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# The financial impact of free education in Kosovo's public universities



December 2021

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INSTITUTI GAP  
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## Executive Summary

The funding of public universities in Kosovo is regulated by the Law on Higher Education. The main sources of income for public universities are government grants and direct payments by students. Revenues from research and services are one of the additional sources for some universities, although even for them the amount collected from these alternative sources is small compared to the first two categories. Government grants are determined by the Law on the Budget of the Republic of Kosovo, while student fees are regulated by the Ministry of Education through a special administrative instruction. This report analyzes the financial impact of the administrative instruction approved in 2021, which exempts bachelor and master students from tuition fees.

Findings of this report indicate that during 2020, the own source revenues of public universities reached the amount of about 4.5 million Euros, while the amount of the government grant was about 48 million Euros. According to calculations based on data on own source revenues realized by universities in 2020, with the implementation of the new administrative instruction, the total estimated amount of own source revenues of universities that should be reimbursed is about 2.6 million Euros. Compensation of this amount will see an increase of government grants to public universities, consequently there will be higher budget allocation.

While such a policy is in favor of students and while state compensation ensures a financial stability of public universities, state institutions should also look at it from the reform of public funds management point of view. In this context, the Ministry of Education, Science, Technology and Innovation (MESTI) should work on building a performance-based budgeting mechanism, which requires accurate compilation of performance indicators and capacity building of evaluation mechanisms.

## Introduction

Since the declaration of Kosovo's independence, Kosovo institutions, namely the Government and the Assembly, have established six public universities. While the establishment and financing of higher education institutions is generally regulated by Law No. 04/L-037 on higher education in the Republic of Kosovo, the functioning of public universities depends on the policies and decisions of other competent institutions such as the Ministry of Education, Science, Technology and Innovation (MESTI) and the Kosovo Accreditation Agency (KAA). The latter has accredited a total of nine public institutions of higher education, however only seven of them hold the status of university.

The funding of public universities in Kosovo is regulated by the Law on Higher Education. Article 20 of this law shows the main principles of financing higher education providers, according to which the sources of funding will be:

Funds from the Ministry of Education, Science, Technology and Innovation (MESTI) for teaching and research (government grants);

- Student tuition fees and administrative services;
- Commercial and other services;
- Donations, gifts, etc.; and
- Contracts with state or international bodies for teaching, research or counseling.<sup>1</sup>

From the annual reports of public universities, it appears that the government grant and student payments constitute the main sources of income of these universities. While the Law on the Budget of the Republic of Kosovo determines the amount of the government grant, the amount of student tuition fees is determined by the MESTI through a special administrative instruction, which according to the Law is reviewed annually.<sup>2</sup> This administrative instruction, which sets tuition fees and other administrative services for students, has been amended several times, depending on the policies of the ruling party. The two biggest changes occurred in 2014, when tuition fees at public universities were halved and some social categories were completely exempted, and the next change was in September 2021, when tuition fees were completely abolished.

This report analyzes the potential impact of Administrative Instruction No. 09/2021 on the application of student fees in higher education public institutions, in terms of financial sustainability of public universities and provides a perspective on performance-based funding as a measure to increase quality and competition between public universities. The analysis focuses on the impact of AI No. 09/2021 on the own source revenues of the seven public universities which are: University of Pristina "Hasan Prishtina", University of Gjakova "Fehmi Agani", University of Prizren "Ukshin Hoti", University of Peja "Haxhi Zeka", University of Gjilan "Kadri Zeka", University of Mitrovica "Isa Boletini" and University of Applied Sciences in Ferizaj, and provides an estimate of the projected financial value to be covered by government grants.

1 Official Gazette of the Republic of Kosovo (2011), Law No. 04/L-037 on Higher Education in Kosovo, Source: <https://gzk.rks-gov.net/ActDetail.aspx?ActID=2761>

2 Ibid. Article 30

## Free education or lower tuition fees?

In September 2021, MESTI approved the Administrative Instruction No. 09/2021 on the application of student tuition fees in public institutions of higher education.<sup>3</sup> This Instruction aims to determine tuition fees and other administrative expenses of students in public universities in Kosovo, as well as the conditions for exemption from such fees. The determined tuition fees and administrative costs are shown in the table in Annex 1.

