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January 13, 2016

**Statement by Mr. Hiroshima and Mr. Shoji on Republic of Kosovo
(Preliminary)
Executive Board Meeting
January 15, 2016**

We thank staff for a comprehensive report and Mr. Canakci and Mr. Mehmedi for their informative statement. We welcome the Kosovo's prudent macroeconomic performance under the Stand-By Arrangement while potential delays in the parliamentary process of key legislation are a risk. We positively note that all performance criteria, indicative targets and structural benchmarks were met. Thus, **we support the completion of the first review under the SBA and request for modification of PC.**

As we broadly agree with the thrust of the staff appraisal, we will limit our comments to the following points:

Fiscal Policy

We welcome the strong tax performance and current spending under the program target. We would like to emphasize the importance of one-off revenues and privatization funds. Going forward, we encourage the authorities to implement further fiscal consolidation by a set of new measures in order to reach the deficit target for 2016 while proceeding with the under-executed capital budget.

Financial Sector Policy

We commend the increasing credit growth to private sector and the declining trend of NPL. We further urge the authorities to make efforts to remove structural impediments to credit provision through reforming legal framework. On the other hand, strengthening the Central Bank of Kosovo's capacity to manage financial stability would be of great value.

Structural Reform

We welcome the progress in a centralized procurement system and a new procurement law in line with international best practice. As a next step, we urge the authorities to fill the vacant seats on the Public Procurement Review Board. Also, strengthening the anticorruption regime would help to improve business climate.