

Kosovo budget priorities before the COVID-19 pandemic

May 2020



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MAY 2020

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The original was drafted in Albanian.

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Executive summary

Due to delays in forming the government, Kosovo's 2020 budget was approved past the regular legal deadlines. Also, the time available to Kosovo Assembly Members to review this important document was insufficient for an adequate analysis. Therefore, the purpose of this report is to make an ex-post analysis of the approved budget allocations for 2020, before the COVID-19 pandemic hit. GAP Institute will conduct a separate analysis regarding changes in the Kosovo budget as a result of this crisis.

The 2020 budget envisaged an accelerated increase of expenditures alongside revenues, which required an increased demand for financing. However, the budget deficit was within the fiscal rule. Compared to the previous year's budget, the plan was to cover the financing needs from external sources, reducing the dependence on privatization funds and government bonds. Unlike last year when we had a rapid increase in current expenditures, especially in subsidies and transfers, a much faster increase in capital expenditures was planned this year. However, a large share of capital investments will be financed through the investment clause, but given the low level of external financing realization, some of these projects risk being not implemented. Similar to previous years, the vast majority of central capital projects are continued obligations from previous years, leaving little room for new projects. In addition, priorities by area have remained the same as last year, with over half of expenditures focused on economic issues, social protection and education.

On the other hand, in terms of current expenditures, they have remained almost the same as last year. However, if the Law on Public Sector Salaries enters into force, the extent to which these costs can increase is not known, given that the exact cost of the law is not yet known.

This year, a reorganization of ministries has taken place and, consequently, ministries managing most of the budget have changed. The three ministries with the largest budgets are the Ministry of Finance and Transfers (MFT), the Ministry of Internal Affairs and Public Administration (MIAPA) and the Ministry of Infrastructure and Environment (MIE). Unlike previous years, this year there is a significant drop in the budget for highway construction and road rehabilitation. However, MIE will still manage almost half of the central budget for capital investments.

Regarding capital investments from the central to the local level, most of these are ongoing investments from previous year. This year, a more balanced distribution of investments in municipalities is observed, excluding the Municipality of Prishtina, where we see a higher positive discrimination in the allocation of capital investments relative to its population and territory size.

In terms of division by functional categorization, the health budget has increased but is still low relative to the size of the economy, compared to spending in EU countries. The budget for education has also increased compared to the previous year, and the average spending in this sector is above the EU average expenditure, relative to the size of the economy.

The amount allocated for pensions and other social benefits in 2020 has increased slightly, with the majority envisaged for contributory and basic pensions. However, by the end of the year we should see what will happen to the veterans' pension category, as there was a significant deviation from the planned amount in recent years. A budget increase is also planned for the Employment Agency, for the employment services program. However, a budget for only 90 people has been allocated for the Labor Inspectorate, whereas the government program envisages 400 staff for this department, namely about 4.4 times larger.

Compared to the previous year, the budget for Radio Television of Kosovo (RTK) has decreased, and the form for the allocation of funds has also changed. Based on the financial reports of this institution, the Assembly Committee on Budget and Transfers will make quarterly decisions regarding the RTK fund allocation.

- ● Similar to previous years, the vast majority of central capital projects are continued obligations from previous years, leaving little room for new projects. In addition, priorities by area have remained the same as last year, with over half of expenditures focused on economic issues, social protection and education.

Introduction

Due to delays in forming a governing coalition following the 2019 general elections, compared to the regular legal deadline, the Government of Kosovo submitted the draft Kosovo budget for 2020 to the Assembly of Kosovo four months late. From the day the draft budget was distributed to the assembly until the date of approval, MPs had only three days to review the document, which has about 550 pages. Regular legal deadlines for the review of the draft budget by the assembly allow around 60 calendar days for review. While the delays in drafting the budget were due to political disagreements, the urgency in approving the budget came as a result of the health and economic crisis expected to be caused by COVID-19. Kosovo, as well as a large part of other countries in the world, was being hit by the COVID-19 crisis, and the Government of Kosovo urgently needed an approved budget to ensure an easier management of the health aspect of this crisis. For this reason, the 2020 draft budget was approved in two readings overnight.¹

