



Albania
Investment
Council

Improving Transparency and Investment Climate

SUPPORT MEASURES IN THE FRAME OF COVID-19

WESTERN BALKANS AND CROATIA

A stylized map of Europe in shades of blue and teal. A white spotlight effect highlights the country of Albania in the Balkans region.

OCTOBER 2021

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CONTEXT

In an effort to limit the economic and social impact of the Covid-19 pandemic, many governments starting from April 2020, undertook a series of direct or indirect support measures, mainly in the form of integrated aid packages.

The dynamics of the laws and bylaws with which these measures have been taken has been very high, dependent on the characteristics of different countries, the extent of the impact on the respective economies that the situation had, budgetary capacities and strategies built by governments to cope with the crisis.

In parallel with the weekly periodic summaries of laws and other acts prepared and sent to all our partners, including businesses and institutions, the Secretariat also prepared a consolidated summary according to the main pillars of intervention for Western Balkans countries and Croatia.

This summary contains and structures public information obtained from IMF, EBRD publications, OECD and other respectable sources, as well as with reference to the legal framework of the respective countries. Interventions have been dynamic, depending on the situations created; therefore, the updating of the information included in this summary has been dynamic.

Given that economies have been open for months now and drastic measures seem to have been kept to a minimum while economies are recovering, the Secretariat is bringing a publication with updated consolidated information until 14 October 2021.

This publication does not aim at qualitative or quantitative evaluation of support measures but to convey coherent information to all stakeholders and establish a basis for further analysis on the effectiveness of the measures taken to support economies in times of such crises.



THE MAIN PILLARS OF SUPPORT MEASURES FOR ECONOMIES

In a comparative look with other countries in the Western Balkans and Croatia, it turns out that the main pillars of government support measures are: (1) *fiscal measures and interventions*; (2) *employment protection*; (3) *financial/monetary support measures* and (4) *sectoral measures*.

FISCAL INTERVENTIONS - almost all governments have been active in providing measures that directly support enterprises by postponing the payment of taxes and fees (tax deferrals, social/health care contributions, profit tax prepayments, etc.). These are pure fiscal measures taken by almost all WB countries with some varying specifications. In Albania's context, the support for small business can be underlined. As of 1 January 2021, small businesses with a turnover of up to 14 million ALL are not subject to tax on profit, while the threshold for VAT purposes is 10 million ALL.

EMPLOYMENT PROTECTION - the second pillar of measures is oriented to wage subsidies aimed at preserving jobs. The mechanisms used are from direct assistance to the categories of employees, subsidizing contributions for enterprises, increasing salaries in the health sector, etc. The main focus in the measures according to pillars (1) and (2) are small businesses and self-employed people.

FINANCIAL/MONETARY MEASURES - measures in this pillar can be grouped into 2 categories: (1) guaranteeing liquidity (through state guarantees) and (2) measures to

alleviate the burden of current business loans (through the facilitation of procedures and deferral of instalments payments).

- **SECTORAL MEASURES** - Croatia seems to have supported a sectoral approach through a group of measures for agriculture. This is related to EU schemes/funds available only to EU countries¹. Meanwhile, the government in Croatia focused on buying stocks of ready-made goods in agriculture and the agro-processing industry. Support for agriculture has also been provided by Northern Macedonia, which has dedicated the third package of anti-COVID-19 measures to agricultural support through the mobilization of 76.1 million EUR².

NOTE:

The information contained in this publication is not exhaustive and does not replace the assistance or professional advice that you or the relevant institutions may need. The publication contains updated information as of 14 October 2021.

¹ The European Commission has approved a scheme (approximately € 4 million) to support the fishing and aquaculture sector in Croatia. The scheme was approved in the framework of the Provisional State Aid Framework approved by the Commission on 19 March 2020, amended on 3 April 2020.

