamapper/LUR@WEO/OEMDC/ADVEC/WEOWORLD.

Table 4. EU developed countries – debt as a percentage of GDP 2019 - 2021

EU Developed Countries			
	Debt as a percentage of GDP 2019	**Debt as a percentage of GDP 2021**	**Difference 2019 – 2021 (percentage points)**
Austria	70.51%	84.20%	13.69
Belgium	98.07%	113.41%	15.34
Denmark	33.56%	38.75%	5.19
Finland	59.51%	72.22%	12.71
France	97.62%	115.83%	18.21
Germany	59.24%	72.50%	13.26
Greece	184.91%	206.69%	21.78
Ireland	57.28%	57.35%	0.07
Italy	134.56%	154.75%	20.19
Luxemburg	22.01%	26.26%	4.25
Netherland	47.43%	58.06%	10.63
Portugal	116.61%	130.79%	14.18
Spain	95.54%	120.22%	24.68
Sweden	34.87%	39.63%	4.76
AVERAGE	**79.41%**	**92.19%**	**12.78**

Source: International Monetary Fund (2021)[29] [30] [31].

When the two countries' groups are compared, we can notice that debt as a proportion of GDP rose quicker in developed countries than in developing ones, with 12.78 percentage points and 10.39, respectively. In terms of percentage points, this disparity is 2.39 higher in EU-developed countries.

[29] International Monetary Fund: Gross debt position (% of GDP), https://www.imf.org/external/datamapper/G_XWDG_G01_GDP_PT@FM/ADVEC/FM_EMG/FM_LIDC/FLK.

[30] International Monetary Fund: Real GDP growth (annual percentage change), https://www.imf.org/external/datamapper/NGDP_RPCH@WEO/OEMDC/ADVEC/WEOWORLD.

[31] International Monetary Fund: Unemployment rate (percent), https://www.imf.org/external/datamapper/LUR@WEO/OEMDC/ADVEC/WEOWORLD.

5.2. GDP GROWTH 2019–2021

GDP growth is an important indicator to analyze during this period. As expected, all countries experienced difficulties during this time, and the crisis is plainly visible when the GDP growth rates are examined. The pandemic triggered a recession in all developed and developing EU countries. This section intends to determine which of the groups suffered the most in this regard.

Table 5. WB developing countries – GDP growth 2019-2021

WB Developing Countries			
	GDP growth 2019	**GDP growth 2020**	**GDP growth 2021**
Albania	2.20%	-3.30%	5.30%
Bosnia	2.80%	-4.30%	2.80%
Kosovo	4.90%	-5.30%	6.00%
Montenegro	4.10%	-15.20%	7.00%
Macedonia	3.20%	-4.50%	4.00%
Serbia	4.20%	-1.00%	6.50%
AVERAGE	**3.57%**	**-5.60%**	**5.27%**

Source: International Monetary Fund (2021)[32] [33] [34].

As shown in Table 5, the average GDP growth rate for the six World Bank nations in 2019 was 3.57 percent. All of these countries fell into recession in 2020, with an average GDP negative growth of 5.60 percent. 2021 was a year of recovery, with an average GDP growth rate of 5.27 percent. Looking at specific countries, Montenegro was the hardest hit, with a negative GDP growth rate of 15.20 percent in 2019. In 2019, GDP growth in the fourteen developed EU countries was 1.98 percent. The epidemic had a significant detrimental impact on the economies of these countries as well. They entered a recession in 2020, with an average GDP decrease of 4.89 percent. The year 2021 was a year of recovery for the EU's developed countries too, with GDP growth averaging 5.31 percent. Looking at specific countries, Spain has suffered the

[32] International Monetary Fund: Gross debt position (% of GDP), https://www.imf.org/external/datamapper/G_XWDG_G01_GDP_PT@FM/ADVEC/FM_EMG/FM_LIDC/FLK.

[33] International Monetary Fund: Real GDP growth (annual percentage change), https://www.imf.org/external/datamapper/NGDP_RPCH@WEO/OEMDC/ADVEC/WEOWORLD.

[34] International Monetary Fund: Unemployment rate (percent), https://www.imf.org/external/datamapper/LUR@WEO/OEMDC/ADVEC/WEOWORLD.

most from the recession, with its GDP dropping by 10.80 percent. Both Spain and Montenegro rely heavily on tourism, and it appears that this sector has suffered the most as a result of the lockdown and travel restrictions.