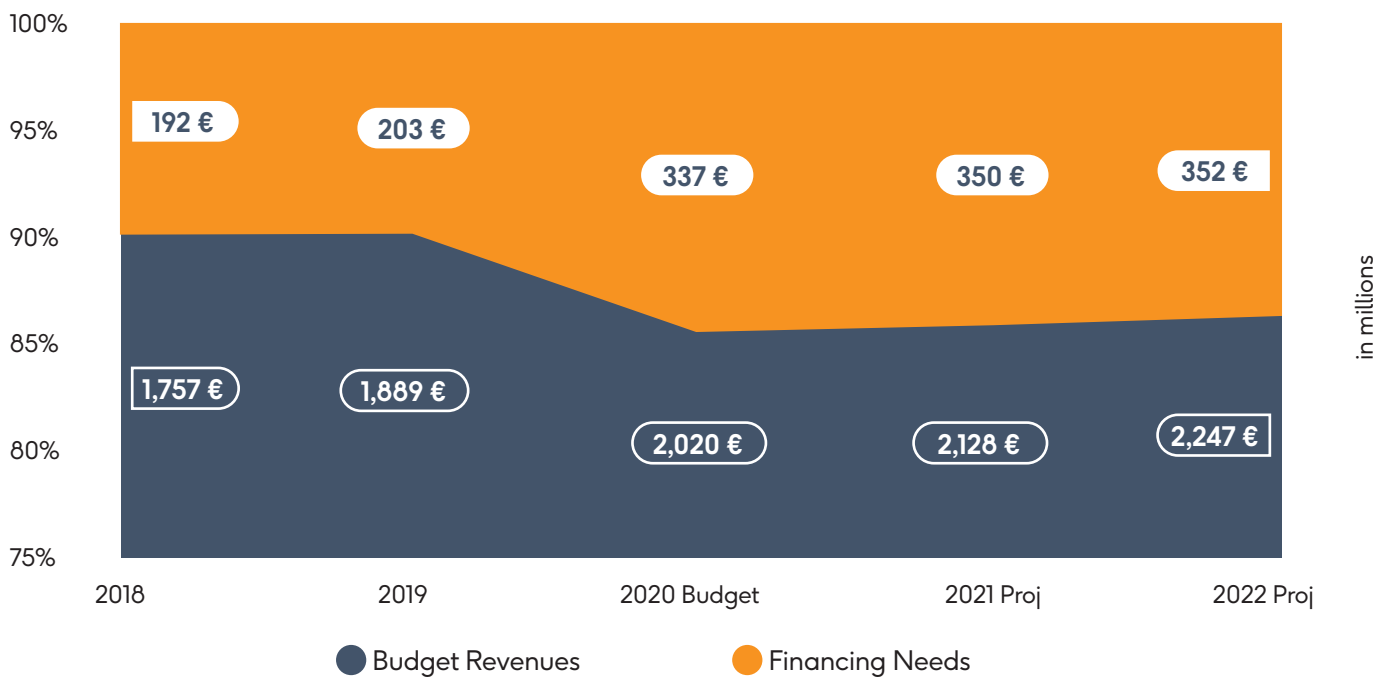
The purpose of this report is to provide an ex-post analysis of allocations approved for 2020. Unless specified otherwise, 2020 budget allocations were analyzed with the current 2019 allocations. Given that the COVID-19 crisis has changed the assumptions on which this document was prepared and the budget allocations, the 2020 budget is expected to undergo a number of changes in terms of revenues, financing and budget allocations. For this reason, the GAP Institute will conduct a separate analysis regarding the impact of COVID-19 on the Kosovo budget for 2020.

¹ Assembly of Kosovo, Legislative Process for the 2020 Budget Draft Law, Source: <https://bit.ly/2W1nCsw>

Main findings

The need for funding has increased while the budget deficit remained within the fiscal rule. Budget expenditures in 2020 were planned to be around 2.35 billion Euros, 266 million Euros (13%) more than in 2019.² Revenues were planned to be 131 million Euros (7%) higher compared to 2019, representing a trend similar to the previous period (2018/2019). Unlike 2019, where 90% of expenditures were financed from budget revenues, these revenues finance 86% of expenditures in the 2020 draft budget. The financing need has increased from 203 million (2019) to 337 million Euros, an increase of 134 million Euros or 66%. However, relative to the 2019 budget planning, the need for financing has decreased by 92 million Euros or 21%. In 2019, the budget deficit was largely financed by domestic financing - from the one-off spending of privatization funds and securities. This trend is expected to change in 2020, as external financing is expected to increase by 98 million Euros, while domestic financing will decline by 53.4 million Euros (20%).