² These include a) support for micro-enterprises and SMEs b) direct support to green oil farmers, which includes about 50,000 farmers with a value of EUR 4.6 million; c) Support grape and vineyard processors with a value of EUR 3.5 million over a three-year period to stimulate the production of alcoholic disinfectants; d) long-term lending for livestock in support of farmers; e) Financing program for micro-agricultural companies worth EUR 3 million for processing and marketing equipment





ALBANIA

FISCAL MEASURES

The government has adopted two support packages for people and businesses affected by the COVID-19 pandemic of a combined size of ALL 45 billion (2.8 per cent of GDP), consisting of budget spending, sovereign guarantees and tax deferrals.

PACKAGE 1: support measures of ALL 23bn (1.4 per cent of GDP) through a combination of spending reallocations, spending increases and sovereign guarantees to support affected businesses.

1. additional funding for the health sector in the amount of ALL 3.5 billion;
2. ALL 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;
3. ALL 2bn of defence spending reallocated toward humanitarian relief for the most vulnerable;
4. ALL 11bn (0.6 per cent 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 per cent for a maturity of up to 2 years;
5. As of April, cabinet ministers and lawmakers will receive half of their salaries for the next three months with the savings going to the Anti-Covid 19 social support fund.

PACKAGE 2:

1. ALL 7bn (0.4 per cent of GDP) fund to pay for a one-off transfer of ALL 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;
2. tax deferral measures allowing all companies (except banks, telecommuni-

cation, public enterprises and companies in the chain of supply of essential goods) to defer payment of profit tax until after September. Tourism, active processing and call centres – as well as small businesses with a turnover of Lk14m or less – shall not pay the tax on income advance instalments for 2020;

3. a sovereign guarantee of ALL 15 billion (0.9 per cent of GDP) to provide loans for working capital and investments for all sectors. This is an instrument that shares risk with banks, covering a percentage of the principal of each loan and repayment terms up to 5 years. Loans also have the feature of 6 months grace period.

As of January 2021, small businesses with turnover below ALL 14million will not pay profit tax, while the threshold for VAT purposes is ALL 10 million.

MONETARY MEASURES

A. Bank of Albania Supervisory Council:

- (1) suspended dividend distribution by the banks until the end of June 2020 for:
 - (a) the accumulated profit carried forward from previous periods;
 - (b) profits realised in 2019 and
 - (c) the profit that will be realized during the first half of 2020;

On January 13, 2021, the central bank lifted the suspension on the distribution of 2019 dividends but instituted a suspension on the distribution of 2020 and 2021 dividends until the end of 2021.
- (2) starting from April 10, 2020, it waived the commissions for transfers in local currency, as well as fees for participants in AIPS and AECH payment systems operated by the Bank of Albania. This measure urges the use of e-banking services and aims to reduce the number of people requiring services in bank premises.

- A. BoA and GoA order second-tier banks to postpone for a 3 month-period terms instalment payments from the private sector in the first phases, and 3 more months in the second phase up to 31.08.2020.

OTHER MEASURES

1. As of April, cabinet ministers and lawmakers receive half of their salaries for the next three months, with the savings going to the Anti-Covid 19 social support fund. Such decisions have been endorsed by other institutions such as the Supervisory Council of BoA, AMF, etc.
2. Suspension of four PPP contracts and public procurement procedures
3. Bank of Albania Supervisory Council halved the salaries of its supervisory board and BoA top management for the duration of the pandemic.

In September 2020, the government launched an Employment Promotion Program¹.

It aims to cover part of the reemployment costs of those who lost their jobs during the lockdown. For formal sector employees, the government will cover half of the wages (at the minimum legal level) and the full employers' share of social contributions for the duration of the program (4 or 8 months). Informal sector employees who lost their jobs during the lockdown will have the full cost of social contributions (employees and employers share) covered for 12 months if they formalize. The 2021 budget provided more funds for the purchase of vaccines and to support the increase of salaries for medical staff.