Table 6. EU developed countries – GDP growth 2019-2021

EU Developed Countries			
	GDP growth 2019	**GDP growth 2020**	**GDP growth 2021**
Austria	1.40%	-6.20%	3.90%
Belgium	1.80%	-6.30%	5.60%
Denmark	2.10%	-2.10%	3.80%
Finland	1.30%	-2.90%	3.00%
France	1.80%	-8.00%	6.30%
Germany	1.10%	-4.60%	3.10%
Greece	1.90%	-8.20%	6.50%
Ireland	4.90%	5.90%	13.00%
Italy	0.30%	-8.90%	5.80%
Luxemburg	2.30%	-1.30%	5.50%
Netherland	2.00%	-3.80%	3.80%
Portugal	2.70%	-8.40%	4.40%
Spain	2.10%	-10.80%	5.70%
Sweden	2.00%	-2.80%	4.00%
AVERAGE	**1.98%**	**-4.89%**	**5.31%**

Source: International Monetary Fund (2021)[35] [36] [37].

When the two groups are compared, it can be seen that the WB countries' GDP growth in 2021 is lower than the recession in 2020. The average GDP growth in 2021 is 5.27 percent, which is slightly lower than the -5.60 percent decline in 2020. The developed countries of the EU were in a better position. Despite a -4.89 percent average GDP decrease in 2020, they enjoyed a 5.31 percent GDP increase in 2021, which was higher than the recession. This descriptive analysis places developed countries ahead of emerging countries.

[35] International Monetary Fund: Gross debt position (% of GDP), https://www.imf.org/external/datamapper/G_XWDG_G01_GDP_PT@FM/ADVEC/FM_EMG/FM_LIDC/FLK.

[36] International Monetary Fund: Real GDP growth (annual percentage change), https://www.imf.org/external/datamapper/NGDP_RPCH@WEO/OEMDC/ADVEC/WEOWORLD.

[37] International Monetary Fund: Unemployment rate (percent), https://www.imf.org/external/datamapper/LUR@WEO/OEMDC/ADVEC/WEOWORLD.

5.3. UNEMPLOYMENT 2019-2021

The third factor examined in this section is unemployment. In contrast to GDP growth, unemployment did not undergo a V-shaped rebound. Unemployment rose significantly on average in 2020 but did not recover as quickly as GDP in 2021; instead, it rose even more in 2021.

Table 7. WB developing countries – unemployment 2019-2021

WB developing countries				
	Unemployment 2019	**Unemployment 2020**	**Unemployment 2021**	**Difference 2019 2021 (% points)**
Albania	11.50%	11.70%	12.00%	0.50
BiH	15.70%	15.90%	15.80%	0.10
Kosovo	25.70%	25.60%	25.80%	0.10
Montenegro	15.12%	15.86%	24.12%	9.00
North Macedonia	17.30%	16.40%	15.90%	-1.40
Serbia	10.90%	9.50%	9.30%	-1.60
AVERAGE	**16.94%**	**15.83%**	**17.15%**	**0.21**

Source: International Monetary Fund (2021)[38 39 40].

In 2019, the average unemployment rate for WB developing nations was 16.94 percent; it fell to 15.83 percent in 2020 before rising to 17.15 percent in 2021. The difference between the pre-pandemic and post-pandemic unemployment rates is 0.21 percentage points higher after the pandemic, indicating a modest increase. Montenegro suffered the most from this component as well; the unemployment rate in 2021 was 9.00 percentage points higher than in 2019.

[38] International Monetary Fund: Gross debt position (% of GDP), https://www.imf.org/external/datamapper/G_XWDG_G01_GDP_PT@FM/ADVEC/FM_EMG/FM_LIDC/FLK.

[39] International Monetary Fund: Real GDP growth (annual percentage change), https://www.imf.org/external/datamapper/NGDP_RPCH@WEO/OEMDC/ADVEC/WEOWORLD.

[40] International Monetary Fund: Unemployment rate (percent), https://www.imf.org/external/datamapper/LUR@WEO/OEMDC/ADVEC/WEOWORLD.