Through this Instruction, all bachelor and master level students that enroll for a semester for the first time, without exception, are exempted from paying the tuition fee (25 € for the bachelor level and 150 € for the master level). This means that if the same semester is repeated two or more times, the payment fees shall apply as shown in the table in Annex 1. Furthermore, students are exempted from administrative fees for the entry exam (2.5 €) and for each differential exam for enrollment in master level studies (5 €). On the other hand, PhD students are only exempted from paying the repeated semester, in cases where such repetition is caused by other circumstances beyond their control.

After the entry into force of this Instruction, the administrative instruction that has been in force until now, that of 2014, has been repealed. The administrative instruction approved in 2014 had reduced all tuition fees and administrative expenses, and exempted from payment of tuition fees only certain categories of students.<sup>4</sup> These categories included: all citizens of Kosovo starting in the first year of study, students from families in which one child is enrolled in a public university (other children are exempt from tuition), students who do not have the financial means to finance studies, and others as determined by the applicable legislation. Tuition fees are the same as those listed in the Table in Annex 1, while those of administrative expenses have some minor changes, explained in more detail below.

Compared to the 2014 administrative instruction, now all bachelor and master students are treated the same throughout the study period, and benefit from the waiver of tuition fees as long as the semester is enrolled for the first time and only once. Whereas, in the category of administrative expenses, the AI No. 09/2021, added the category of payments for taking the exam for the second time and every time after that, for all levels. The fees of this category are: 1 Euro, 2.5 Euro and 5 Euro for bachelor, master and doctoral levels, respectively. Furthermore, the category of tariffs for duplicate index in the amount of 25 Euro has been removed, and the one for ID duplicates in the amount of 10 Euro has been added.

In general, the new administrative instruction favors students, but affects the budgeted own source revenues of public universities. Although this instruction will start to be implemented from the academic year 2021/2022, it does not provide for any form of compensation by the government for financial losses from tuition fees. But what is the financial impact of this administrative instruction on the budget of public universities?

<sup>3</sup> Ministry of Education, Science, Technology and Innovation (2021), Administrative Instruction No. 09/2021 on the application of student tuition fees in public institutions of higher education.  
<https://masht.rks-gov.net/uploads/2021/10/ua-pagesa-converted.pdf>

<sup>4</sup> Ministry of Education, Science, Technology and Innovation (2014), Administrative Instruction No. 17/2014 on the application of student tuition fees in public institutions of higher education.  
<https://gzk.rks-gov.net/ActDetail.aspx?ActID=10143>

## Financial impact of the administrative instruction on universities' own source revenues

The total number of students at the bachelor level for the academic year 2020/2021 in seven public universities is 46,027, while at the master level is 7,925. Of these, the university with the largest number of students is the University of Pristina "Hasan Prishtina" with 27,124 students at the bachelor level and 5,836 students at the master level, while the University with the smallest number of students is the University of Applied Sciences in Ferizaj, with 1,249 students at the bachelor level and 201 at the master level (see Table 1).<sup>5</sup> Almost all listed universities offer bachelor and master studies, except for Gjakova which does not offer master studies, and Pristina which also offers PhD studies.

**Table 1.** Number of students enrolled and the total number at the bachelor and master level in public universities in Kosovo for the academic year 2020/2021

University	Number of students enrolled – Bachelor	Total number of students – Bachelor	Number of students enrolled – Master	Total number of students – Master
University of Pristina	5.274	27.124	2.016	5.836
University of Prizren	1.365	3.982	174	348
University of Peja	812	7.772	247	1.193
University of Gjakova	323	1.517	-	-
University of Gjilan	725	2.350	76	191
University of Mitrovica	832	2.033	62	156
University of Applied Sciences, Ferizaj	516	1.249	130	201
<b>Total</b>	<b>9.847</b>	<b>46.027</b>	<b>2.705</b>	<b>7.925</b>

Source: Education Statistics in Kosovo 2020/21 (MESTI and KAS)

As provided by the Law on Higher Education, public universities in Kosovo are mainly funded by government grants, which account for an average of 91 percent of their total budget. They are also financed by own source revenues from various student fees, which make up about 9 percent of their total budget. Compared to other universities, the University of Pristina has the highest own source revenues as a percentage of the total budget, about 11.4 percent.<sup>6</sup>

During 2020, the total budget of public universities reached the amount of 52 million Euros, of which about 48 million Euros were from government grants, and about 4.5 million Euros from own source revenues (Table 2).

