

# 2018 Budget and European Commission Recommendations

October 2018





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# Introduction

Draft Law on Budget of Republic of Kosovo for 2018 was submitted to Kosovo Assembly on 31 October 2017<sup>1</sup>. In its presentation before the members of Budget and Finance Committee of Kosovo Assembly, Ministry of Finance made no mention whether Government of Kosovo had any priorities related to recommendations deriving from European Commission (EC) Country Report for Kosovo for 2017<sup>2</sup>. While European Union integration is one of major priorities of the state of Kosovo, the budget was adopted by Republic of Kosovo Assembly members on 22 December 2017, on an extraordinary session and without any substantial discussion related to the EC Report recommendations. The purpose of this analysis is to see how much Republic of Kosovo budget fulfilled last year's EC report recommendations and what priorities Kosovo Assembly has to take into account while discussing the 2019 budget, based on this year's EC report recommendations.

Unlike the previous years when EC Report used to be published in November and included developments until the end of September of that year<sup>3</sup>, this year's report was published in March and it included developments until February of this year<sup>4</sup>. However, many of EC recommendations were not taken into account for 2018 budget Government of Republic of Kosovo did not review its budget this year with a justification that the budget was very well planned.

Our findings show that despite the budget increase for some institutions recommended by EC, this increase still remains insufficient. In the area of public administration, fragmentation and lack of adequate budget to implement strategies in this sector remain the most problematic. Also, despite the increase of rule of law budget, the budget allocated to implement anti-corruption strategy is still insufficient. On the other hand, key institutions that ensure market development within MTI are still left with limited human and financial capacities. Also, education and health expenditures are still insufficient and remain among the lowest in the region. Kosovo spends the least in the region on scientific research, while 40% of expenditures in the health sector are paid out of pocket of citizens, that is approximately twice the percentage of expenditures paid by EU citizens. Finally, with all the recommendations to find a sustainable solution to finance Radio Television of Kosovo (RTK), this issue has been pending for years.

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*Writing of this report was completed in August 2018*

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1 Kosovo Assembly, Draft Law on Budget of Republic of Kosovo for 2018, Source: <http://bit.ly/2o0Mf6F>

2 Kosovo Assembly, Minutes from Budget and Finance Committee meeting, Source: <http://bit.ly/2o0Mf6F>

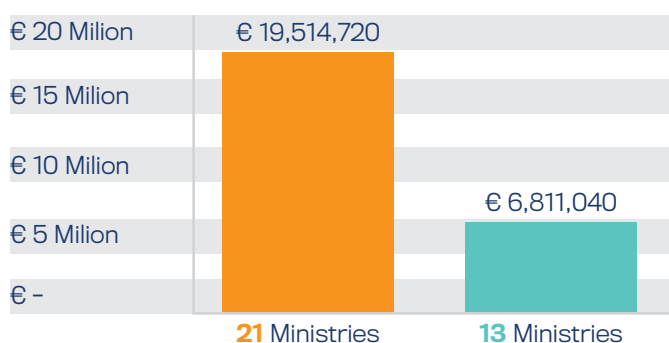
3 European Commission, 2016 Kosovo Report, Source: <http://bit.ly/2fPqxwg>

4 European Commission, 2018 Kosovo Report, Source: <http://bit.ly/2uZVilP>, page 3



One of the issues stressed in this year's European Commission Report is related to the size of Government of Kosovo. According to a study of GAP Institute, Government of Kosovo should decrease the number of ministries from 21 to 13 in order to optimize its operation and avoid the issue of competence distribution among the different ministries<sup>5</sup>. Based on our calculations, this decrease in the number of ministries would provide savings in Kosovo budget of around 3.2 million Euros per year or 12.9 million Euros per one four-year mandate of government only from salaries, mobile phones and lunches. They would be generated due to a lower number of ministers, deputy ministers, advisors and other politically appointed staff<sup>6</sup>.

**FIGURE 1: FALL OF EXPENDITURES, CAUSED BY DECREASE IN THE NUMBER OF MINISTRIES FROM 21 TO 13**



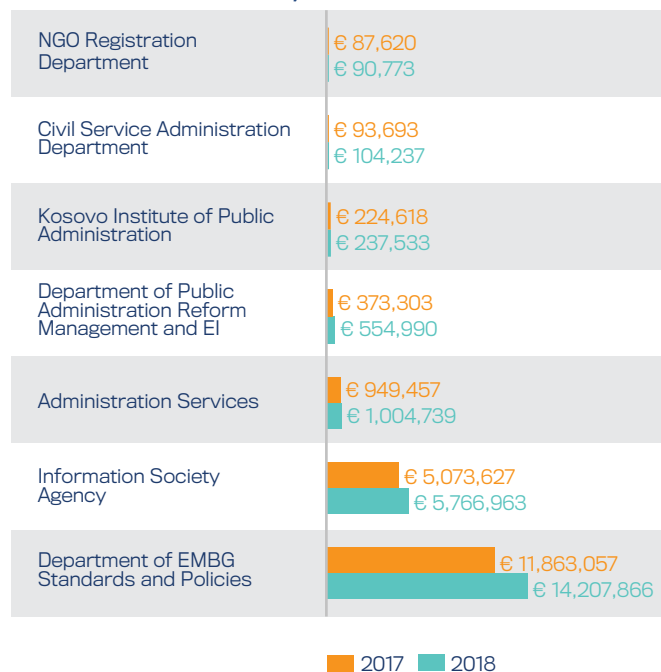
Source: GAP Institute calculation

Another issue impacting directly public administration fragmentation includes a high number of (semi) independent agencies. As reported, fragmentation of these agencies damages accountability and efficiency which is why these agencies should be transferred from Assembly to Government of Kosovo.<sup>7</sup> Ministry of Public Administration (MPA) initiated public consultations on a concept document that aims to transfer seven agencies under Government management within 2018. This document does not provide a specific figure related to budget savings, however due to a lower number of board members, directors, salaries and goods and services and utility costs, this reform would decrease current expenditures from Kosovo budget<sup>8</sup>. Public administration reform is at the same time one of the conditions to provide sectorial budget assistance, amounting to 25 million Euros, based on an agreement signed between Government of Kosovo and the European Commission<sup>9</sup>. Draft Law on organization and functioning of civil service and independent agencies will also contribute in increasing accountability in the public administration.<sup>10</sup>

The problem that remains within public administration includes lack of trainings due to low budget of Kosovo Institute of Public Administration (KIPA).<sup>11</sup> The budget for salaries of this institution was increased for about 23 thousand Euros (18%), while the number of employees increased from 16 to 19. Budget allocated to KIPA still remains insufficient and the current number of employees remains unchanged from the previous year.<sup>12</sup>

Apart from the lack of training, European Commission has been raising continuously its concern related to lack of capacities within MPA to oversee and implement public administration reform. This year also, the budget related to employees remained the same within Department of Public Administration Reform Management in MPA, while capital expenditures increased for 180 thousand Euros (56%) due to the project entitled "Implementation of Action Plan on Public Administration Reform in Kosovo". These funds are just a continuation from the previous year, while new expenditures for this year amount to zero. Apart from lack of budget to manage the reform, budget allocated for four strategies that make up the public administration reform framework is insufficient, making planning of activities to implement these strategies thereby unrealistic.<sup>13</sup>

**FIGURE 2: MPA BUDGET, BASED ON DEPARTMENTS**



Source: Law on Budget of Republic of Kosovo for 2018

5 GAP Institute, Kosovo Ministry of Public Administration size, Source: <http://bit.ly/2v0yg4J>

6 Please see Annex 1 on details and assumptions of this calculation.

7 European Commission, 2018 Kosovo Report, Source: <http://bit.ly/2uZVilP>, page 12

8 Ministry of Public Administration, Draft Concept Document on the first wave of rationalisation and establishment of accountability lines for agencies under Kosovo Assembly, Source: <http://bit.ly/20sYZPC>

9 Official Gazette, 2016 IPA agreement, second part between Republic of Kosovo and European Union, Source: <https://bit.ly/2scOFSm>

10 Ministry of Public Administration, Draft Law on Organization

and Operation of civil service and independent agencies, Source: <http://bit.ly/2LvojGJ>