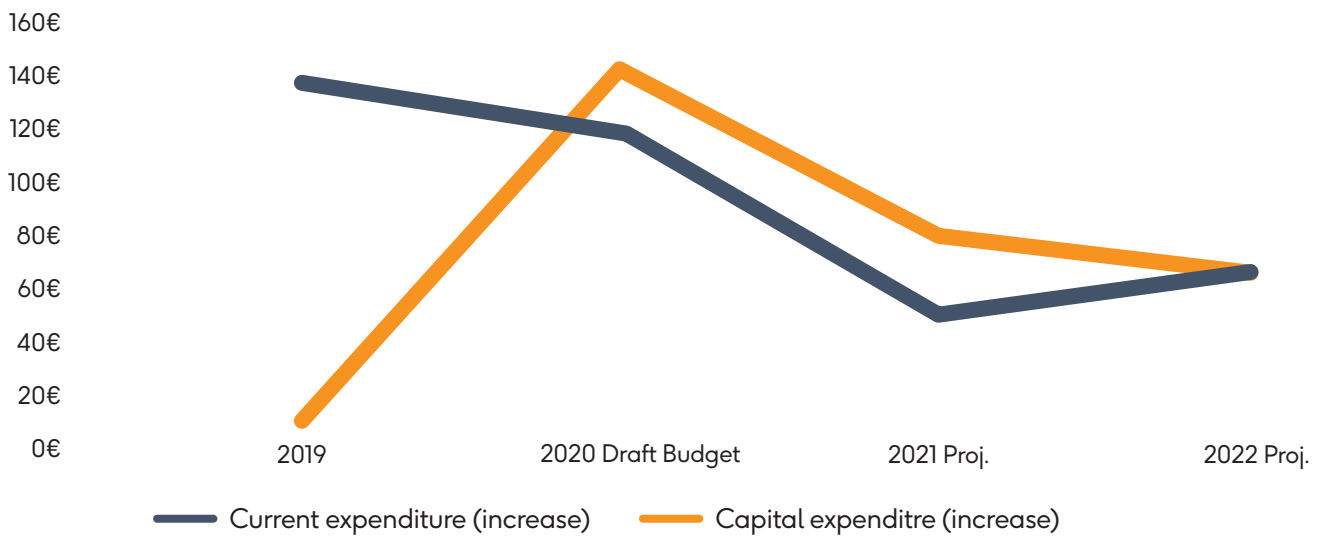
Figure 1. Budget financing structure



Capital expenditures were planned to increase faster than current ones. Compared to the previous period 2018/2019, when capital expenditures saw almost no change, an increase by 141 million Euros or 27% was planned for 2020. Meanwhile, current expenditures have increased more slowly compared to the period 2019/2018 - 116 million Euros or 8% more, while in 2019 there was an increase of 137 million Euros or 10% more.

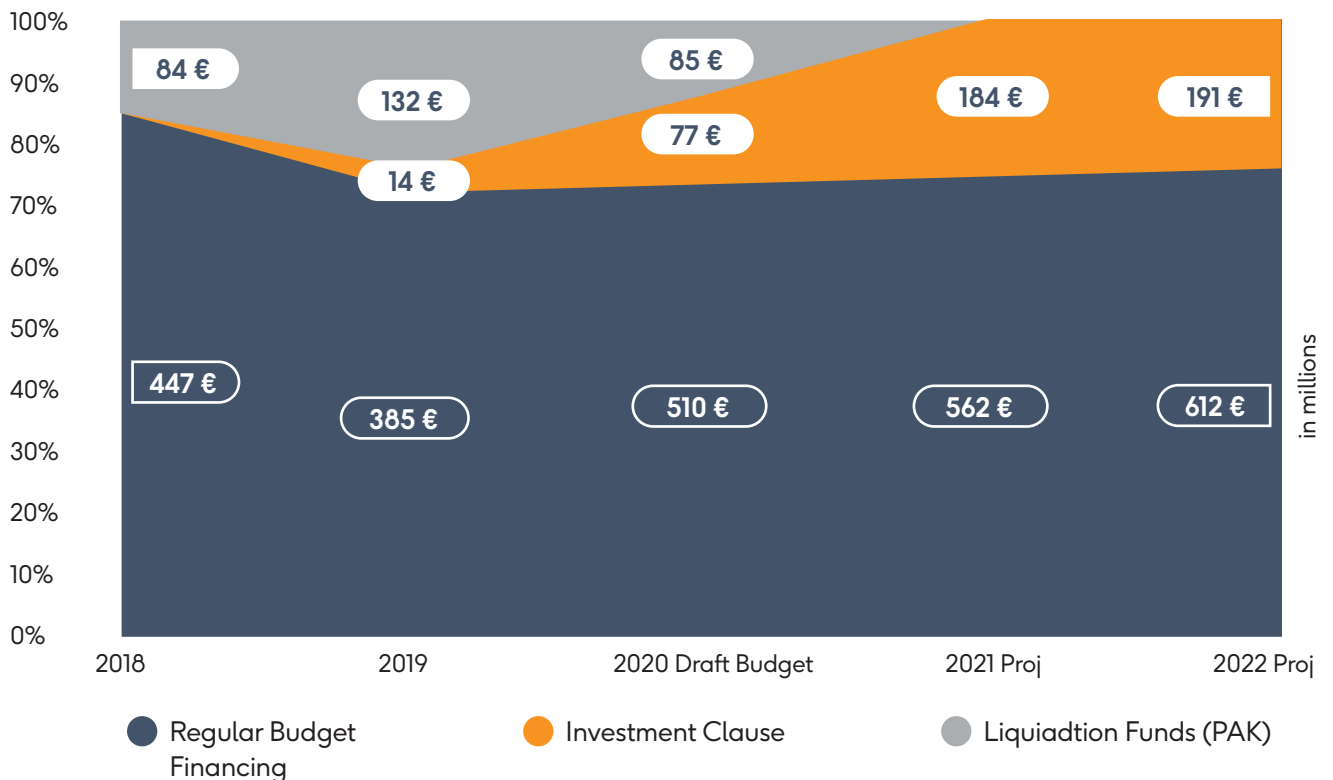
² If not specified otherwise, the data of the 2020 budget are compared with current data for 2019 as presented by the Ministry of Finance.

Figure 2. Increases in current and capital expenditures



Financing of capital expenditures from budget revenues and investment clause has increased. Regarding the financing of capital expenditures, the draft budget 2020 indicates that 76% of capital expenditures will be financed from the regular budget, which marks an increase of 32% compared to current expenditures in 2019. Financing of capital investments from the investment clause is planned to increase by almost five times in value, compared to the previous year.³ In contrast, funding from PAK's liquidation funds will fall by 47 million Euros or 35% from 2019.