<sup>5</sup> MESTI and KAS (2021), Education Statistics in Kosovo 2020/2021,

Source: <https://masht.rks-gov.net/uploads/2021/08/statistikat-e-arsimit-ne-kosove-2020-21.pdf>

<sup>6</sup> Ministry of Finance (2020), Law on Budget allocations for the Budget of the Republic of Kosovo for 2020,

Source: <https://mf.rks-gov.net/desk/inc/media/23991BEA-4CD9-40B3-94D3-EA192C572464.pdf>

**Table 2.** Total budget for public universities for 2020

Sources of Financing	Government grants	Own source revenues	Total budget
University of Pristina	€ 30,929,976	€ 3,997,750	€ 34,927,726
University of Prizren	€ 2,518,728	€ 105,000	€ 2,623,728
University of Peja	€ 3,760,132	€ 105,000	€ 3,865,132
University of Gjakova	€ 2,301,167	€ 58,879	€ 2,360,046
University of Gjilan	€ 2,300,122	€ 113,860	€ 2,413,982
University of Mitrovica	€ 4,096,584	€ 114,661	€ 4,211,245
University of Applied Sciences, Ferizaj	€ 1,745,908	€ 31,174	€ 1,777,082
<b>Total universities</b>	<b>€ 47,652,617</b>	<b>€ 4,526,324</b>	<b>€ 52,178,941</b>

Source: Ministry of Finance, Law on Budget allocations for the Budget of the Republic of Kosovo for 2020.

The adoption of the new administrative instruction, through which students are exempted from semester fees and some of the administrative costs, will have a direct impact on reducing the own source revenues of public universities. Consequently, these revenues will be covered by other sources of funding, in this case government grants.<sup>7</sup>

In order to make the calculation more accurate, own source revenue data in this analysis includes only the categories for which students will be exempted from payment through this Administrative Instruction (09/2021). These categories include: semester fees for full-time undergraduate and graduate students enrolling for the first time, entrance exam fees (bachelor and master), and fees for differential master level exams. The data used are for 2020.

According to data sent by the seven public universities for 2020 (Table 3), the total revenue generated from semester fees for full-time bachelor students was about 1.4 million Euros. Of these, on average the revenues of the University of Pristina were one million Euros, while the revenues of other universities were about 370 thousand Euros. Whereas for the master level, the total revenues were about 1.1 million Euros, of which 973 thousand Euros of the University of Pristina, and about 184 thousand Euros of other universities. Revenues generated from payments for the entrance exam and differential exams at the master level were about 56 thousand Euros.

<sup>7</sup> MESTI. Starting from the academic year 2021/2022 public higher education will be free. 17 September 2021.  
Source: <https://masht.rks-gov.net/article/nga-viti-akademik-20212022-arsimi-i-larte-publik-do-te-jete-pa-pagese>

**Table 3.** Own source revenues of public universities for 2020 (categories for which students will be exempted from payment based on AI/2021)

Own source revenue category	Semester fees for full-time students – Bachelor	Payments per semester – Master	Entrance exam fees (Bachelor and Master)	Payments for Master level differential exams	Total revenues
University of Pristina	€ 1,082,911	€ 973,052	€ 38,361	€ 890	€ 2,095,213
University of Prizren	€ 125,800	€ 65,550	€ 5,690	-	€ 197,040
University of Peja	€ 52,435	€ 45,425	€ 2,483	-	€ 100,343
University of Gjakova	€ 46,675	-	€ 943	-	€ 47,618
University of Gjilan	€ 72,625	€ 26,250	€ 3,150	-	€ 102,025
University of Mitrovica	€ 51,700	€ 12,450	€ 3,915	-	€ 68,065
University of Applied Sciences, Ferizaj	€ 24,325	€ 34,950	€ 1,228	-	€ 60,503
<b>Total universities</b>	<b>€ 1,456,471</b>	<b>€ 1,157,677</b>	<b>€ 55,768</b>	<b>€ 890</b>	<b>€ 2,670,806</b>

Source: Data submitted by public universities (University of Pristina, Prizren, Peja, Gjakova, Gjilan, Mitrovica, Ferizaj).