Table 8. EU developed countries – unemployment 2019-2021

EU Developed Countries				
	Unemployment 2019	**Unemployment 2020**	**Unemployment 2021**	**Difference 2019 2021**
Austria	4.80%	5.40%	6.40%	1.60
Belgium	5.40%	5.60%	6.30%	0.90
Denmark	5.00%	5.60%	5.40%	0.40
Finland	6.70%	7.80%	7.80%	1.10
France	8.40%	8.00%	8.10%	-0.30
Germany	3.20%	3.80%	3.70%	0.50
Greece	17.30%	16.40%	15.80%	-1.50
Ireland	5.00%	5.80%	7.80%	2.80
Italy	10.00%	9.30%	10.30%	0.30
Luxemburg	5.40%	6.30%	5.60%	0.20
Netherland	3.40%	3.80%	3.60%	0.20
Portugal	6.60%	7.00%	6.90%	0.30
Spain	14.10%	15.50%	15.40%	1.30
Sweden	6.80%	8.30%	8.90%	2.10
AVERAGE	**7.29%**	**7.76%**	**8.00%**	**0.71**

Source: International Monetary Fund (2021)[41] [42] [43].

Concerning the rise in unemployment, the developed countries of the EU have a different perspective. The average unemployment rate for this group of countries was 7.29 percent in 2019, 7.76 percent in 2020, and 8.00 percent in 2021. After the pandemic, the difference between 2019 and 2021 is 0.71 percentage points higher. In terms of unemployment, we can see that EU-developed countries suffered more than WB-underdeveloped countries. The increase in unemployment for this group of countries was 0.71 percentage points, which was greater than the 0.21 percentage point increase for WB developing countries.

41 International Monetary Fund: Gross debt position (% of GDP), https://www.imf.org/external/datamapper/G_XWDG_G01_GDP_PT@FM/ADVEC/FM_EMG/FM_LIDC/FLK.

42 International Monetary Fund: Real GDP growth (annual percentage change), https://www.imf.org/external/datamapper/NGDP_RPCH@WEO/OEMDC/ADVEC/WEOWORLD.

43 International Monetary Fund: Unemployment rate (percent), https://www.imf.org/external/datamapper/LUR@WEO/OEMDC/ADVEC/WEOWORLD.

5.4. MULTIVARIATE ANALYSIS OF VARIANCE

The MANOVA test is applied to provide an inferential statistical result in addition to the descriptive results. Before going to the MANOVA results, we should assess the overall effect of independent variables on the dependent ones. The Pillai's Trace statistic .911 shows that there is a significant difference between dependent variables when the independent variable is not measured. However, considering the effect of the independent variable, Pillai's Trace effect is 411, which shows no statistical significance (p=.875). Wilks' Lambda, Hotelling's Trace, and Roy's Largest Root are other multivariate test statistics that evaluate the overall effect of the independent variable and the significance of the effect. In this case, all three statistics indicate no significant effect when the independent variable is considered.

Table 9. Multivariate tests

Effect		Value	F	Hypothesis df	Error df	Sig.	Partial Eta Squared
INTERCEPT	Pillai's Trace	.911	54.800b	3.000	16.000	.000	.911
	Wilks' Lambda	.089	54.800b	3.000	16.000	.000	.911
	Hotelling's Trace	10.275	54.800b	3.000	16.000	.000	.911
	Roy's Largest Root	10.275	54.800b	3.000	16.000	.000	.911
DEVELOPMENT	Pillai's Trace	.041	.228b	3.000	16.000	.875	.041
	Wilks' Lambda	.959	.228b	3.000	16.000	.875	.041
	Hotelling's Trace	.043	.228b	3.000	16.000	.875	.041
	Roy's Largest Root	.043	.228b	3.000	16.000	.875	.041
a. Design: Intercept + DEVELOPMENT							
b. Exact statistic							

Table 10. Analysis of variance for the averages of the variables.