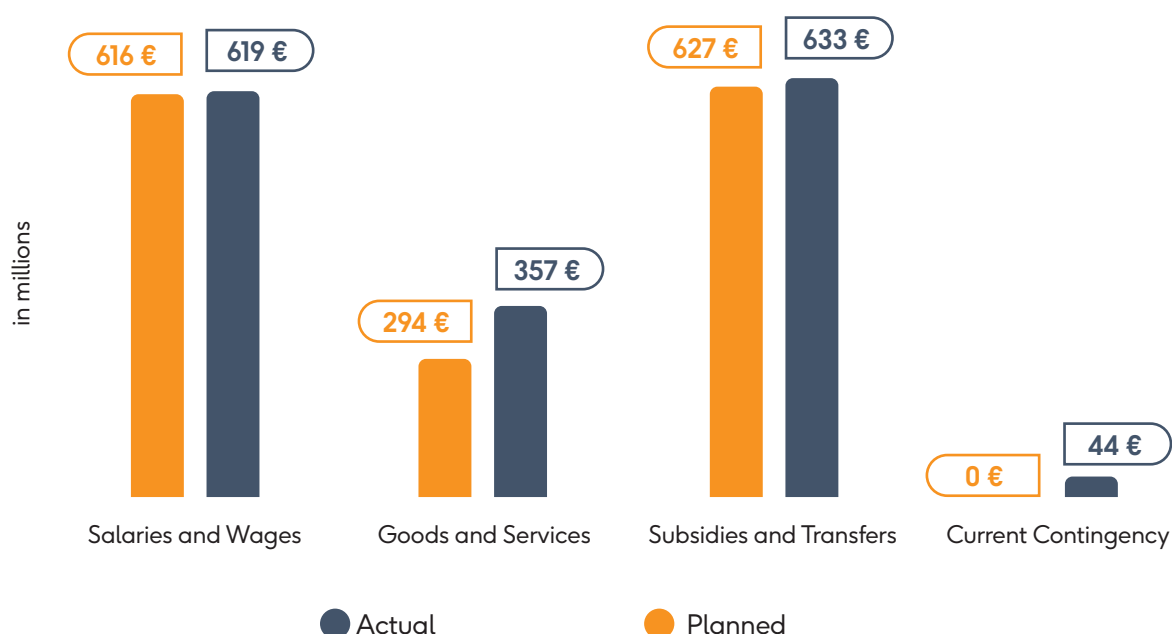
Figure 3. Funding of capital expenditures



³ Compared to the 2019 planning, financing of capital investments from the investment clause has decreased by 44 million Euros or 57%. See the GAP Institute analysis for more on 2019 budget planning, Link: <https://bit.ly/2xKOCuG>

Current expenditures by economic category have remained almost the same as the previous year. In 2020, current expenditures, such as wages and salaries, and subsidies and transfers are not expected to change significantly compared to the previous year. However, in case the Law on Public Sector Salaries enters into force, MFT has allocated 34.2 million Euros of contingencies for wages and salaries for the municipal level, thus this category may increase during the year. Also, considering that the nominal growth of Gross Domestic Product (GDP) was about 5% in 2018, the planned increase for wages and salaries is within the allowed limit defined in the Law on public finance management and responsibilities. However, in case the Law on Public Sector Salaries enters into force, this rule will be breached.⁴ The biggest contribution to the increase in current expenditures in the 2020 budget will come from increases in expenditures for goods and services, with 63 million Euros more - partly due to the reclassification of around 9 million Euros from capital expenditures into goods and services, and increased current reserves by 44 million Euros more.