Based on these data, with the implementation of the new administrative instruction, the total estimated amount of own source revenues of universities that should be reimbursed is about 2.6 million Euros, which is almost one million Euros more than the estimate made by MESTI.<sup>8</sup> Compensation of this amount will increase the value of government grants to public universities. If we analyze the total budgeted own source revenues of universities, with the revenues for which students are exempted during 2020, the difference is approximately 1.9 million Euros. This amount can contain a part of revenues that have not been realized, and the rest are other categories of own source revenues for which students are not exempted from payments under AI/2021. In the case of universities of Prizren and Ferizaj, the realized revenues are higher than the budgeted ones, for 92 thousand Euros and 29 thousand Euros, respectively.<sup>9</sup>

**Table 4.** Difference between budgeted own source revenues and realized own source revenues for the four categories exempted from payment according to AI/2021

Universities	Difference (budgeted revenues-realized revenues for 4 categories)
University of Pristina	€ 1,902,537
University of Prizren	-€ 92,040
University of Peja	€ 4,658
University of Gjakova	€ 11,262
University of Gjilan	€ 11,835
University of Mitrovica	€ 46,596
University of Applied Sciences, Ferizaj	-€ 29,329

Source: GAP Institute (2021), calculations based on Budget Law data and data submitted by universities

<sup>8</sup> MESTI. Starting from the academic year 2021/2022 public higher education will be free. 17 September 2021.

Source: <https://masht.rks-gov.net/article/nga-viti-akademik-20212022-arsimi-i-larte-publik-do-te-jete-pa-pagese>

<sup>9</sup> GAP Institute (2021), calculations based on Budget Law data and data submitted by universities



According to the data shown in Table 4, it is estimated that other own source revenues (which will not be exempted from payment under AI No. 09/2021) for most public universities (except that of Pristina) have a relatively low value compared to the total of own source revenues. Only in the case of the University of Mitrovica, this amount is higher, in the amount of about 46 thousand Euros, or 40 percent of the total budget. This can be for several reasons: non-realization of budgeted payments, over-budgeting of revenues, or other revenues are at a higher value.

The impact of the new administrative instruction on the exemption of students from tuition fees can also be seen in the planned revenue budget of universities for 2022 (see Table 5). According to the own source revenues budgeted by universities for 2022, it is noticed that compared to 2021, the total amount to be reimbursed is worth 3.6 million Euros. At the University of Pristina, total own source revenues are planned at 1.2 million Euros, or 2.8 million Euros less than in 2021. Whereas, in other public universities, no amount is planned for own source revenues for 2022, and compared to 2021, there are approximately 800 thousand Euros less, budgeted in this category.<sup>10</sup>

**Table 5.** Budgeted own source revenues of universities for 2020–2022

#### Own source revenues budgeted in the last three years

University	2020	2021	2022
University of Pristina	€ 3,997,750	€ 3,997,750	€ 1,200,000
University of Prizren	€ 105,000	€ 303,188	-
University of Peja	€ 105,000	€ 175,971	-
University of Gjakova	€ 58,879	€ 62,230	-
University of Gjilan	€ 113,860	€ 124,187	-
University of Mitrovica	€ 114,661	€ 114,661	-
University of Applied Sciences, Ferizaj	€ 31,174	€ 38,552	-