11 European Commission, 2018 Kosovo Report, Source: <http://bit.ly/2uZVilP>, page 11,

12 Phone interview with Finance Directorate within Kosovo Institute of Public Administration, 27 July 2018

13 European Commission, 2018 Kosovo Report, Source: <http://bit.ly/2uZVilP>, page 13





## Kosovo Investment and Enterprise Support Agency (KIESA)

EC report for this year also stresses the need to increase Kosovo Investment and Enterprise Support Agency capacities (KIESA). Investment Promotion Section still continues to operate with only three persons

despite the fact that in 2015, there were 193 active foreign businesses in Kosovo.<sup>14</sup> Due to lack of capacities, KIESA as the leader of National Coordination Group of Small Business Act (SBA) made a small progress in facilitating and diversifying access to finance to small and medium enterprises through Kosovo Credit Guarantee Fund. On the other hand, even though an additional budget was allocated to restructure this agency, the process has not started yet as it is waiting for Ministry of Public Administration approval.<sup>15</sup> Also, EC report assesses that Law on Economic Zones, that regulates founding and funding of economic zones, is not in accordance with EU acquis. KIESA has no programs to develop specific sectors, or to enhance Kosovo industry.<sup>16</sup>

## Kosovo Standardization Agency

Similar to the previous year, EC report finds that Kosovo Standardization Agency (KSA) that operates within MTI, lacks staff. As a result of insufficient capacities, this agency continues to face obstacles in offering its services online.<sup>17</sup> This year, plans are that KSA budget is increased for 13% and staff for two more members.<sup>18</sup> GAP Institute was unable to get a written response from KSA on whether the budget and staff increase for 2018 would be sufficient to offer online services.

## Kosovo Accreditation Directorate

Based on 2018 EC report, the new Law on Accreditation was one of the preconditions for Kosovo to sign Multilateral Agreement on European Accreditation Cooperation. Accreditation policy and 2016-2020 Accreditation Strategy were adopted by Kosovo Accreditation Directorate (KAD), however limited resources and lack of Director-Generals since mid-2016 risked implementation of this strategy.<sup>19</sup> Budget allocated to General Accreditation Directorate in 2017 amounted to 77 thousand Euros, while in 2018 it increased for only 1,372 Euros (2%).<sup>20</sup> However, according to KAD, this budget increase is insufficient

to fully implement Accreditation Strategy, taking into account the rise of activities within this department and small number of employees. It should be mentioned that until now, Kosovo Accreditation Directorate managed to implement majority of its activities thanks to different donors.<sup>21</sup>

## Customer Protection Department

In terms of customer protection, EC report stresses that 2016-2020 Programme of Customer Protection was adopted, however lack of human and financial resources in Ministry of Trade and Industry keep preventing effective implementation of policies and coordination of customer protection programme.<sup>22</sup> Budget allocated to Customer Protection Department in 2017 amounted to 34.9 thousand Euros, while in 2018 it increased for only 1.3 thousand Euros (4%).<sup>23</sup> In addition, as per Customer Protection Department, objectives within three main areas, such as: a) harmonization of legislation with EU; b) human capacity development within Customer protection department and council; and c) awareness raising activities are difficult to be implemented with current resources. The Department cannot implement activities unless it has sufficient staff to do so.<sup>24</sup>

## Market Inspection

According to EC report, Law on Market Inspection and Monitoring was partially approximated to acquis, however, an insufficient number of inspectors weaken capacities to protect consumers' economic interests. Budget allocated to Market Inspection for 2017 amounted to 224.5 thousand Euros, while in 2018 it increased for 40.6 thousand Euros (18%).<sup>25</sup> This increase went completely to salaries and wages. Compared to 2017, the allowed number of employees was increased for five persons. In 2017, there were 27 employees in total, whereas in 2018 there were 32 employees in total. However, according to Market Inspection, taking into account the numerous laws that fall under Market Inspection competence, budget increase and increased number of employees are more than welcome but insufficient for full implementation of the laws in force.<sup>26</sup>

14 Kosovo Agency of Statistics, Statistical Repertoire of Economic Enterprises in Kosovo, TM4 2017. Source: <https://bit.ly/2MpfzSh>