Tests of Between-Subjects Effects							
Source	**Dependent Variable**	**Type III Sum of Squares**	**df**	**Mean Square**	**F**	**Sig.**	**Partial Eta Squared**
Corrected Model	DebtChange 2019 - 2021	24.187a	1	24.19	.587	.453	.032
	GDP Average Growth 2019 - 2021	.312b	1	.312	.074	.789	.004
	Unemployment Change 2019 - 2021	.057c	1	.057	.004	.948	.000
Intercept	DebtChange 2019 - 2021	2253.42	1	2253.4	54.7	.000	.752
	GDP Average Growth 2019 - 2021	14.86	1	14.86	3.52	.077	.163
	Unemployment Change 2019 - 2021	18.82	1	18.82	1.43	.247	.074
DEVEL-OPMENT	DebtChange 2019 - 2021	24.19	1	24.19	.587	.453	.032
	GDP Average Growth 2019 - 2021	.312	1	.312	.074	.789	.004
	Unemployment Change 2019 - 2021	.057	1	.057	.004	.948	.000
Error	DebtChange 2019 - 2021	741.38	18	41.19			
	GDP Average Growth 2019 - 2021	76.071	18	4.23			
	Unemployment Change 2019 - 2021	236.15	18	13.12			
Total	DebtChange 2019 - 2021	3675.17	20				
	GDP Average Growth 2019 - 2021	92.082	20				
	Unemployment Change 2019 - 2021	257.630	20				
Corrected Total	DebtChange 2019 - 2021	765.570	19				
	GDP Average Growth 2019 - 2021	76.382	19				
	Unemployment Change 2019 - 2021	236.21	19				
a. R Squared = .032 (Adjusted R Squared = -.022)							
b. R Squared = .004 (Adjusted R Squared = -.051)							
c. R Squared = .000 (Adjusted R Squared = -.055)							

Table 10 shows the effect of the independent variable on the dependent variables, such as the debt change 2019–2021, the GDP average growth 2019–2021, and the unemployment change 2019–2021. The significance values are .453, .789, .789, and .948 respectively, which shows no significant difference in the dependent variables based on the development categorization.

6. CONCLUSION

The pandemic crises affected all European countries. There was little difference between developed and developing countries in terms of debt accumulation, unemployment, and GDP growth, as all countries were in a difficult situation before the epidemic. In 2019, the average debt as a percentage of GDP for developing countries was 48.34 percent; by 2021, it rose to 58.73 percent. Around 10.39 percentage point growth is slightly lower than the 12.78 percentage point increase experienced by developed countries. In terms of GDP growth, the selected EU-developed countries outperformed the WB's underdeveloped countries. GDP growth in developed countries is larger in 2021 than in 2020, however, in developing countries, 2021 GDP growth is lower than 2020 GDP decrease, implying that developing countries have yet to achieve pre-pandemic GDP levels.

According to unemployment statistics, both groups had a modest increase on average. However, the developed EU countries suffered the most, with a 0.71 percentage point increase in unemployment from 2019 to 2021. In contrast, WB developing nations experienced a 0.21 percentage point increase in unemployment. COVID-19 has a global influence, but developing nations face the most difficult position because of their budgetary and financial limits. Kosovo was one of these countries with needs a special focus since it faced a double challenge: first, political fragility followed by a change of government, and second, the COVID-19 impact on health and economic situation. Due to the political instability, the different governments implemented different economic recovery measures, based on their political orientation more than on an analysis of the economic situation. The first Fiscal Emergency Package was primarily aimed to address social issues such as families without a monthly income; financial assistance for people who receive a monthly payment of fewer than 100 euros; additional pay for workers in grocery stores, bakeries, and pharmacies; financial assistance for commercial companies that register employees with employment contracts of at least one year; and coverage of monthly salary expenses 170 euros (private sector) which were transferred directly to the employees. On the contrary, the second package, the Economic Recovery Package, was directed toward the private sector, enabling business development. These measures include direct support to the business sector, direct assistance to enterprises, easing the tax burden through the application of reduced VAT, tax debt interest exemption for the debt created in 2020, VAT exemption for raw materials produced in Kosovo, and so on. The third package was dedicated to various issues such as employment support for unemployed people, family support from various perspectives, pensioners, public sector support, and business support. In general, the package was also dominated by a social approach like the first one. Another specific issue for Kosovo is remittances from the diaspora and the export of services. Initially, the lockdown had a detrimental economic impact on the local economy, but afterward, the openness had a huge impact on the country's economic recovery and growth. Finally, it is concluded that political orientation has an impact on the economic recovery measures used in Kosovo, as different governments implemented different packages based on their political orientation rather than any economic analysis. Finally, regarding the analysis, the differences in the descriptive statistics are not evident in the inferential statistics we also applied. The main reason why MANOVA does not show a significant result is that the sample size consists of only 20 observations. This is one of the limitations of this study, and we suggest that further studies be conducted at a global level and compare the same data with more than 100 observations.