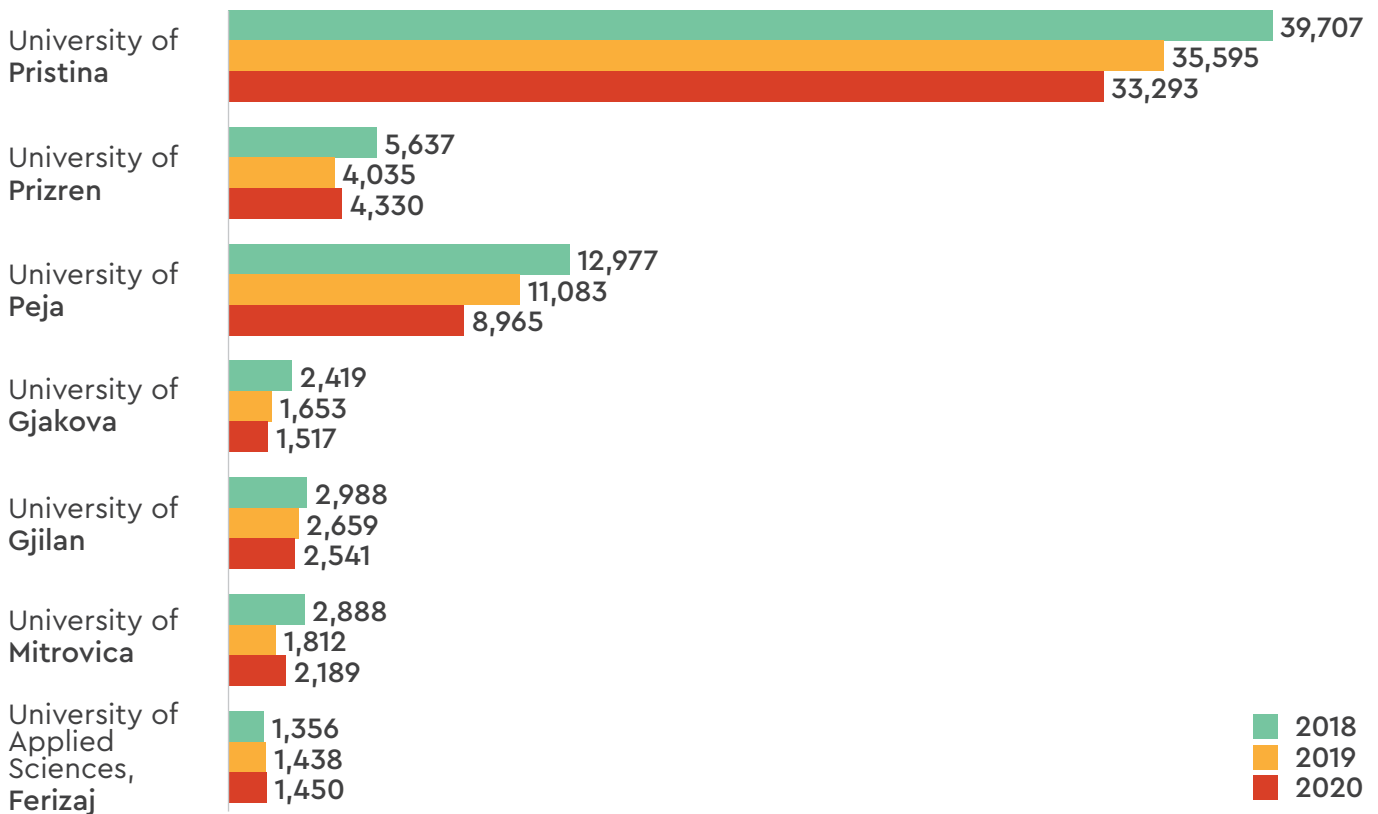
Source: Ministry of Finance (2021), Law on Budget 2020, 2021, 2022