15 MTI, Written response, 28 June 2018.

16 European Commission, 2018 Kosovo Report, Source: <http://bit.ly/2uZVilP>, page 67,

17 European Commission, 2018 Kosovo Report, Source: <http://bit.ly/2uZVilP>, page 51,

18 Kosovo Assembly, Draft Law on Budget of Republic of Kosovo for 2018, Source: <http://bit.ly/2o0Mf6F>

19 European Commission, 2018 Kosovo Report, Source: <http://bit.ly/2uZVilP>, page 51,

20 Kosovo Assembly, Draft Law on Budget of Republic of Kosovo for 2018, Source: <http://bit.ly/2o0Mf6F>

21 MTI, Written response, 28 June 2018.

22 European Commission, 2018 Kosovo Report, Source: <http://bit.ly/2uZVilP>, page 62,

23 Kosovo Assembly, Draft Law on Budget of Republic of Kosovo for 2018, Source: <http://bit.ly/2o0Mf6F>

24 MTI, Written response, 28 June 2018.

25 Kosovo Assembly, Draft Law on Budget of Republic of Kosovo for 2018, Source: <http://bit.ly/2o0Mf6F>

26 MTI, Written response, 28 June 2018.

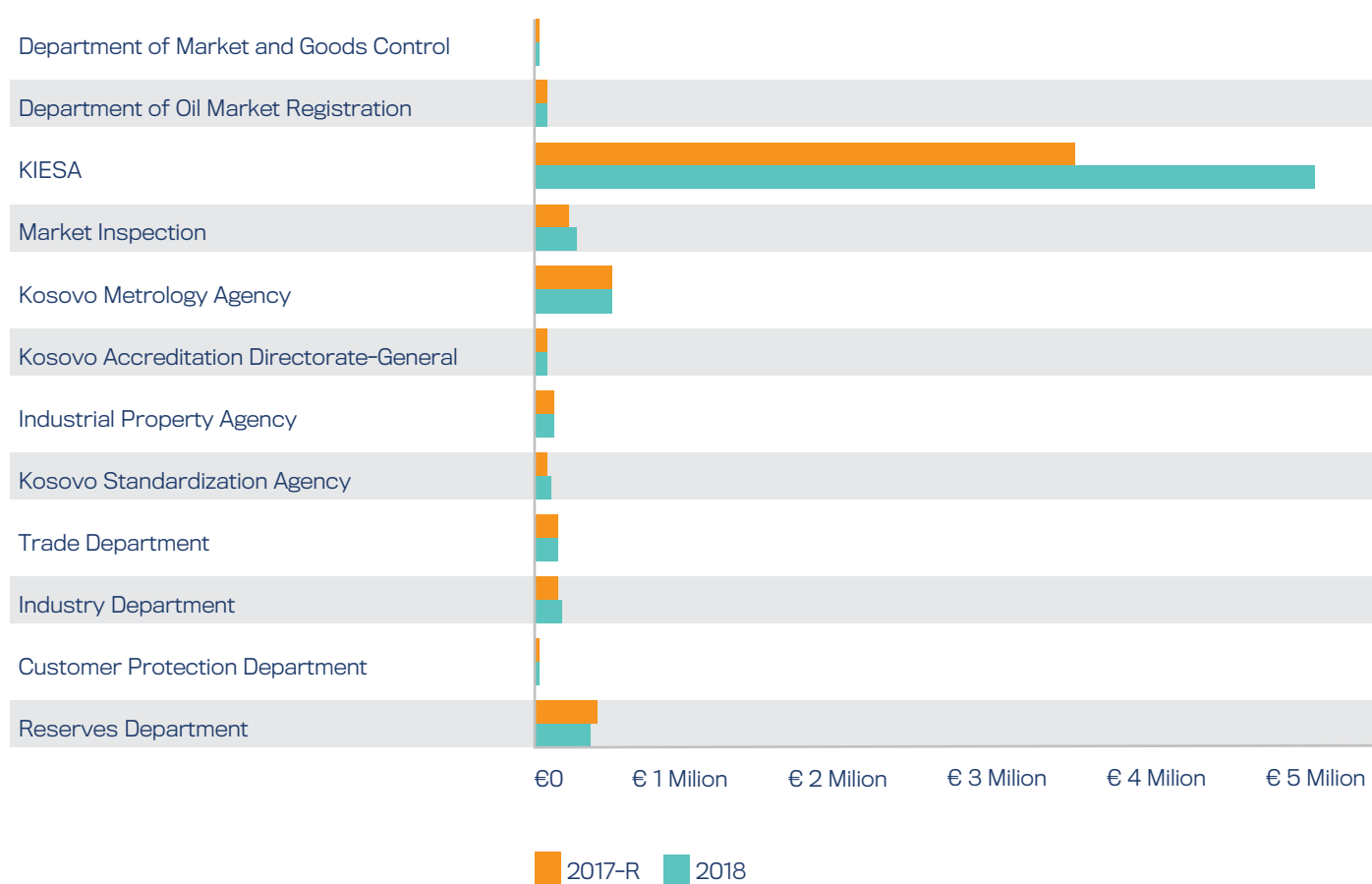
## Kosovo Metrology Agency

In terms of metrology, EC Report stresses that legal basis related to technical regulations, standards, conformity assessment and accreditation is partially approximated to *acquis*.<sup>27</sup> Consequently, follow up actions need to be undertaken related to the current metrology legislation. In addition, it is assessed that quality, standards assessment and accreditation bodies are faced with limited staff and funds that prevent them to fully implement *acquis*. With the budget planned for 2018, Metrology Agency got an increase in the allowed staff number for two more persons compared to the last year and while its budget is approximately 1% less.

## Industrial Property Agency

According to EC report, even though the State Intellectual Property Agency and Industrial Property Agency made progress in harmonizing their legislation with EU *acquis*, the need for more funds, staff and training related to their implementation is still present. Implementation of legislation related to effective use of intellectual property rights, in accordance with SAA commitments, is still difficult due to lack of financial and human resources. Budget allocated to Industrial Property Agency in 2017 amounted to 123.4 thousand Euros, whereas in 2018 it fell for 7.4 thousand Euros (-6%). This fall resulted from capital expenditures category, that amounted to 30 thousand Euros in 2017, that are zero now.<sup>28</sup> Therefore, this budget does not address the needs of these agencies related to implementation of the laws in force.<sup>29</sup>

**FIGURE 3: MTI ECONOMIC DEVELOPMENT BUDGET, BASED ON DEPARTMENTS**



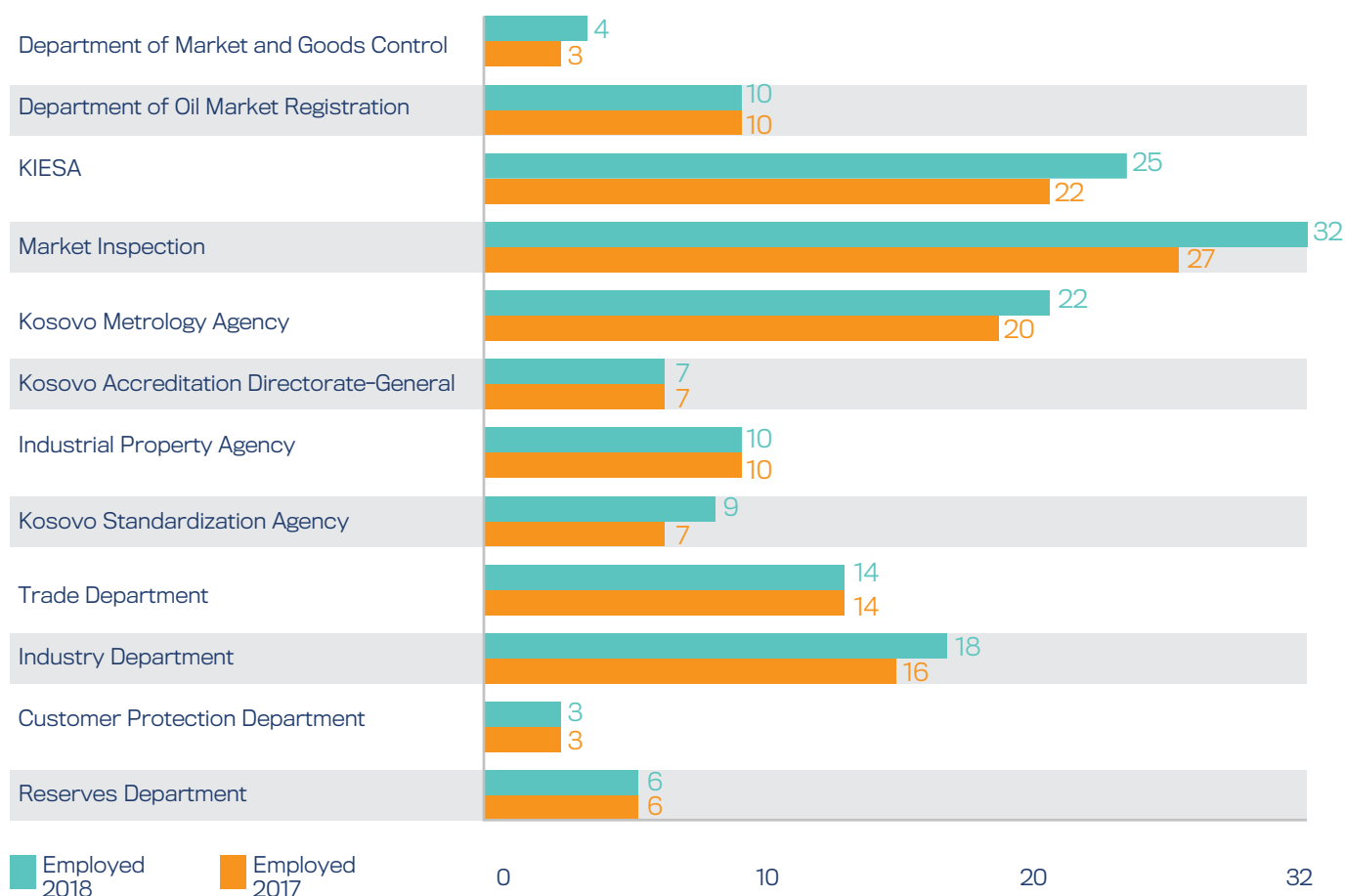
**Source:** Law on Budget of Republic of Kosovo for 2018

<sup>27</sup> European Commission, 2018 Kosovo Report, Source: <http://bit.ly/2uZVilP>, page 50,

<sup>28</sup> Kosovo Assembly, Draft Law on Budget of Republic of Kosovo for 2018, Source: <http://bit.ly/2o0Mf6F>

<sup>29</sup> MTI, Written response, 28 June 2018.

**FIGURE 4: NUMBER OF EMPLOYEES RELATED TO MTI ECONOMIC DEVELOPMENT, BASED ON DEPARTMENTS**



Source: Law on Budget of Republic of Kosovo for 2018

## Kosovo Competition Authority

According to 2018 EC report, Competition Authority has 13 officers however with limited expertise in legislation implementation. This team lacks appropriate training related to competition and mergers. The budget has been stable, but insufficient. GAP Institute could not receive an answer whether the 2018 budget increase amounting to 79.4 thousands Euros (31%) would fulfil the needs of this authority.

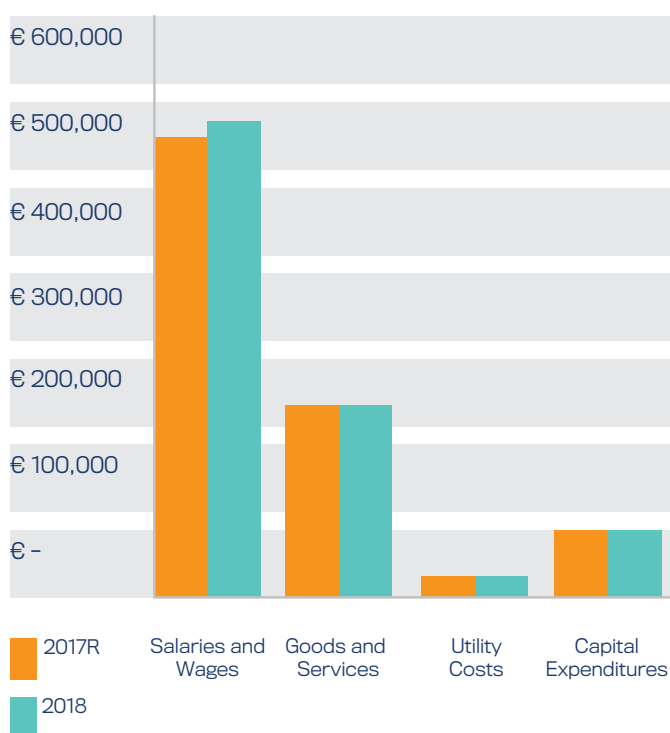


## Energy Regulatory Office (ERO)

Again this year, EC Report criticized politicisation of ERO. Also, this report assesses that less progress has been observed in implementing the third energy package, partial deregulation of generation price and removal of indirect grants between different categories of customers.<sup>30</sup> Weak administrative capacities and lack of human resources are seen as more problematic in addressing the challenges of this agency.