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APPENDIX

Table 11. First Fiscal Emergency Package

The Fiscal Emergency Package	
Measures	**Financing Amount**
Double payment of the monthly value for the months; March, April, May	€7,818,454
Additional payment of 30 euros for schemes that receive a monthly payment lower than €100	€16,322,903
Coverage of monthly salary expenses 170 euros (private sector) for the months: March, April	€49,384,477
Rent subsidy 50% (private sector) for the month; April, May	€6,359,386
Taxes and contributions from the measures where the net subsidies were paid	€ 4,000,000
Subsidizing public enterprises that have financial difficulties	€11,582,599
Additional salary for health workers, police officers, guards, military personnel, labor inspectors, customs inspectors, TAK etc. for the month; April, May	€14,787,285
Additional salary 100 euros for workers of grocery stores, bakeries, pharmacies for April, May	€2,561,124
Other support	€322,140
Financial support for commercial companies that register employees with employment contracts of at least one year, the amount of 130 euros for two consecutive months.	€3,820,821
Monthly assistance of 130 euros for families without monthly income	€10,542,350
Total	**€127,501,539**

Source: Republic of Kosovo (2020)[44].

[44] https://mf.rks-gov.net/desk/inc/media/29F8FA6F-8E46-483E-A8C1-76E47F3B2D9E.pdf, 23/01/2023

Table 12. Second Fiscal Emergency Package

The Government	
Explanation of the measures	**Financing**
Financial support for Businesses*	€60,000,000
Women in society and economy	€1,000,000
Support for Non-Majority Communities	€1,000,000
Ministry of Regional Development	€1,000,000
Ministry of Culture, Youth and sport	€2,500,000
Ministry of Economy and Environment - Public enterprises	€1,000,000
Ministry of Economy and Environment - Entrepreneurship activities	€1,000,000
Support for the Agriculture	€12,000,000
Ministry of Social Welfare – Social assistance	€7,500,000

Source: Republic of Kosovo (2020)[45].

Table 13. Third Fiscal Emergency Package

The Fiscal Emergency Package	
Explanation of the measures	**Financing**
Employment support	**€50,000,000**
- Return to work of those who lost their jobs during the pandemic	€10,000,000
- Support to formalized employees	€10,000,000
- Women employment support	€5,000,000
- Guaranteed employment scheme on young people	€10,000,000
- IT employment and training	€5,000,000
- Employment support to persons with disabilities	€5,000,000
- Grant scheme for crafts	€5,000,000
Production and economy recovery	**€108,000,000**
- Subsidizing investment loan	€30,000,000
- Support to businesses for access to finance	€43,000,000
- IT and innovation investments	€10,000,000
- Support to export	€10,000,000
- Village recovery through agriculture and agro-tourism	€10,000,000
- Recovery of hospitality and closed businesses	€5,000,000
Support to family	**€50,000,000**
- Support to the families who have lost their head of family	€4,000,000

45 https://mf.rks-gov.net/page.aspx?id=2,2,991, 23/01/2023

Explanation of the measures	Financing
- Support to pensioners and families with social assistance	€17,000,000
- Reformation of the Social Scheme Assistance	€12,000,000
- Food coupons for families in need	€4,000,000
- Payments for jobless women after childbirth	€3,000,000
- Support to family liquidity	€10,000,000
Support to public sector	**€112,000,000**
- Support to health	€53,000,000
- Support to education	€9,000,000
- Support to culture and sport	€5,000,000
- Support to safety	€10,000,000
- Support to diaspora	€5,000,000
- Support to public enterprises	€30,000,000
Investment in infrastructure and environment	**€100,000,000**
TOTAL	**€420,000,000**

Source: Republic of Kosovo (2021)[46].

46 https://mf.rks-gov.net/desk/inc/media/379199A4-66AC-4095-BF61-F1184FF5169C.pdf, 01/23/2023