## Performance-based budgeting as a long-term mechanism

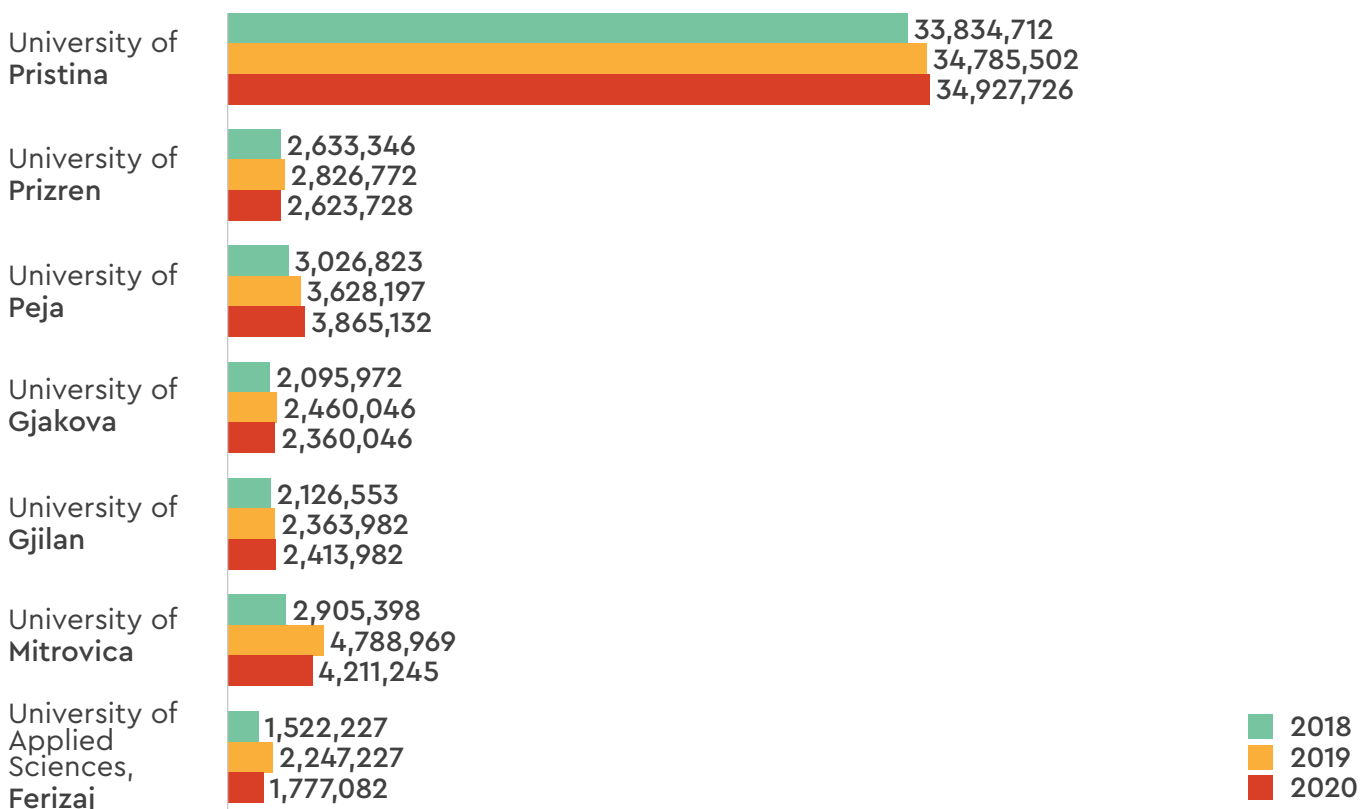
Between 2009 and 2015, six public universities were established in Kosovo.<sup>11</sup> All of them have followed the funding model of the University of Pristina "Hasan Prishtina", ensuring the majority of revenues from the Kosovo Budget. The budget request comes from the universities, which compile the Medium Term Expenditure Framework for the next three years. But, while the number of students in most universities has been declining, their budgets have remained at the same level on average, with no significant movements, as indicated in Graph 1 and 2.

<sup>10</sup> Ministry of Finance (2021), Law on Budget allocations for the Budget of the Republic of Kosovo for 2022. Source: <https://mf.rks-gov.net/desk/inc/media/EF71901F-590B-40FE-BEB2-AA440A918852.pdf>

<sup>11</sup> University of Prizren "Ukshin Hoti" (2009), University of Peja "Haxhi Zeka" (2011), University of Gjilan "Kadri Zeka" (2013), University of Mitrovica "Isa Boletini" (2013), University of Gjakova "Fehmi Agani" (2013) and the University of Applied Sciences in Ferizaj (2015).

**Figure 1.** Number of students in public universities

Source: Education Statistics in Kosovo 2018/20 (MESTI and KAS)

**Figure 2.** Budget of public universities

Source: Ministry of Finance, Law on Budget 2018, 2019, 2020

However, the Law on Higher Education provides for a different formula for allocating funds to providers of higher education. According to Article 21 of this law, the financing of public universities must be based on the performance agreement: "The ministry shall have regard to the provider's recent performance and shall set an indicative budget path for a five-year funding cycle. The allocation of funds to a provider shall take the form of a performance agreement, running over three years, which shall be published by the Ministry once it has been agreed with the respective provider."<sup>12</sup>

Thus, according to the applicable law, the allocation of funds for public universities should be based on the performance of the university, the achievement of objectives set out in the strategic plan of the university and the assessment of the Kosovo Accreditation Agency (KAA) on the quality of teaching in that University: "The ministry sets funding of higher education providers taking into account the objectives specified in the strategic plan of the provider and any observations or recommendations from KAA related to the quality of teaching of these providers or of specific programs."<sup>13</sup>

However, this funding formula has not been applied so far in Kosovo. Performance-based university funding is part of the overall public funds management reform that started to be implemented by many different countries vis-a-vis public universities, in particular European universities. In exchange for managerial autonomy by universities, governments began to provide funding mechanisms that are conditional on the evaluation of performance indicators. Although there are studies that estimate that performance-based budgeting has not increased the quality of teaching or learning and has not increased the performance of research,<sup>14</sup> this funding formula increases the level of accountability over the spending of public money and increases competition between universities. The implementation of this funding formula means compilation of accurate performance indicators and installation of evaluation mechanisms by public authorities.