2017 Energy Regulatory Office budget amounted to 768.3 thousand Euros, while it reached 784.3 thousand Euros in 2017, or 16 thousand Euros more than last year<sup>31</sup>. Salaries and wages increased for 16 thousand Euros (3%) while the number of employees remained the same. According to ERO, increase of budget for salaries and wages comes as a result of recognition of work experience to ERO staff. However, budget independence still prevails and is considered a key issue in fulfilling commitments from the third package of energy laws, related to market openness and ERO participation in international activities. According to them, ERO was constantly supported by donors through counselling services, while the current budget is insufficient.<sup>32</sup>

**FIGURE 5: ENERGY REGULATORY OFFICE BUDGET**



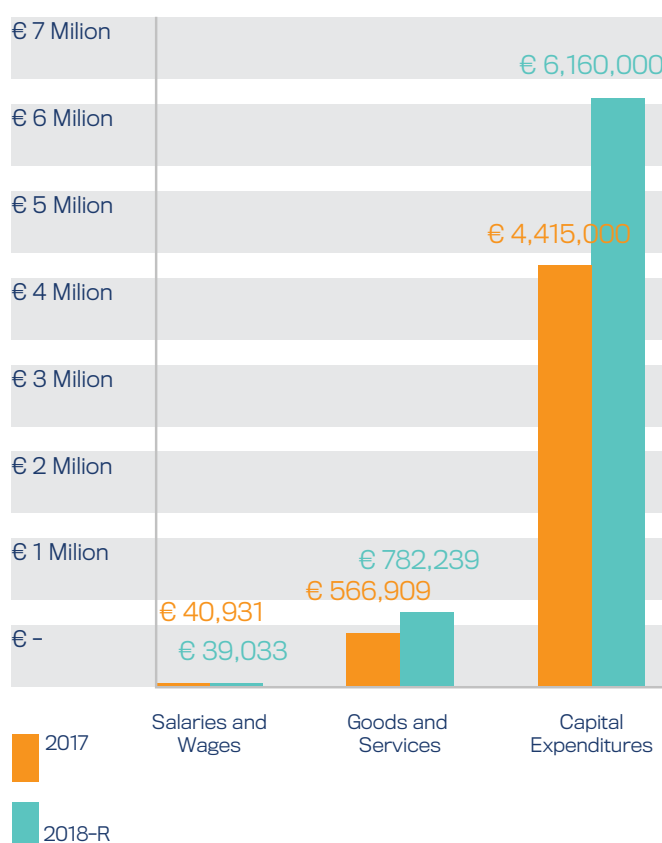
Source: Law on Budget of Republic of Kosovo for 2018

## Kosovo Energy Efficiency Agency (KEEA)

In terms of energy efficiency, EC report finds fewer achievements in this direction. Third Energy Efficiency Action Plan providing a 9 % target seems difficult to achieve. Lack of Energy Efficiency Fund delayed investments in efficiency measures in both public and private sectors. Moreover, Kosovo Energy Efficiency Agency has insufficient staff and capacities to monitor, assess and verify the flow of target implementation.

2017 Kosovo Energy Efficiency Agency budget amounted to 5 million Euros, while in 2018 it reaches around 7 million Euros or approximately 2 million Euros more than last year. Capital expenses increased for approximately 1.8 million Euros while the number of employees remains the same. Also, related to this Agency, GAP Institute was not in position to receive any responses whether 2018 budget increase would fulfil the needs of this authority.

**FIGURE 6: KOSOVO ENERGY EFFICIENCY AGENCY BUDGET**



Source: Law on Budget of Republic of Kosovo for 2018

30 European Commission, 2018 Kosovo Report, Source: <http://bit.ly/2uZVilP>, page 73,

31 Kosovo Assembly, 2018 Republic of Kosovo Budget Draft Law, Source: <http://bit.ly/2o0Mf6F>

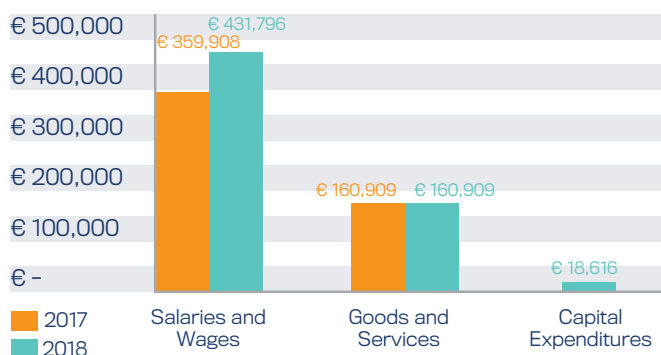
32 ERO, Written response, 05 July 2018.



## Agriculture Development Agency

Based on 2018 EC Report, in relation to agriculture, 46 million Euros budget for grants and direct payments remained the same. However, Agriculture Development Agency (ADA) continues facing issues in addressing the requests and execution of payments intended for farmers. All this is largely caused due to lack of staff that would perform monitoring, assessment, accounting and internal audit. Budget allocated to ADA for 2017 amounted to 520.8 thousand Euros. However, in 2018 it increased for 90.5 thousand Euros (17%). Salaries and wages increased for 71.9 thousand Euros (20%). Compared to the last year, the approved number of employees increased for two persons. GAP Institute didn't manage to receive any response whether the increased budget and number of employees in 2018 would fulfil the needs of this agency.

**FIGURE 7: AGRICULTURE DEVELOPMENT AGENCY BUDGET**

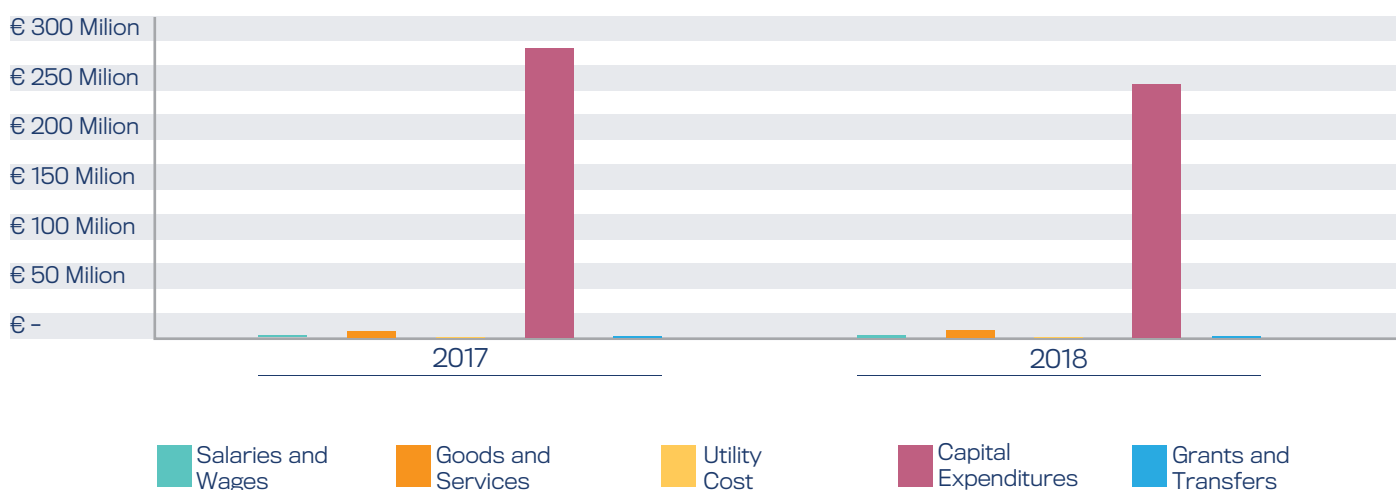


Source: Law on Budget of Republic of Kosovo for 2018

## Transport

According to 2018 EC report, related to transport policies, legislation related to Intelligent Transport System (ITS) should be adopted, strategic framework should be defined for ITS implementation in fundamental networks and sufficient capacities and resources should be ensured in order to provide for its implementation. In 2017, Ministry of Infrastructure budget amounted to approximately 279,9 million Euros, while in 2018 it fell for approximately 31.8 million Euros (-11%). This fall was caused by a fall in capital expenditures for 32.664,58 Euros (-12%). Road Maintenance experienced an increase, and in 2017, 9 million and 366 thousand Euros were spent while in 2018 more than 10 million Euros. Compared to 2017, MI employed two persons more with 298 employees in total.<sup>33</sup>

