

In the Media Conference of the Minister of Finance Avdullah Hoti, the IMF Resident Representative in Kosovo Ruud Vermeulen and the Governor of the Central Bank of Kosovo Bedri Hamza, regarding the participation of the Republic of Kosovo delegation in the spring meetings of the International Monetary Fund and the World Bank, it was announced that the Kosovo authorities held discussions with the IMF management and senior staff in Washington D.C. during the 2017 Spring Meetings. The discussions focused on program performance and measures needed to bring the program to a successful conclusion.

On this occasion, Minister of Finance, Avdullah Hoti said that he is very optimistic for the successful conclusion of the Program with the IMF and also for the support that Kosovo will receive from the World Bank for the next 5 years.

The Minister Avdullah Hoti announced that during the IMF spring meetings with the IMF management and senior staff, they discussed three main issues: the first one was the existing program that should be completed during the summer months, the second one was regarding the idea for a new program with the IMF and the third issue was the second fiscal package.

Regarding the issue on the program with the International Monetary Fund, Minister Avdullah Hoti announced: "As you know, we have successfully completed the second and third review of this program, and as a result we have disbursed the fund of 100 million euros in the state budget".

"We have managed to meet all requirements for the second and third review, regarding the banking balance, current expenditures, budget deficit and other criteria foreseen in the program. And this, has normally come as a result of the very good economic performance of the country regarding the revenue and regular management of expenses. All the institutions, the Government, the different Ministries, the Parliament of Kosovo, independent agencies, have done their work to fulfill the IMF Program criteria, for which I am really grateful", Minister Hoti added.

He also stated that the Government of the Republic of Kosovo expects that the fourth review of the program with the IMF will be completed successfully during the summer months.

"There are two specific conditions to successfully complete the Program with the International Monetary Fund. First one is the reclassification of war veterans in accordance with the amended Law on War Veterans in December last year. I believe this work should begin as soon as possible because the IMF requires it to be completed by the end of May. And the second criteria is amending the Law on war invalids so that the criteria to qualify for war disability are brought in line with those for civilian disability, but with a considerable difference on war invalids pensions, who should receive a significantly higher pension than the other citizens of this category," added Minister Hoti.

Regarding the idea for a new program with the IMF, after the successful completion of the existing program, Minister Avdullah Hoti said: "The purpose of this program is to maintain the very good results we have achieved so far in economic development, revenue performance, banking balance management, budget deficit and other issues, and in particular to focus on reviewing social schemes and pension schemes that absorb about 1/3 of the coherent part of budget expenditures. We want to regulate them like we regulated other coherent expenses, such as salaries or other expenses".

Regarding the third issue discussed with the IMF, Minister Avdullah Hoti announced that "The third issue we have discussed with the IMF is the second fiscal package, which has been widely discussed with businesses and wide society".

"I am pleased to say that regarding main topics of this fiscal package, we have a common position with the IMF. At technical levels we are working to align positions regarding two or three issues on which the IMF has some opinions that can be addressed as the same objective but with a slightly different approach in order to maintain the integrity of the tax system of our country. I believe that in the coming days we will also agree with the IMF on these issues, so that the Government of the Republic of Kosovo will move forward with the approval of this package and to continue with strengthening of fiscal package measures one by one", added Minister Hoti.

Minister Avdullah Hoti also mentioned that besides meetings with the IMF, he also had numerous meetings with senior management of the World Bank.

"I would like to mention two specific issues that we have discussed with the World Bank: The first is the new Strategy for Kosovo, the new strategic framework that the World Bank will soon approve in its bodies for Kosovo for the next five years, where US \$ 240 million is foreseen for Kosovo under this package and there is also a considerable part from the International Finance Corporation in the amount of \$ 60 million given to Kosovo through the private sector support. We have a very sound portfolio with the World Bank regarding the effects of the projects funded by the World Bank and the regular repayment of our government's obligations to the World Bank," added Minister Hoti.

He also announced that the second issue discussed with the World Bank is the "Kosovo C" project.

"We are expecting that once the Ministry of Economic Development will conclude some obligations it has in the preparation of various commercial agreements with the winning company and meeting other technical conditions regarding the feasibility studies for mines and other issues, the World Bank will be ready to support this very important project for energetic stability of Kosovo," added Minister Hoti.

Whereas, the IMF Resident Representative in Kosovo Ruud Vermeulen stated: "Performance under the Fund-supported program remains strong. The authorities have met all fiscal targets for end-March, and they are confident that the 2017 budget deficit will stay within the agreed limits. The banking system is sound, with solid capital and liquidity buffers, record low non-performing loans, and healthy profits. Structural reforms in the areas of contract enforcement and public procurement are advancing, which will help unlock bank credit and improve the business environment".

"It is critical that this progress continues, and that the authorities implement all remaining measures to ensure a successful completion of the program. This will require in particular:

A reclassification of war veterans by end-May, following the promulgation by the President of the amended Law on War Veterans. To preserve the integrity of the envisaged process, the reclassification will need to be based on reliable estimates of veterans' length of service during the war, and amending the Law on war invalids by mid-May, so that the criteria to qualify for war disability are brought in line with those for civilian disability. Aligning the criteria will ensure fairness and equity in treatment' added Ruud Vermeulen, IMF Resident Representative.

According to him, these measures will ensure that spending on war-related benefit schemes remains sustainable, thereby freeing up space for higher spending on priority areas such as education, health, and infrastructure.

The IMF Resident Representative, stated that "It was agreed in Washington that timely actions are of the essence as only a few months remain until the program expires. A successful completion to the program would strengthen the hard-fought gains achieved over the last two years".

The Governor of the Central Bank of Kosovo, Mr. Bedri Hamza announced that "As a result of the criteria fulfillment, the second and third review of the IMF program has been successfully concluded and disbursement of funds has been completed. The financial sector has met all obligations arising out of this Agreement".

"This sector, during this period, was characterized by positive developments, and referring to the financial indicators we have increase of deposits and two-digit loans. Non-performing loans are at their lowest historical level at 4.5% with good provisioning and the average interest rate has decreased and already is below the average of the countries in the region, "added the CBK Governor, Bedri Hamza.

He announced that in general the financial sector has a good performance, with positive trends and he believes that it will continue to be one of the important contributors to the economic growth of the country.

The CBK Governor Bedri Hamza stressed out that he strongly believes in meeting the remaining criteria for the final review of the Program with the International Monetary Fund.

“Kosovo will continue with the good history of the successful conclusion of the program with the IMF and with creation of prerequisites for new programs with the aim of addressing and developing the reforms together with the IMF, because we know that Kosovo has a macro-fiscal sustainability and stable financial system. Therefore, it is a common success of all institutions and of course we are aware that we have a lot of work ahead in developing reforms, improving the overall environment and the sustainable economic development, "added the CBK Governor Hamza.