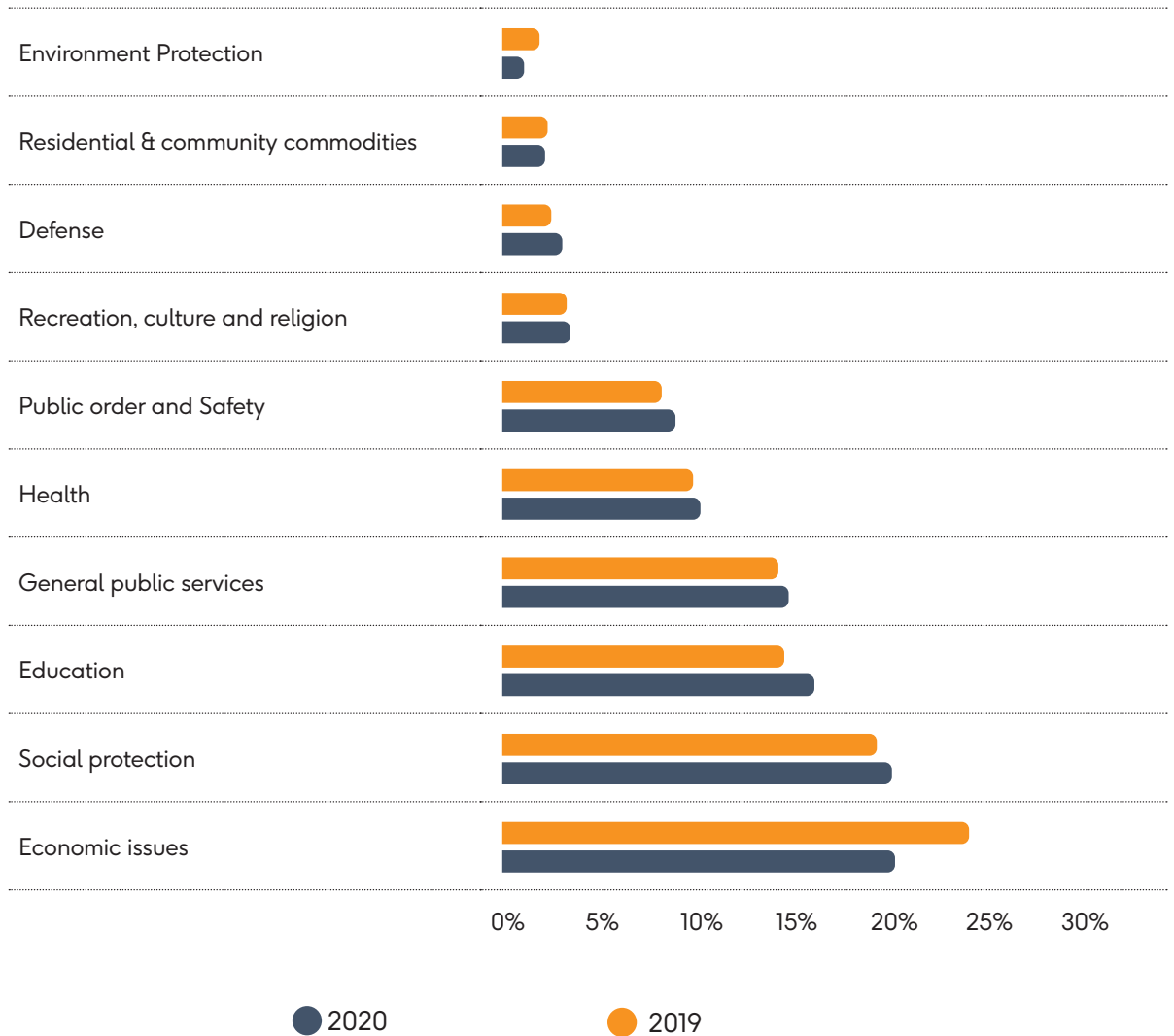
Figure 4. Increases in current expenditures



⁴ Law No. 05/L-063 amending the Law No. 03/L-048 on Public Finance Management and Accountability, as amended by Laws No. 03/L-221, No. 04/L-116 and No. 04/L-194. Source: <https://bit.ly/3dkuKFR>

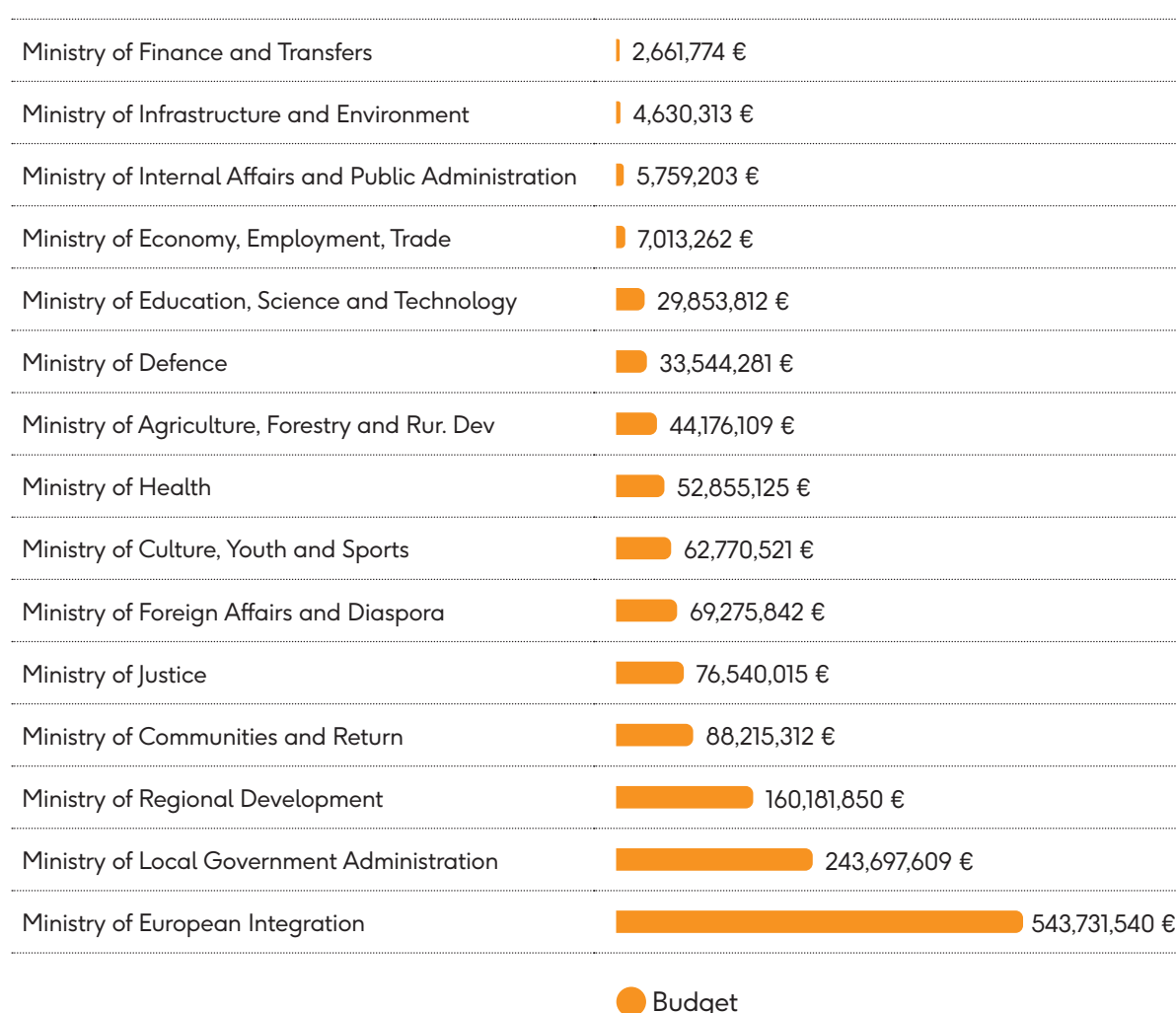
Priorities of expenditures have remained the same as last year. Similar to last year, the three main priorities in the Kosovo budget are: economic issues, social protection, and education. Compared to last year's budget, this year sees a more pronounced increase in the education budget of about 29 million Euros (8%), public safety and security of 13.3 million Euros (7%) and defense of 10.6 million Euros (18%). Whereas allocations for economic issues and environment protection have decreased by 103 million (18%) and 17.1 million Euros (40%) respectively.