**FIGURA 8: MINISTRY OF INFRASTRUCTURE BUDGET**



Burimi: Law on Budget of Republic of Kosovo for 2018

<sup>33</sup> Kosovo Assembly, Draft Law on Budget of Republic of Kosovo for 2018, Source: <http://bit.ly/2o0Mf6F>

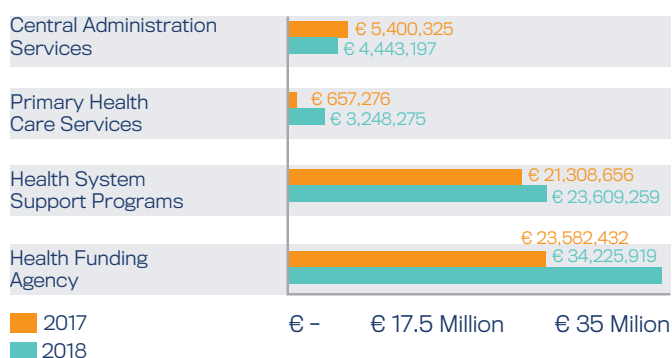




EC report finds low public health expenditures quite concerning. According to an assessment done in 2016, the overall annual needs related to the health sector were fulfilled only 40%. The majority of public expenditures (around 68%) cover fixed expenditures, while the remaining part relates to patient treatment costs, prevention and diagnosing. The report also criticizes institutional accountability and lack of strategy to increase productivity, efficiency and quality in this sector. Cost that citizens pay related to health, in countries such as Kosovo (40%)<sup>34</sup>, Albania (49.9%) or Montenegro (42.8%) out of their pockets, as a percentage of total expenditures for health nationally, are assessed as a double of what is being paid by European Union citizens<sup>35</sup>.

Budget planned for 2018 amounts to 65.53 million Euros or approximately 22% more than in 2017. In 2018, the amount allocated for the health sector by the government was more than 10% of the total annual budget or around 3% of GDP.<sup>36</sup> Similar to Kosovo, Albanian Government allocates a health budget that approximately amounts to 3% of its annual GDP.<sup>37</sup> Regional and Balkan countries that pay more for this category include Bosnia (7%), Slovenia (7%), and Serbia (6%).

**FIGURE 9: MINISTRY OF HEALTH BUDGET**



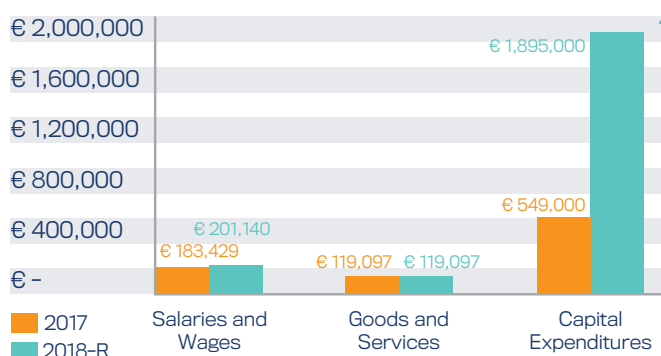
Source: Law on Budget of Republic of Kosovo for 2018

## Environment Protection Department

Related to environment, EC Report stresses the need that Kosovo approximates its legislation with EU Directives and their implementation. Lack of implementation of Environment Liability Directive prevents environment protection. Environment Inspectors lack staff and capacities to guarantee implementation of measures to combat Environmental Crime. Also, insufficient funding, lack of administrative capacities and technical skills damage implementation of priority measures.

Environment Department budget for 2017 amounted to around 852 thousand Euros, while in 2018 it reaches 2.2 million Euros or around 1.4 million Euros more than last year. Based on this increase, salaries and wages increased for 17.7 thousand Euros while capital expenditures increased for 1.3 million Euros. As planned, the number of staff should have increased for two in 2018. GAP Institute received no responses from Environment Protection Department within Ministry of Environment and Spatial Planning on whether this increase of budget and number of employees is sufficient to implement the duties of this Department.

**FIGURE 10: ENVIRONMENT DEPARTMENT BUDGET**



Source: Law on Budget of Republic of Kosovo for 2018

34 Kosovo Assembly, Draft Law on Budget of Republic of Kosovo for 2018, Source: <https://bit.ly/2lhNbzf>.

35 Ekonomisti, Intelligence Service. Upgrading of health systems in Balkans. Reference: <https://bit.ly/2JyJwKd>.

36 European Commission, 2018 Kosovo Report, Source: <https://bit.ly/2L6eBKH>

37 Ministry of Finance of Albania. Economic Reform Program 2018-2020. Source: <https://bit.ly/2mt1lf2>.

A stylized illustration on the left side of the page. It features a dark blue silhouette of a person wearing a suit and a white shirt, standing on a brown base. To the right of the person is a brown, blocky monument or pedestal. The background is a mix of orange and white geometric shapes.

## Rule of Law and Fundamental Rights

EC report raised concerns related to gender inequality in the Assembly, political parties and a low number of women MPs and candidates for mayors, as seen during the last parliamentary and local elections. In Kosovo, only 32.5% of MPs are women and out of 204 candidates for mayors, only 8 were women. Financial support from political parties for male candidates was much higher than for women candidates while media gave priority to cover programs of male politicians.<sup>38</sup>

In relation to finances of political parties, EC report stipulates that funding of electoral campaigns and expenditures remain non-transparent, implying thereby lack of implementation of pertinent legislation. This decreases the trust of citizens towards political parties and continues to increase possibilities of corruption and unneeded political influence. A positive step taken in this regard includes publishing of external audits of political party finances, that was done for the first time five years ago.

<sup>39</sup>

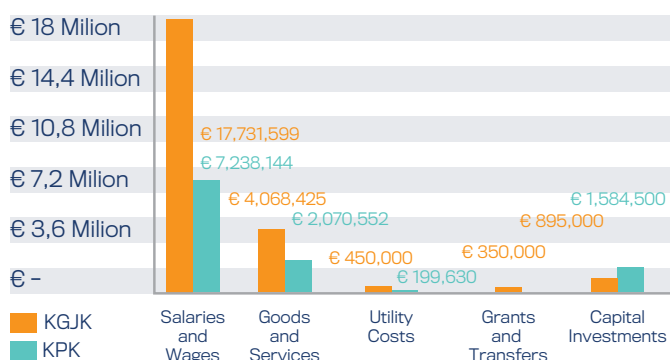
<sup>38</sup> European Commission, 2018 Kosovo Report, Source: <https://bit.ly/2lhNbzf>, page 7

<sup>39</sup> Ibid. page 8

## Prosecution and Judiciary

In order to address the above mentioned challenges, a need to increase professional capacities has been mentioned continuously together with budget and case digitalization. In 2018, budget allocated to Kosovo Judicial Council (KJC) amounted to 23.5 million Euros or 2.4 million Euros (11.5%) more than a year before. KJC expects to increase the number of personnel for 112 persons, totalling 2,271 employees during 2018.<sup>40</sup> However, budget allocated to Kosovo Prosecutorial Council (KPC) amounts to approximately 11.1 million Euros or 2.4 million Euros (27.3%) more than in 2017. 2018 saw budget increase related to capital investments, majority of which are reflected in capital investment project of constructing the new KPC facility and transport, but smaller portions will be allocated to the Case Management Information System (CMIS)-ICT that is co-funded by the Norwegian Government. KPC should have 846 employees in 2018.<sup>41</sup>