12 Article 21, Law no. 04/L-037 on Higher Education in Kosovo,  
Source: <https://gzk.rks-gov.net/ActDetail.aspx?ActID=2761>

13 Ibid.

14 Marcel Herbst, "Financing Public Universities: The case of performance funding", Springer: 2007

## Conclusion

The main sources of funding for public universities are government grants and direct payments by students. Revenues from research and sales of services are one of the additional sources for some universities<sup>15</sup>, although even for them the amount collected from these alternative sources is small compared to the first two categories. But the new administrative instruction on the application of student fees, approved in September this year, will significantly reduce public university revenues from student fees. Their compensation by the state budget means more budget allocation for public universities. The financial gap created by this decision of the Government of Kosovo reaches a cost of 2.6 million Euros per year, based on 2020.

While such a policy is in favor of students and state compensation ensures a financial stability of public universities, state institutions should also look into the reform of public funds management.

In this context, the Ministry of Education, Science, Technology and Innovation should work on building a performance-based budgeting mechanism, which requires accurate compilation of performance indicators and capacity building of evaluation mechanisms. Such a performance-based funding formula is also provided for in the Law on Higher Education, but which has not been implemented so far.

15 The University of Pristina has collected revenues of 40,751 Euros from the sale of services during 2020 (see MTEF 2022-2024)

# Annex

## Annex 1. Tuition fees and payments for administrative services according to Administrative Instruction 09/2021

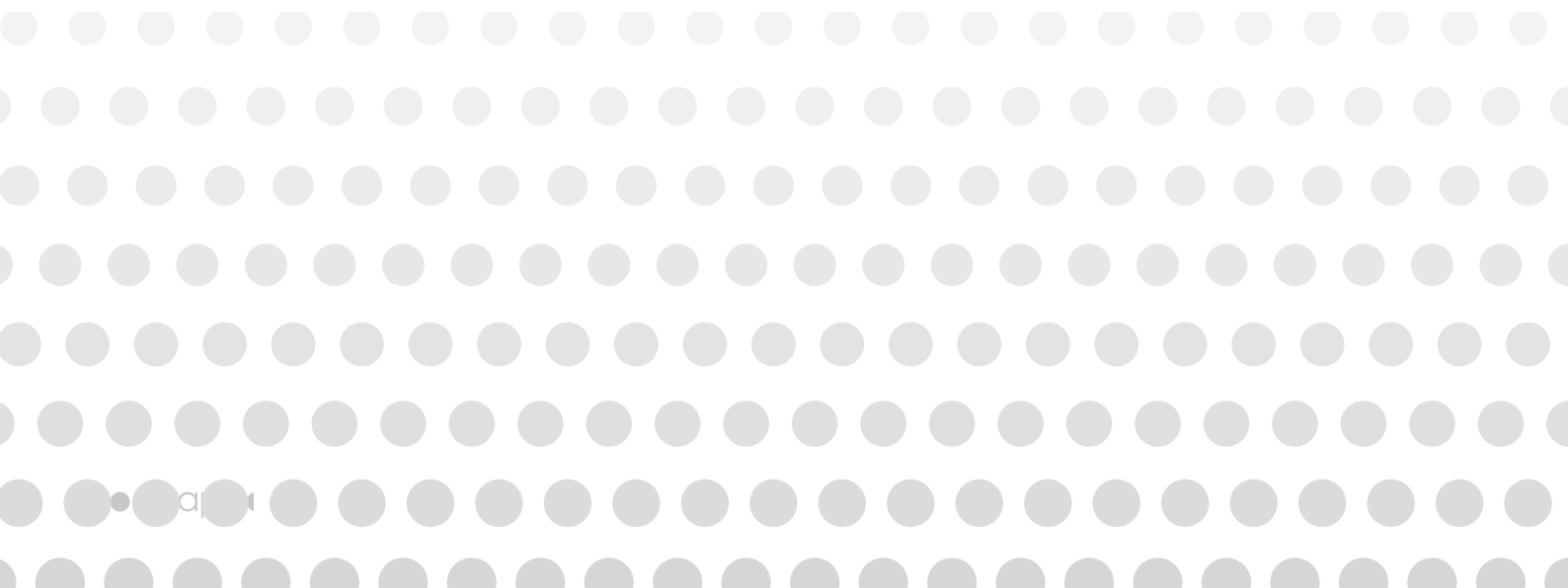
### Tuition fees

Semester fees for full-time students Bachelor level,	€25
Semester fees for part-time students Bachelor level,	€125
Semester fees for full-time students Master level,	€150
Payment per semester for PhD studies	€500
Payment for defending the Master's thesis	€100
Payment for defending the PHD dissertation	€300