KOSOVO

FISCAL MEASURES

Tax measures focused on:

1. allocation of €6 million to the health ministry;
2. deferrals for corporate income and personal income taxes, and VAT;
3. advancing payments for social assistance schemes by an additional one month's amount (from one month to two months) to support families in need;
4. removal of VAT on imports of wheat and flour;
5. deferral of public utility payments until the end of April. In addition, the fiscal package in the amount of 170 million euros (2.5 per cent of GDP) was adopted by the government.
6. Monthly salaries coverage will be covered in the amount of EUR 170 per employee for the period of April-May 2020. The total amount of this measure is EUR 41 million. In addition to the salaries covered, the government will also pay the related pension contributions for the period of April-May 2020, at the total amount of EUR 8 mln;
7. Rental subsidy for small and medium-sized enterprises up 50% of the monthly rentals, for the period of April-May 2020, at the total amount of EUR 12 mln.

SECTORAL MEASURES

1. Financial liquidity support will be extended to microenterprises and self-employed at the amount of EUR 10 thousand for a maximum period of 24 months, which measure amounts in a total of EUR 15 million.
2. Monthly salaries coverage of EUR 130 will be awarded for the first two months to any newly hired employee during the COVID-19 with a defined term contract of at least one year. The total coverage amounts to EUR 6 million.
3. Financial support to exporters after the termination of the COVID-19 situation will be at the total amount of EUR 10 million.
4. Support for grants and governmental institutions- A total amount of EUR 20 million is approved to increase the budget for grants and subsidies to the Ministry of Agriculture, Forestry and Rural Development, Ministry of Culture, Youth and Sports and municipalities affected by the pandemic situation.

MONETARY MEASURES

1. Interest-free loans repayable until 31 December 2020 will be awarded to state-owned enterprises facing financial difficulties, legal entities/companies authorized to provide essential services, amounting to a total of EUR 20 million.
2. 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. This suspension could be extended depending on the situation. The CBK will apply regulatory forbearance on loan provisions and capital requirements on reprogrammed loans.
3. In February 2021, the CBK further extended the loan restructuring program to March 31, 2021. The extension allowed for loans that were previously not restructured due to COVID-19 to extend the maturity by 9 months.

NORTH MACEDONIA



FISCAL MEASURES

PACKAGE 1 - (0.2 per cent of GDP) to help address firms' liquidity problems and protect jobs, targeted to affected sectors such as transport, hotel and restaurants for three months starting in April. The measures include

1. a subsidy on social security contributions for firms that maintain employment;
2. postponement of corporate income tax payments by suspending obligations to prepay based on past year's income, and (3) direct financial assistance to firms from the Development Bank, offering loans at zero interest rate.

PACKAGE 2 - (about 1 per cent of GDP).

1. A wage subsidy equal to the minimum wage to affected companies to help them maintain jobs.
2. Vulnerable households who were part of the informal economy and lost their income will receive financial support.
3. Additional funding will be made available from the Development Bank to commercial banks at favourable terms.
4. The government has also implemented price controls on basic food products, medicines, and disinfection products and abolished the import duty on medical supplies.

PACKAGE 3-

1. As part of the third package of measures, the Government is planning to distribute payment cards credited with denar 3,000 and denar 6,000 vouchers to stimulate domestic tourism by the poorest households. The measure will affect about 100,000 citizens from the poorest households, i.e. earning less than denar 15,000 per month (the minimum wage is denar 14,500 per month). The voucher will be used in domestic hotels and other accommodation facilities, while the payment card will encourage the purchase of domestic tourism products and services.
2. The third package of measures supporting agriculture will mobilise up to EUR 76.1 million. It includes support to micro-enterprises and SMEs; direct support to green oil farmers. The measure will cover 50,000 farmers and is worth EUR 4.6 million; support to grape processors and wineries with EUR 3.5 million over three years to stimulate alcoholic distillate production that domestic chemical companies will use to produce disinfectants; long-term lease of pastures to support cattle breeders; and a program for financing

micro-agricultural companies in the amount of EUR 3 million for processing equipment and marketing.

SECTORAL MEASURES

1. Extension of instalment payments;
2. A total of EUR 5.5 million will be granted as interest-free loans to companies conducting business activities in the sectors most affected by Covid-19.