Figure 5. Functional divisions as a percentage of expenses



The ministry budget has been reduced. As a result of the changes made, the 2020 government will only have 15 ministries, as six previous ministries have been merged with or joined into other ministries. This year, ministries will manage about 1.43 billion Euros, around 61% of the total budget for 2020. This budget is lower than that of 2019⁵, where the 21 ministries together managed about 1.49 billion Euros or 5% (62 million Euros) more. Capital expenditures account for 31.8% of the ministries' budget this year, while the rest consists of current expenditures such as subsidies and transfers with 41.6%, wages and salaries with 13.5%, goods and services with 12%, municipal expenditures with 0.8% and contingencies with 0.2%. The three ministries that will manage the most of the budget are the Ministry of Finance and Transfers (MFT) with 544 million Euros, the Ministry of Infrastructure and Environment (MIE) with 244 million Euros, and the Ministry of Internal Affairs and Public Administration (MIAPA) with 160 million Euros. In MFT, 86% of the budget is allocated for subsidies and transfers, specifically for pensions and allowances, whereas in MIA over 89% of the budget is allocated for capital expenditures. Over half of the MIAPA budget (51%) is allocated for salaries and wages since this ministry pays the largest number of employees (11,060).

Figure 6. Budget for ministries in 2020.

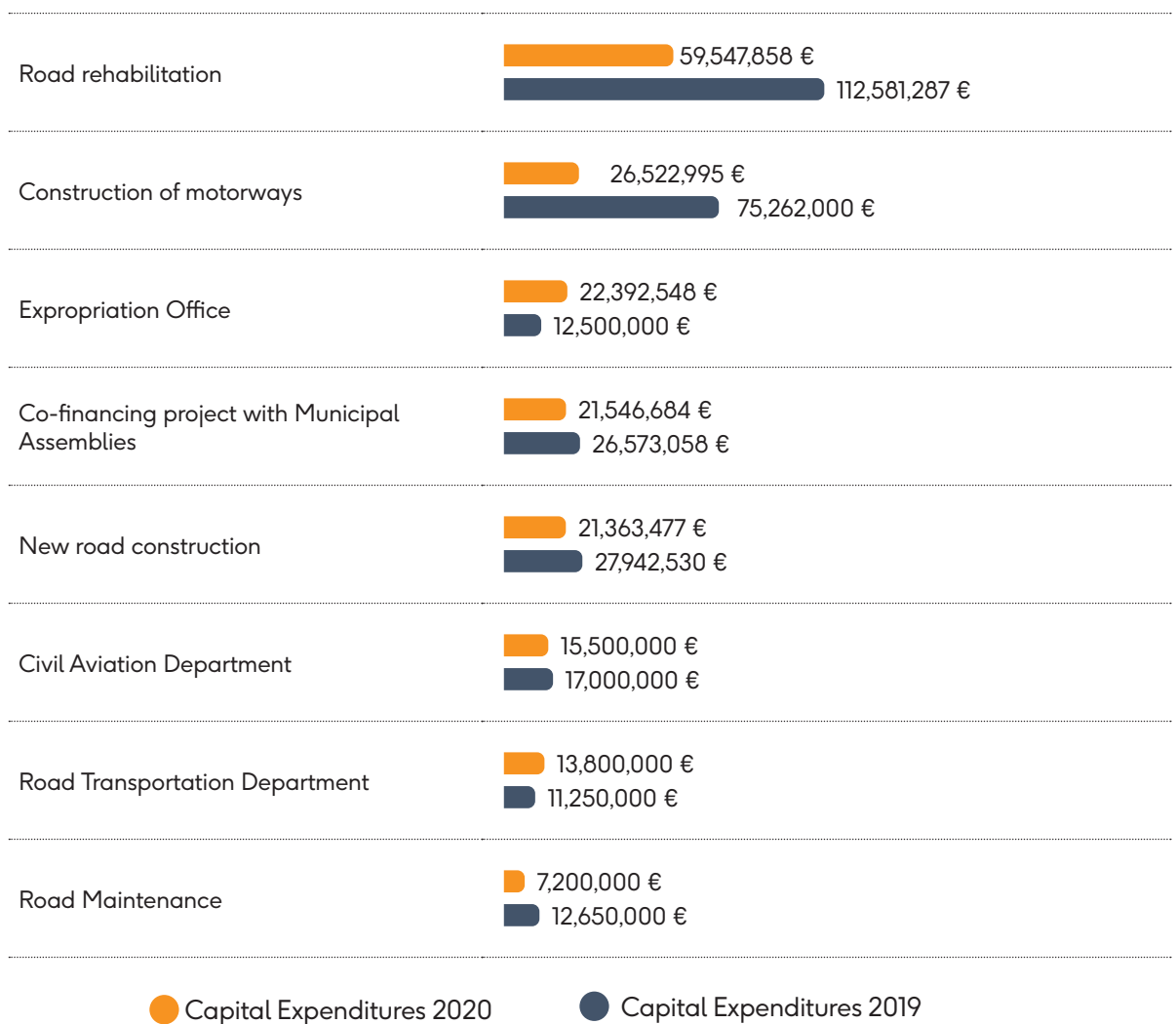


⁵ Ministry of Finance. Law No. 06/L -133 on Budget Allocations for the Budget of the Republic of Kosovo for 2019. Source <https://bit.ly/3a3lnbX>

Nearly half of the capital investment budget will be managed by the Ministry of Infrastructure and Environment. The Ministry of Infrastructure and Environment will manage almost half of the 453 million Euros budget allocated for capital expenditures for ministries, namely around 48% or 217 million Euros. However, as Figure 7 indicates, the budget allocated for most departments and programs covering infrastructure is lower than in 2019. Specifically, the capital expenditures budget of the program for the construction of motorways has been reduced by 65% or 49 million Euros, and the budget of the program for the rehabilitation of roads by 47% or 53 million Euros. The most significant increase in the capital expenditures budget, by 79% or about 10 million, in 2020, is for the Expropriation Office.

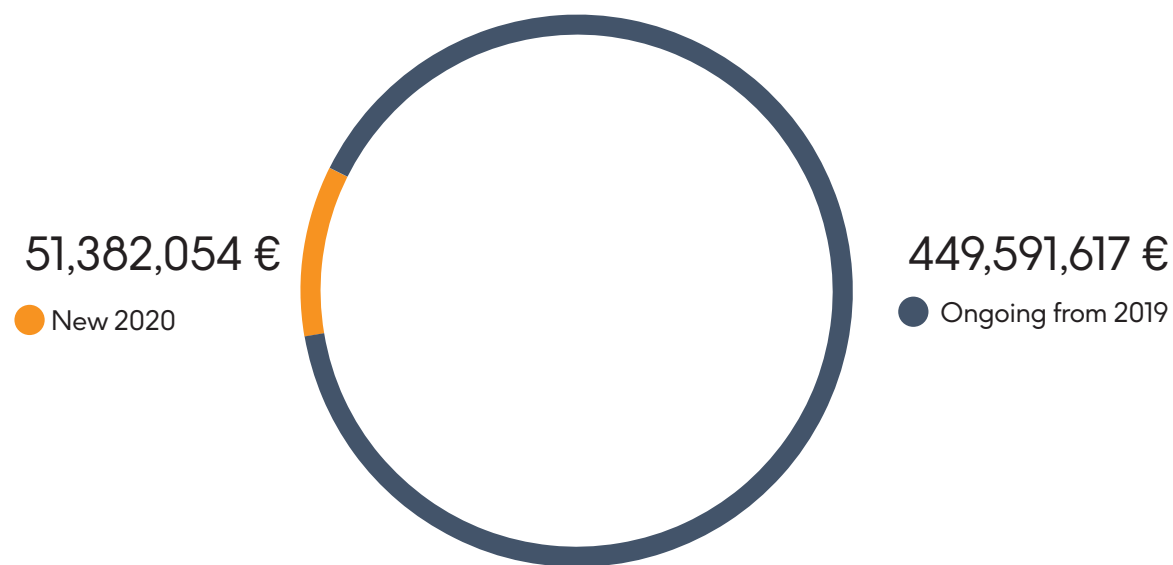
MIAPA (37.7 million Euros) and the Ministry of Economy, Employment, Trade, Industry, Entrepreneurship and Strategic Investments (MEETIESI with 37.5 million Euros) will manage 8.3% of the capital expenditure budget.