**FIGURE 11: KJC AND KPC BUDGET FOR 2018**



According to KJC, budget increase would impact resolution of old cases throughout courts and it would expedite resolution of current cases, by increasing judicial efficiency. New personnel will be engaged in all court departments as needed and based on case resolution strategy. Also, corruption cases are registered in information technology programs and did not require allocation of additional budget. Although the number of judges in administrative department increased, the number of judges engaged in Department of Economic Crimes in Basic Court in Prishtina remains five, although it should increase, taking into account that this issue has been stressed as problematic for years.<sup>42</sup>

**TABLE 1: KJC EMPLOYEES, 2017 VS. 2018**

Institutions	Staff 2018	2017R	2017	Staff '18 vs. '17
Supreme Court and Special Chamber	96	93	93	3
KJC Secretariat	122	87	87	35
Court Performance Appraisal Unit	7	7	7	0
Office of Disciplinary Prosecutor	26	20	20	6
Court of Appeals	139	132	132	7
Basic court in Pristina	504	479	479	25
Basic court in Prizren	233	226	226	7
Basic court in Gjiilan	220	214	214	6
Basic court in Ferizaj	178	173	173	5
Basic court in Pejë	237	231	231	6
Basic court in Gjakovë	165	160	160	5
Basic court in Mitrovicë	344	337	337	7
<b>Total</b>	<b>2,271</b>	<b>2,159</b>	<b>2,159</b>	<b>112</b>

Source: Law on Budget of Republic of Kosovo for 2018

<sup>40</sup> Kosovo Assembly, Draft Law on Budget of Republic of Kosovo for 2018: <https://bit.ly/2L6eBKH>

<sup>41</sup> Ibid.

<sup>42</sup> GAP Institute, Questionnaire related to responsible rule of law institutions. May 2018

In addition, random case allocation to judges, through the special information technology system has still not been implemented in full. KJC reports that recording of cases in this system already begun and some preliminary tests were done in order to analyse the operation of this system.<sup>43</sup> Law on 2018 Budget doesn't stipulate capital investments in this direction, only design and construction of basic court houses and a small amount of money allocated for supply with computers, photocopying machine and similar.<sup>44</sup>

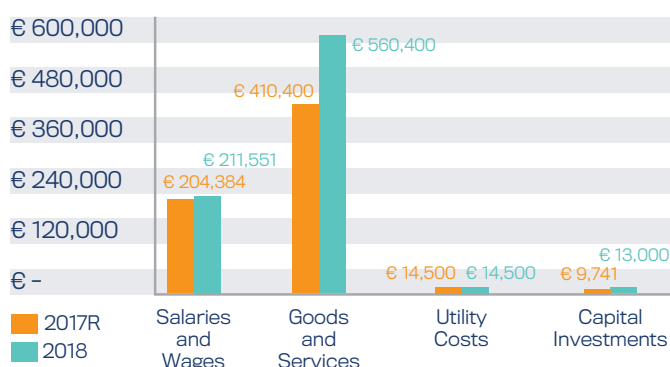
In terms of KPC, budget increase will assist in raising the number of professional associates, it will provide a possibility of additional training on criminal offenses such as terrorism, organized crime and similar, more access to justice for citizens through publication of information bulletins and other forms of communication and improvement of infrastructure and information technology services.<sup>45</sup>

Increased budget allocated to Prosecutorial Council enables directly prosecutors dealing with new cases to prepare their investigations better and prosecute perpetrators of these crimes, namely it would advance professionalism of the prosecutorial system. Five prosecutors will be assigned to Republic of Kosovo Special Prosecution Office while the rest will be deployed throughout basic prosecution offices based on their specific needs.

## Fight against corruption and conflict of interest

Another issue raised constantly includes lack of specialization of judges, prosecutors and police officers pertaining to fight against corruption, including property confiscation and money laundering.<sup>46</sup> Justice Academy (JA), previously known as Kosovo Judicial Institute, based on its mandate, deals with training of judges and prosecutors in Kosovo, it has a budget of approximately 800 thousand Euros, that is an increase of about 25% compared to the last year, although the allowed number of employees remains 25.<sup>47</sup>

**FIGURE 12: JUSTICE ACADEMY BUDGET (JA) 2017 VS. 2018**



**Source:** Law on Budget of Republic of Kosovo for 2018

Justice Academy representatives confirm that trainings on corruption prevention and combating are organized continuously. In terms of continued training programs, this year three two-day training sessions were planned and also two one-day trainings. Thus far, trainings were organized in order to increase capacities to fight corruption and strengthen criminal investigation capacities to fight corruption, with justice partners in Mitrovica region.<sup>48</sup> Moreover, JA budget requests were not approved, which is why the current budget does not guarantee implementation of all trainings planned for 2018. Therefore, donor support is also envisaged.<sup>49</sup>

European Commission stresses that in corruption and organized crime cases financial investigations were not initiated systematically. There is still no efficient system for declaration, origin and verification of property of high public officials and gifts for all public officers. Insufficient funding prevented seriously implementation of Anti-Corruption Strategy 2013-2017.<sup>50</sup> Anti-Corruption Agency, as an institution responsible to supervise the property of public officials, faces also budget issues. Although National Anti-Corruption Strategy 2018 – 2022 was not approved by Kosovo Assembly, ACA has no budget request for 2018, but considers that ACA will have an easier task of implementing it as the Government adopted the new Action Plan and Strategy.<sup>51</sup>

<sup>43</sup> Ibid.

<sup>44</sup> Ministry of Finance, Law Nr. 06/I-020 on Republic of Kosovo Budget for 2018, Reference: <https://bit.ly/2ndVsbl>

<sup>45</sup> Ibid.

<sup>46</sup> European Commission, 2018 Kosovo Report, Source: <https://bit.ly/2lhNbzf>, page 21

<sup>47</sup> Ministry of Finance, Law Nr. 06/I-020 on Republic of Kosovo Budget for 2018, Reference: <https://bit.ly/2ndVsbl>

<sup>48</sup> GAP Institute, Questionnaire with relevant rule of law institutions. May 2018

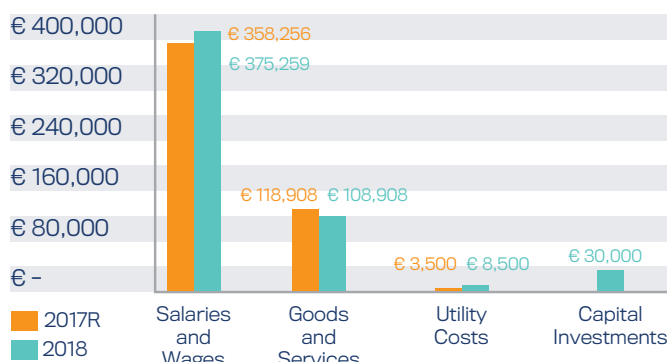
<sup>49</sup> Ibid.

<sup>50</sup> European Commission, 2018 Kosovo Report, Source: <https://bit.ly/2lhNbzf>, page 21

<sup>51</sup> GAP Institute, Questionnaire with relevant rule of law institutions. May 2018

Capacities to investigate cases of corruption and organized crime are also deemed insufficient. Corruption cases are at present treated by Serious Crimes Department and General Department prosecutors including also Special Prosecution Office of Republic of Kosovo prosecutors (SPRK). At this moment, SPRK has 13 prosecutors and the chief prosecutor of this prosecution office, while the process of filling in the number of prosecutors in this prosecution office is still ongoing. On the other hand, Basic Prosecution Office in Pristina has its own unit to fight economic crime and corruption, with seven prosecutors. In addition to lack of prosecutors, another problem observed is lack of experts in different areas that would serve as support staff to the prosecutors.<sup>52</sup>

**FIGURE 13: ANTI-CORRUPTION AGENCY BUDGET (ACA) 2017 VS. 2018**



Source: Law on Budget of Republic of Kosovo for 2018

## Migration and Asylum

EC report criticizes low number of staff in some divisions of Department of Citizenship, Asylum and Migration within Ministry of Interior Affairs, despite the staff increase in the last years. MIA representatives stress that this department planned recruitment of five more employees in 2018. Also, based on the Regulation, MIA has vacancies, however according to Kosovo budget for this year, lack of funds has been reported compared to the approved number of employees for 2018.