MONETARY MEASURES

The National Bank measures:

1. Initially cut its policy rate by 25 basis points to 1.75%. The Bank has cut its policy rate three times since the start of the crisis by a cumulative 75 basis point to 1.25%
2. 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.
3. Revised its credit risk regulation to encourage banks to restructure loans temporarily 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 to allow them to focus on providing credit while maintaining the quality of the loan portfolio.

In February 2021, the Bank decided to temporarily restrict dividend payments by banks unless in the form of shares, thereby strengthening the supervisory guidance of 2020. The restriction is currently in force through 2021 but will be reviewed no later than September 2021.

OTHER MEASURES

Enforced collection measures:

- The tax authorities announced that they would not conduct any enforced collection in respect of all taxes and other public charges (fines, court fees) against those taxpayers who have not paid their obligations.
- The Law on Enforcement is suspended until the end of June., and the enforcement agents are obliged to stop taking any enforcement action.



SERBIA

FISCAL MEASURES

Fiscal measures (6.5 per cent of GDP) focused on:

1. 10 per cent wage increase for the public healthcare sector (RSD 13bn) and increased healthcare spending (about RSD 26bn);
2. one-off payment to all pensioners (RSD 7bn);
3. universal cash transfer of EUR 100 to each citizen over 18 years old (about RSD 65bn);
4. three-month deferment of labour taxes and social security contributions for all private companies, to be repaid in 24 instalments starting from 2021 (RSD 100bn);
5. deferment corporate income tax advance payment during the second quarter of 2020 (RSD 21bn);
6. wage subsidies, including payment of minimum wages for all SME employees and entrepreneurs for three months (RSD 93bn) and payment of 50 per cent 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).
7. 3-month moratorium on enforcement and interests on tax debt under re-scheduling agreements and 10 percentage points reduction of the interest rate on the tax debt.
8. 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).

The 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 labour taxes and social security contributions for all private companies for an additional month (RSD 30 billion).

A supplementary budget with new support measures was adopted in April 2021. New measures include: (i) wage subsidies, including payment of ½ of minimum wages for all entrepreneurs and employees in SMEs and large companies for three months (RSD 69.8 billion); (ii) additional payments for employees in travel, hospitality, and art (RSD 4.4 billion); (iii) universal cash transfer of EUR 60 to each citizen over 18 years old, paid in two instalments of EUR 30 each—in

May and November (RSD 43.2 billion);(iv) a one-off payment of EUR 50 to all pensioners (RSD 10 billion);(v) a one-off financial assistance of EUR 60 to all the unemployed, paid in June (RSD 4.3 billion); and (vi) support for the transport sector and for city hotels (RSD 3.9bn). The total estimated cost amounts to 2.3 per cent of GDP.

SECTORAL MEASURES

In late August 2020, 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 per cent of GDP.

SUBSIDIES FOR HOTELS

Due to the size of the impact of Covid-19 on the accommodation industry, the Government has implemented a support package consisting of almost EUR 11 million in subsidies. Payment of subsidies to 312 hotels that have applied has been initiated in October and consists of EUR 350 per bed and EUR 150 per accommodation unit.

SUBSIDIES FOR TOUR OPERATORS AND TOURISTIC AGENCIES

In November 2020, the Ministry of Trade Tourism and Telecommunications published a call for submission of subsidies' applications for tour operators and agencies. Eligible agencies will receive up to EUR 5,000 for insurance policy premiums, depending on the type of license they hold. The total allocated amount is approx. EUR 1.28 million.

MONETARY MEASURES

The National Bank measures:

1. cut the key policy rate from 2.25 per cent to 1.75 per cent and then to 1,50% and narrowed the interest rate corridor from ± 1.25 pp to ± 1 pp relative to the key policy rate.
2. provided liquidity (both in dinars and euros) to banks through additional EUR/RSD swap auctions and repo purchase auctions of dinar government securities;
3. reduced the FX swap interest rates

-Moratorium on leasing and loans, beneficiaries are entitled to delay in payment of obligations that were due within 3 days from the day the decision came into force.

-Leasing providers cannot charge interest on arrears and initiate collection procedures against the lessee or undertake other legal actions to collect the receivables from the lessee.