### Payments for administrative services

Entry exam fees	2.5 €
Payments for each differential exam for the enrollement in Master level studies	€5
Payments for taking the exam for the second time and onwards, Bachelor level	€1
Payments for taking the exam for the second time and onwards, Master level	2.5 €
Payments for taking the exam for the second time and onwards, PhD level	€5
Payments for a grades certificate	2.5 €
Payments for diploma certificate	€5
Payments for each exam taken in case of transfers from other institutions	0.50 €
Diploma fees	€5
Fees for diploma duplicate	€25
Fees for ID duplicate	€10
Payments for changing the study program	€25

Source: Ministry of Education, Science, Technology and Innovation



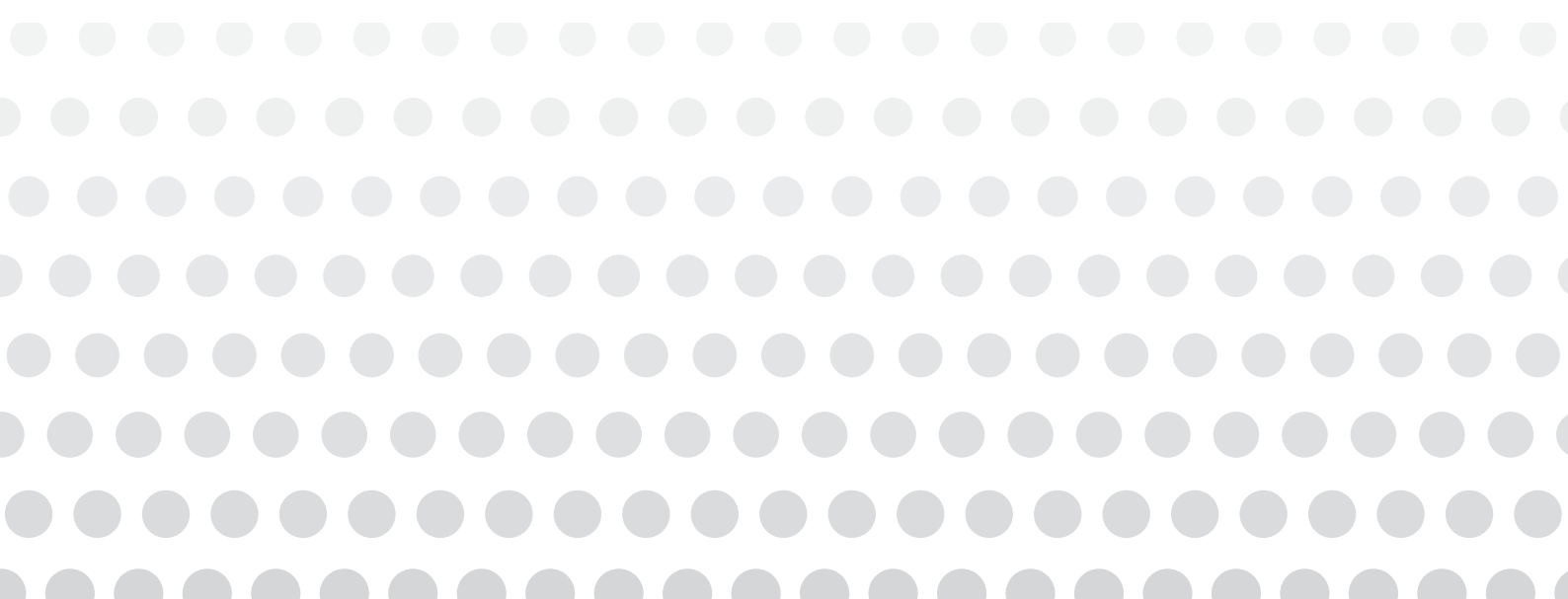


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