**TABLE 2: MIA EMPLOYEES AND BUDGET FOR 2018**

Department	Employees	Salaries and wages (in Euros)	Goods and services (in Euros)	Utility costs (in Euros)	Capital investments (in Euros)	Subvencione dhe Transfere (në Euro)	Total
Office of Minister	19	236,876	45,885	-	-	-	282,761
Central Administration Services	143	1,028,049	731,583	120,300	1,025,542	27,000	2,932,474
Civil Registration Agency	666	4,496,489	6,419,389	169,600	1,404,316	-	12,489,794
Emergency Management Agency	175	1,193,050	421,407	37,320	1,493,500	-	3,145,277
Reintegration of Repatriated Persons	23	157,658	908,679	93,000	-	1,725,497	2,884,834
Kosovo Forensics Agency	53	643,545	395,303	42,000	500,000	741	1,581,589

Source: Law on Budget of Republic of Kosovo for 2018

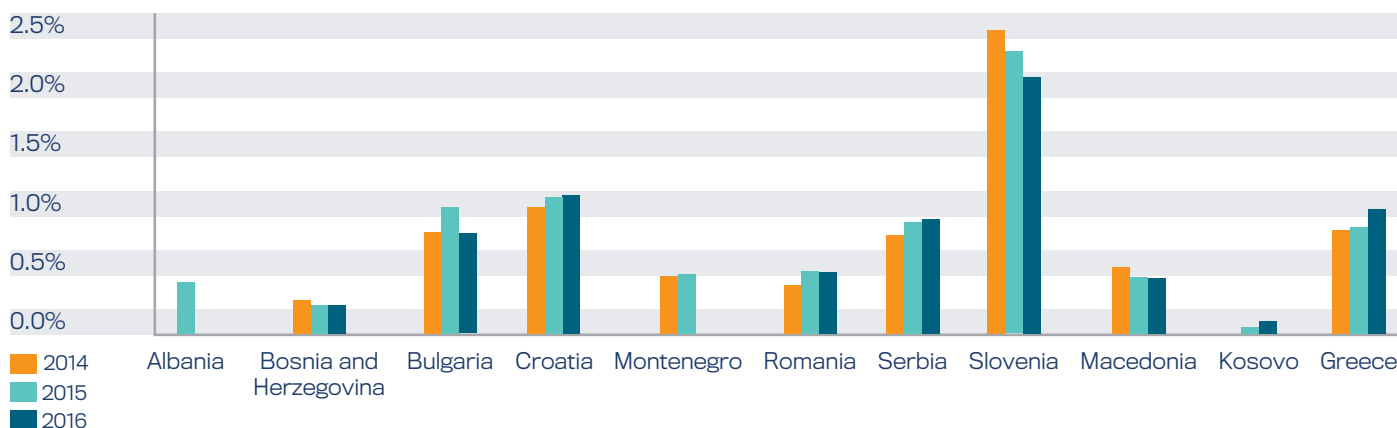
<sup>52</sup> GAP Institute, Questionnaire with relevant rule of law institutions. May 2018



At present, Kosovo spends the least in the region on research and scientific activity. Despite the fact that Law on research and scientific activity provides that 0.7% of annual budget should be allocated to this field<sup>53</sup>, in 2015 only 0.19% of budget was allocated (0.05% of GDP),<sup>54</sup> while in 2016, around 0.33% of budget (0.1% of GDP).<sup>55</sup> All the neighbouring countries stand better than Kosovo in this aspect, as they allocate approximately 0.9% of their GDP for this activity. Throughout the region, Slovenia is the country that invests the most in this field – more than Greece, Croatia and Bulgaria – with more than 2% of its GDP every year.

However, it is expected that this low number pertaining to Kosovo for research and scientific activity will change compared to other countries, especially during 2018. The reason for it is that Ministry of Innovation and Entrepreneurship, founded in 2017, designed programs<sup>56</sup> of financially supporting NGOs, start-ups and small and medium enterprises dealing with research and scientific activities, based on the Law on research and scientific activities (Section 5).

**FIGURE 14: RESEARCH AND SCIENTIFIC ACTIVITY BUDGET, AS PERCENTAGE OF GDP**



Source: GAP Institute, based on UNESCO information<sup>57</sup>

In terms of Government of Kosovo expenditures on education and training, EC report for 2018 criticizes management and its efficiency in increasing quality of education in 2017. However, even in relation to 2018 budget, budget cuts were introduced in two budgetary sub-programs related to education, the one on teacher training, that in 2018 has a smaller budget than in 2017 for 46%, and the one related to development of pre-university education curriculum that in 2018 has a budget that is 29% smaller. In 2017, Kosovo ranked the last in the region and is among the five last places in the world within the international education assessment, PISA, where 15-year old students performed poorly in all areas. Therefore, government should increase expenses for the above mentioned programs, impacting directly increase of quality of teaching.

<sup>53</sup> Kosovo Assembly. Law on research and scientific activity. Source: <https://bit.ly/2NUJkl9>.

<sup>54</sup> European Commission, 2018 Kosovo Report, Source: <https://bit.ly/2INRfCI>

<sup>55</sup> European Commission, 2018 Kosovo Report, Source: <https://bit.ly/2lhNbzf>.

<sup>56</sup> Ministry of Innovation and Entrepreneurship. Source: <https://bit.ly/2uII9Tz>

<sup>57</sup> Information on Kosovo were taken from European Commission Country Report for Kosovo 2017-2018 and Kosovo Budget 2016-2017. On the other hand, information on Albania were taken from European Commission Report on Albania 2016.



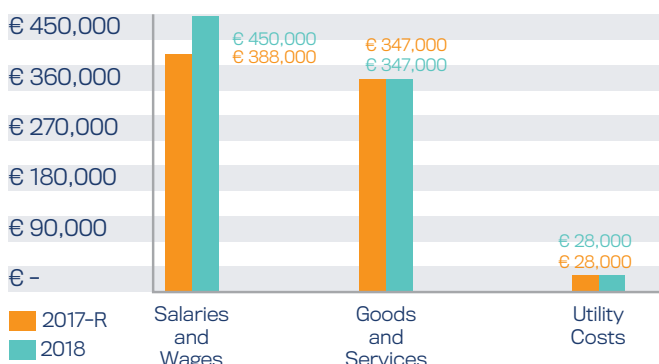


Radio Television of Kosovo, this year as well, remained under the state budget financing. According to the Law on Budget, RTK will be allocated this year around 11 million Euros for Grants and transfers.<sup>58</sup> Although the legal deadline to find a sustainable form of financing of RTK passed in 2015, Kosovo Assembly still hasn't adopted a new law on public broadcaster, by which it would address this issue. GAP Institute has recommended RTK to be funded directly by the subscribers, while the requests for funds for information technology or digitalization could be made through specific draft plans and based on requests directed to either national or European Union institutions.

According to European Commission interpretation related to funding of public service broadcasters, the current form of state aid favouring directly only one transmitter, damages competition. In case the option of providing state aid from the state budget is to be used further, according to EU regulations: I) indicators based on which the state aid was calculated should be pre-determined and transparent; II) compensation should not exceed the total or partial cost to implement public service obligations; III) in case the compensation is not provided based on public procurement competition, compensation cost should be established by analysing the costs incurred by a transmitter with appropriate technology and based on the needs for this public service, in order to implement program obligations of a public broadcaster.<sup>59</sup>

Due to difficulties of covering financial expenses, including capital investment ones, Independent Media Commission also faces budget issues.<sup>60</sup> This year also, no budget for capital investments of this institution was envisaged, while the budget for salaries and wages increased for 62 thousand Euros (13%). Although the number of employees increased from 31 to 37, according to European Commission this institution needs additional staff in order to implement its mission.<sup>61</sup>

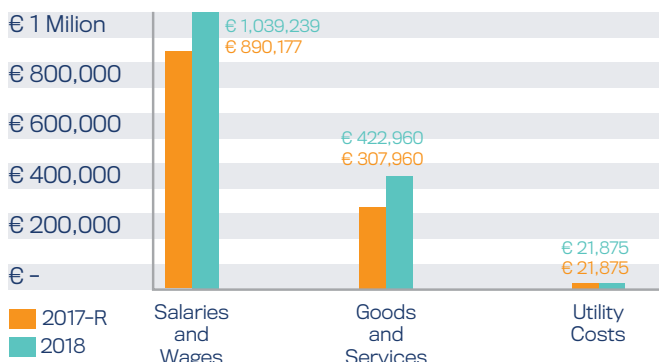
**FIGURE 15: IMC BUDGET, BASED ON BUDGET CATEGORIES**