OTHER MEASURES

In October, the Government of the Republic of Serbia adopted two Decrees extending methods for granting State Incentives. First Decree focuses on the possibility for the Government to finance eligible companies through the temporary purchase of ownership and non-ownership shares. The second Decree allows the Government to finance part of fixed expenses of companies that have decreased or ceased activities due to Covid-19. However, Decrees do not represent enforceable measures, just a legal ground for possible State Aid programs which are planned. No official comment on such activities is yet available.

BOSNIA & HERZEGOVINA

FISCAL MEASURES

1. FBiH measures subsidized contributions and taxes and payment of minimum wages for all employees of the companies impacted by Covid-19.
2. Rep. Serbska decided to cover PIT and SSC for about 40,000 workers in the sectors closed by the government decision from March to May (KM 50 million, 0.15 per cent 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 per cent of GDP) and is planning to increase the transfers to unemployment funds (KM 25 million, 0.08 per cent of GDP).

SECTORAL MEASURES

The FBiH support the economy through:

1. setting up a special fund to stabilize the economy (KM 500 million, 1.5 per cent of GDP);
2. establishing a guarantee fund at the Development Bank (up to KM 500 million, 1.5 per cent of GDP) which will serve to maintain and improve the liquidity of companies. The RS is also developing a credit guarantee scheme.

MONETARY MEASURES

1. 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.
2. 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.
3. All banks were ordered not to pay dividends or bonuses.



MONTENEGRO

FISCAL MEASURES

PACKAGE 1:

1. the removal of the excise on medical alcohol sold in pharmacies;
2. the delay of tax payments and social security contributions;
3. the creation of a new Investment Development Fund (IRF) credit line of EUR 120 million to improve the liquidity of entrepreneurs;
4. the deferral of lease payments for state-owned real estate;
5. advance payments to contractors for capital projects;
6. 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);
7. an increase in the March wages of healthcare workers by up to 15 per cent (EUR 0.5 million has been allocated).

PACKAGE 2: at the amount of EUR 75 million package (with a net impact of EUR 40 million) includes:

1. 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;
2. a subsidy of 50 percent of the minimum wage for employees in sectors at risk due to the pandemic-related lockdown;
3. 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;
4. 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;
5. energy firms will exempt the fixed portion of electricity bills for businesses that have stopped operating due to the pandemic-related lockdown;
6. the state utility will double its electricity subsidies for vulnerable households;
7. assistance to the agriculture and fisheries sector, including one-off assistance to fishermen and payments for the contributions of insured agricultural workers;

8. 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.

PACKAGE 3: Adopted by the Government on 23 July 2020 comprised of short- and long-term measures worth EUR 1.22 billion over four years (EUR 281.2 million in 2020). Short-term measures in this package include

1. support to the tourism sector (such as interest subsidies on loans and the reduction of VAT from 21 per cent to 7 per cent in the hospitality industry),
2. interest subsidies for the agriculture sector;
3. programs for improving competitiveness;
4. wage subsidies;
5. one-off support to veterans and pensioners.

PACKAGE 4: announced on January 28, 2021, of EUR 163 million. Measures include:

1. wage subsidies (with an expanded list of eligible sectors);
2. one-off support to the vulnerable population;
3. tax deferrals;
4. support for new employment;
5. one-off support for firms to implement e-fiscalization;
6. domestic travel vouchers for health and education workers; and additional measures for the tourism, catering, and agriculture and fisheries sectors. The measures are aimed at maintaining employment levels, improving liquidity, increasing the number of tourists, the stability of agriculture, as well as supporting the vulnerable population.

PACKAGE 5: 29 April 2021, a new package of support measures for businesses and citizens, was adopted for the second quarter, worth an estimated EUR 160 million. This package includes a reduction of electricity bills for the most vulnerable groups and a new salary subsidization plan.

MONETARY MEASURES

The central bank measures:

1. moratorium on loan repayment for a period of up to 90 days. It includes the interim suspension of all payments of obligations based on the loan (principal,

interest, default interest, fees, etc.).

2. Banks are also allowed to restructure loans and reclassify them as new loans, including by additionally extending the repayment period by up to two years, if the borrower's financial position was impacted by the pandemic and restructuring would improve the credit capacity of the borrower. These measures also apply to leasing and microfinance institutions.
3. 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 per cent of the bank's own funds), with prior central bank approval.
4. Additional measures are being considered, including the extension of the moratorium to the most vulnerable borrowers, securing access to credit lines for the financial system through the EBRD and the International Finance Corporation (IFC), and reducing the price of withdrawing the reserve requirement for the liquidity of banks.

In July 2020, CB decided 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 from 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.

In October 2020, CB intervened by helping the most affected citizens. It introduced a six-month moratorium on the repayment of loans for citizens who have lost their jobs after March 31 due to the COVID-19 crisis and have not delayed the repayment of their loans by more than 90 days before end-2019, and whose loans have not been classified as non-performing by end-2019. Other measures include a loan restructuring for citizens whose wages have fallen by at least 10 per cent due to the pandemic and a change in the amount of demand deposits included in the calculation of due liabilities (20 per cent instead of 30 per cent).

On April 28, 2021, launched new measures. They were focused on micro, small and medium-sized enterprises and citizens. It expands the list of eligible sectors for loan beneficiaries entitled to a moratorium, approval and restructuring of loans with preferential regulatory treatment. Loan beneficiaries whose earnings have been reduced by more than 10 per cent due to the pandemic may be extended a repayment period by a maximum of five years. Banks can also agree on a longer-term when restructuring and classifying loans to natural persons, including those when the loan is not secured by collateral. The extension period may be up to five years providing the maturity does not exceed 10 years.

On May 25, 2021, the Central Bank expanded the categories of companies that are loan beneficiaries of the moratorium (ending August 31, 2021) to also include those whose total revenues in 2020 were at least 50 per cent lower than in 2019.

OTHER MEASURES

1. Postponement of payment of lease of state-owned real estate, also for a period of 90 days.
2. Advance payment to service providers and contractors on started capital projects with the provision of a bank guarantee in the value of the advance payment to ensure their liquidity and maintain continuity of work, where this does not endanger the health of citizens.

An aerial photograph of a city in Croatia, showing a mix of historic and modern architecture. The word "CROATIA" is written in large, white, sans-serif capital letters across the top right of the image. A white curved graphic element is positioned above the text.

CROATIA

FISCAL MEASURES

Fiscal measures:

1. deferment of public obligations, free of interest for three months, which can be extended by additional three months if necessary;
2. temporary suspension of payments of selected parafiscal charges; interest-free loans to local governments, the Croatian Health Insurance Institute, and the Croatian Pension Insurance Institute to cover the deferred payments;
3. subsidization of net minimum wages for three months to preserve jobs, which could be extended for another three months;
4. early refund of taxes for individuals;
5. an increase of the subsidization of the net minimum wage;
6. tax obligations of companies to be reduced or written-off depending on their turnover and loss;
7. VAT payments will not be due until payment is received from customers and the deadline for the 2019 financial reports will be extended to June 30th.

In June 2020, the government announced the possibility of introducing a short-time work program, financed from EU SURE, to safeguard jobs thereby employers who need to introduce shorter working hours due to a decline in business activities would be entitled to aid for the payment of a part of their workers' wages. The measure is intended for all sectors and all businesses with more than 10 employees. In September 2020, the measures designed to help the economic sectors hit by the coronavirus crisis, including those designed to keep jobs and ensure liquidity and COVID-19 loans, were extended until the end of the year. For all sectors, the government will co-finance a shorter working week with a maximum HRK 2,000 per worker plus contributions, as well as provide assistance to micro-businesses until the end of December, also in the amount of HRK 2,000 per worker, if the employer has suffered a drop in turnover of more than 50 per cent. For activities that are particularly at risk (transport of passengers, hospitality, travel agencies and recreation-related businesses, as well as cultural, business and sports events), support is provided in the amount of HRK 4,000 per employee until end-December 2020, if their drop in turnover exceeds 60 per cent. On September 24, the deadline for SOEs to pay profit into the budget was

extended until January 15. Since end-November, the government finances the costs of entrepreneurs whose work was suspended by the Decision of the Civil Protection Headquarters. The overhead costs are reimbursed to entrepreneurs with a drop in income of at least 60% compared to the same month last year or compared to the previous month of the current year if the entrepreneur started working in 2020. Entrepreneurs with a decline in income/receipts of 40-60% or HRK 2,000 - 3,500, respectively, are also entitled to support within the work scheme.