Source: Law on Budget of Republic of Kosovo for 2018

SAs it was the case in the previous years, European Commission found again that Kosovo Agency of Statistics lacks human capacities to publish in time and to ensure quality of statistics. Compared to 2017 budget review, 2018 budget increased for 264 thousand Euros (27%), while the allowed number of employees increased for 10 persons. According to KAS, this increase will enable production of more statistics, although the budget is still not sufficient. KAS budget requests were 810 thousand higher, compared to the adopted budget.<sup>62</sup>

**FIGURE 16: KOSOVO AGENCY OF STATISTICS BUDGET, BASED ON CATEGORIES**



Source: Law on Budget of Republic of Kosovo for 2018

58 Law Nr. 06/I-020 on 2018 Republic of Kosovo Budget, Source: <http://bit.ly/2AW7Zda>, Section 11

59 EUR- Lex, Commission Communique related to implementation of state aid related to public broadcasting, Source: <http://bit.ly/2KmgFJd>

60 European Commission, 2018 Kosovo Report, Source: <http://bit.ly/2uZViiP>, page 23

61 European Commission, 2018 Kosovo Report, Source: <http://bit.ly/2uZViiP>, page 74

62 Kosovo Agency of Statistics, E-mail response, 30 July 2018

# Municipal Budgets

One of financial issues faced by municipalities includes lack of budget for implementation of competencies delegated from central to local level. One of these competencies include provision of social services. Considering that Law on Local Government Financing doesn't include social service grant as a part of operational grants, since 2009 the budget for provision of social services is allocated as a part of General grant to municipalities. By being part of a general grant, allocation of funds for social services is done at the discretion of municipalities and therefore the expenditures for provision of social services sometimes do not fulfil even the minimum standards.<sup>63</sup>

Ministry of Finance has established a working group in order to develop the new Draft Law on local government financing and it developed the Concept Document on Local Government Financing by which it would also address the issue of social services grant.<sup>64</sup> In principle, MF and Ministry of Labour and Social Welfare (MLSW) agreed

that this should be a "specific grant", as it is the case with the one for education and health. Taking this into account, this grant would be spent only for social service issues. It is also expected that this grant is an open grant, with a possibility of increase, depending on EU standards to be adhered to by Kosovo state. Establishment of the abovementioned grant will decrease the general grant allocated to municipalities.<sup>65</sup>

Another issue related to municipalities includes implementation of capital investment plans. In 2017, municipalities implemented only 75% of the capital expenditures budget. Delays related to capital investments are also caused by lack of implementation of the plan pertaining to own-source revenues.<sup>66</sup> For instance, municipalities have collected only 43% of billed invoices for property tax, as one of the main sources of municipal own-source revenues.<sup>67</sup>



63 European Commission, 2018 Kosovo Report, Source: <http://bit.ly/2uZViiP>, page 60

64 Ministry of Finance, Decision 93-1/2018, Date 02.07.2018

65 GAP Institute took part in the Working group that developed the Draft Concept Document on local government financing.

66 European Commission, 2018 Kosovo Report, Source: <http://bit.ly/2uZViiP>, page 40

67 National Audit Office, 2017 Performance indicators for the local level of governance, Source: <http://bit.ly/2KFT6uZ>

# Conclusions and Recommendations

In this report, we've identified European Commission recommendations for Kosovo, related to budgetary allocations for 2018. Our findings show that a budget increase has been observed in some institutions/areas recommended by the EC, however this increase remains insufficient. What is negative is increase in the number of ministries and fragmentation of independent institutions considering that consequently budget expenditures have increased and at the same time prevented cohesion in decision-making. Law and public security budget increased compared to the previous year, however an additional budget is needed in order to train prosecutors and judges, finance anti-corruption strategy and in general increase capacities to fight corruption.

In terms of development of market and education, education and research expenditures remain among the lowest ones in the region. Budget increase was reported by institutions dealing with market development within MTI, however budget still remains insufficient for some of these institutions. On the other hand, what concerns still is ERO functioning due to insufficient budget. Also, despite the budget increase of Kosovo Energy Efficiency Agency, Energy Efficiency Fund has still not been established.

With the increase of Ministry of Health budget, budget allocation for this sector was insufficient. Also, in terms of social issues, due to weak legal regulations, financing of social services by municipalities is still low. When it comes to environmental issues, budget increase has been observed, however we didn't manage to get a response from MESF whether this budget was sufficient.

Funding issues also prevail related to media and statistics. As it was the case in the recent years, a sustainable funding form of RTK has still not been found, while there is lack of budget for IMC and KAS.

Taking into account all the above listed findings, GAP Institute recommends as follows:

- Government should proceed with Draft Law on Government, pursuant to 2018 Legislative Program. Law on Government should stipulate the need and procedure of establishing new ministries;
- MPA and Government of Kosovo should proceed with the process of transferring agencies from Kosovo Assembly management to pertinent ministries;
- Allocate sufficient budget for public administration training and implementation of strategies pertaining to administration reform;
- Increase staff and capacities within Foreign Investment Promotion Section of KIESA, in order to increase the number and quality of services provided to foreign investors;
- Increase budget for key institutions that facilitate market economy, such as: Kosovo Accreditation Directorate, Kosovo Standardisation Agency, Market Inspection, Customer Protection Department and Metrology Agency;
- Establish energy efficiency fund and allocate sufficient budget for Kosovo Energy Efficiency Agency within MED;
- Adopt a new law on RTK that provides financial sustainability and at the same time provide rules in cases in which RTK needs to be funded from the state budget. These rules should ensure that public funds are spent efficiently and do not damage media competition;
- MF should develop the new Law on local government financing, by which the funding of these services is ensured through a specific grant, in order to improve the legal basis on funding social services by municipalities;
- Recruit experts in different fields in order to support judges and prosecutors in different units, specifically the ones dealing with organized crime and corruption;
- Allocate budget for every strategy, namely National Anti-Corruption Strategy for all years during which this strategy is valid;
- Allocate funds to recruit staff to treat migration and asylum issues within MIA;
- Increase budget allocated for research and existing teacher training programs and curricula development due to their direct impact on quality of education and adapting to market needs;
- Allocate more funds to health sector, either primary or secondary, specifically in relation to diagnosing and treatment of patients

# Annexes

## Annex 1

	21 ministries	13 ministries	Annual salary	Lunches per year	Mobile telephony per year	Land lines	Total	Annual total 21	Annual total 13
Prime Minister	1	1	€35,400				€35,400	€35,400	35,400
Deputy Prime Minister	5	2	€30,000	€10,000	€ 3,000	€2,400	€45,400	€227,000	€90,800
Ministries	21	13	€24,000	€6,000	€3,000	€1,800	€34,800	€730,800	€452,400
Deputy Ministers	71	13	€13,800	€2,400	€1,800	€1,200	€19,200	€1,363,200	€249,600
Senior Adviser to Prime Minister	1		€22,200	€1,200	€840	€600	€24,840	€24,840	€-
Prime Minister's Chief of Staff	1	1	€16,800	€ 1,200	€840	€600	€19,440	€19,440	€19,440
Prime Minister's Office Chief	1	1	€20,040	€1,200	€1,800	€1,200	€24,240	€24,240	€24,240
Advisor to Prime Minister	18	4	€16,080	€1,200	€840	€-	€18,120	€326,160	€72,480
Senior Advisor to Deputy Prime Minister	3		€14,400	€1,200	€840	€-	€16,440	€49,320	€-
Advisors to Deputy Prime Minister	15	8	€13,200	€ 1,200	€840	€-	€15,240	€228,600	€121,920
Seniors Advisors to Ministers	21		€12,600	€1,200	€840	€-	€14,640	€307,440	€-
Advisors to Ministers	126	52	€9,600	€1,200	€840	€600	€12,240	€1,542,240	€636,480

GAP Institute is a think-tank established in October 2007 in Kosovo. GAP's main goal is to attract professionals to create an environment of professional development and research, as seen in similar institutions in Western countries. This also provides Kosovars with opportunities to research, develop and implement projects in order to advance the Kosovo society. Priority for this Institute is the mobilization of professionals to address the country's economic, political and social challenges. GAP's main goals are to fill the gaps between government and citizens, and between problems and solutions.

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