In December 2020, the government announced the continuation of the measure of HRK 4,000 per employee in January and February 2021 to protect jobs in businesses forced to close down as part of efforts to curb the spread of the coronavirus pandemic. In end-February 2021, the job retention grants were extended by another month. The existing active labour market measures were expanded, for instance, the job skills training programs for the currently unemployed persons to work in professions experiencing labour force shortages of workers.

SECTORAL MEASURES

1. Beneficiaries of some EU Structural and Investment Funds will be able to receive larger advance payments. Part of the EU funds envelope has been reallocated to microloans, a new credit line was introduced, accompanied by measures to facilitate faster disbursements of loans with lower interest rates and larger partial risk guarantees.
2. The government has also resorted to purchasing unsold stocks of finished goods in agriculture, the food processing industry, medical equipment, and similar strategic goods.
3. Financing of temporary fishing suspension with prior approval of the European Commission.
4. Assistance to the agricultural sector due to traffic restrictions and increased manipulation costs.
5. Increased funding for de minimis aid to the fisheries and aquaculture sector.
6. Establishment of a credit line for working capital for the agriculture, forestry and wood processing sectors.

7. State aid: EU Commission approves €4 million Croatian direct grant scheme to support fishery and aquaculture sector in coronavirus outbreak.

In January 2021, the European Commission (EC) approved Croatia's HRK 1.53 billion state aid program for companies in the field of tourism and sports, which will be implemented in cooperation with the Croatian Ministry of Tourism and Sports, the Croatian Bank for Reconstruction and Development (HBOR), the Croatian Agency for SMEs, Innovations and Investments (HAMAG-BICRO) and commercial banks. The program provides for the issuance of a state guarantee in the amount of 100% of the loan principal for micro, small and medium-sized enterprises and up to 90% for large enterprises. The supports in the amount up to EUR 800,000 per entrepreneur will be granted by 30 June this year at the latest, but only to companies that were not in difficulties on 31 December 2019, except for micro and small enterprises, which are eligible even if they had a business problem on that date. The new loans are intended for working capital and investments, as well as interest rate subsidies.

MONETARY MEASURES

The National Bank provided liquidity via:

1. the structural repo facility, used for the first time since December 2018 (5-year kuna liquidity of HRK 3.8 billion at a fixed interest rate of 0.25 per cent);
2. regular weekly repos used by banks for the first time since December 2017. This repo rate has been reduced from 0.30 to 0.05 per cent; and
3. a reduction of the reserve requirement ratio (from 12 to 9 per cent).
 - A moratorium for three months on obligations to banks has been introduced. Banks will not apply enforcement measures during this period.
 - The Croatian Bank for Reconstruction and Development (HBOR) has issued a moratorium on debt service for three months, can provide liquidity loans, export guarantees, and restructure obligations. In April 2020, the European Commission approved subsidized loan programs of up to €1.8 billion.

OTHER MEASURES

The Croatian Government introduced new measures for preserving jobs in

Covid-19 affected sectors. There are currently 3 measures that are available to employers.

Grant to support reduced working hours during June to December 2020;

Grant for the preservation of jobs in sheltered workshops, integrative workshops and employment units for people with disabilities during July to December 2020;

Job preservation grant for specific sectors affected by Covid-19 – during October to December 2020.



Albania
Investment
Council

Improving Transparency and Investment Climate

ABOUT INVESTMENT COUNCIL IN ALBANIA

The Investment Council facilitates the development of mutual trust between the business community and the government in Albania and contributes to an incremental institutionalization of effective policy dialogue. It contributes to the national reform and economic transition process by enhancing institutions, laws and policies that promote market functioning and efficiency.

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