Figure 7. The budget of some departments in the Ministry of Infrastructure and Environment, 2019-2020



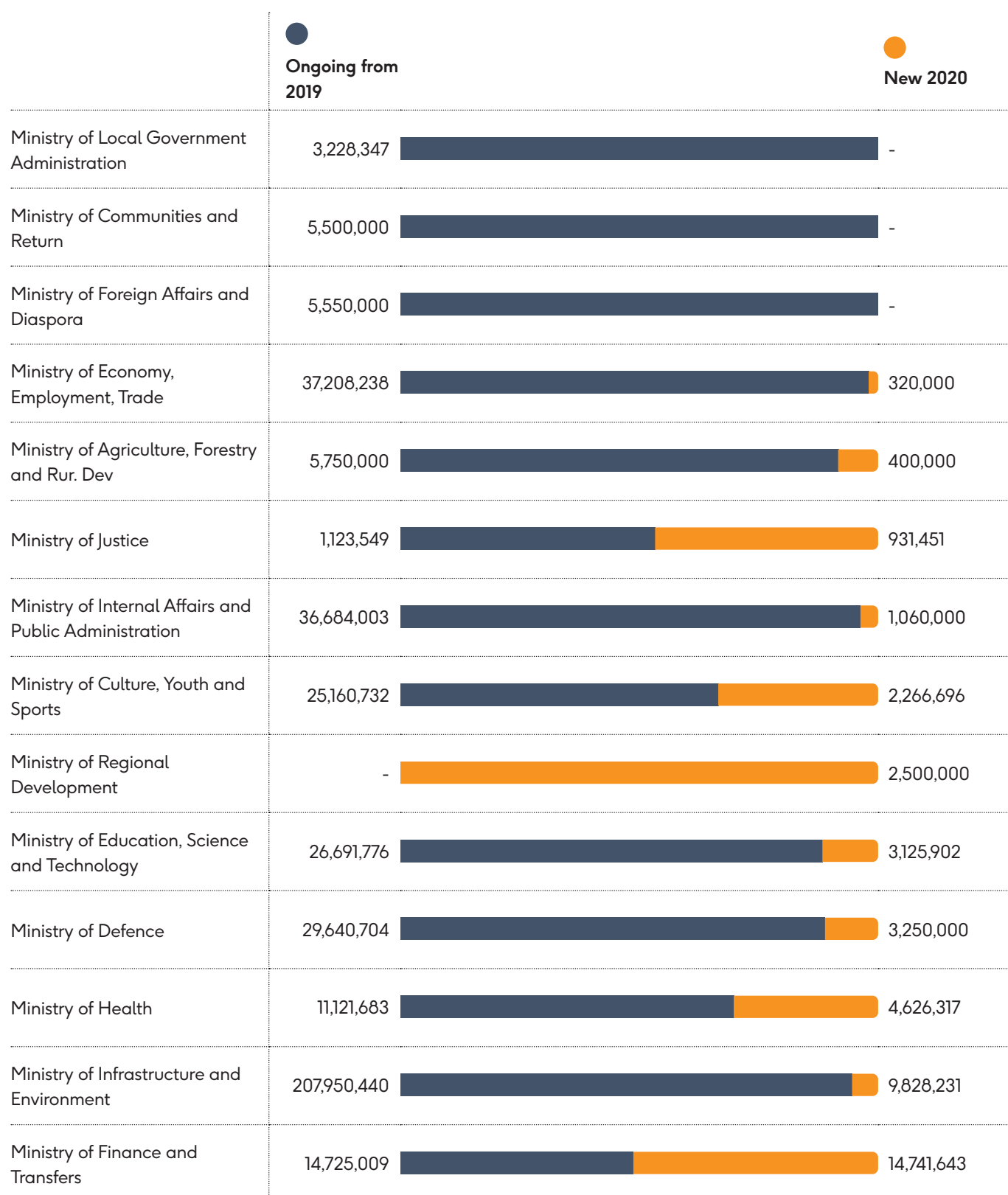
About 90% of central level capital investments are ongoing from 2019. The 2020 budget, from 501 million Euros allocated for capital investments from the central level, has about 450 million Euros or 90% in multi-year capital investment projects, committed funds from previous years. Only 51 million Euros, or 10%, are new capital investments that reflect the current government's program. In the previous budget, the extent of ongoing projects from 2018 to 2019 was lower, about 82%.

Figure 8. New and ongoing capital investments



At the ministry level, only 43 million Euros have been allocated for new capital investments in 2020. As a result, the number of new capital projects is very small. About a third of this amount went to the MFT, where 13.2 million Euros are envisaged for contingent liabilities and 2.2 million Euros for the settlement of TAK liabilities in accordance with court decisions. Whereas the Ministry of Infrastructure and Environment (MIE) lists as new 2020 investments mainly projects covered by the investment clause, such as the construction of wastewater plants in Gjilan (1 million Euros) and Ferizaj (500 thousand Euros). The Ministry of Health (MH) lists as new capital investment the feasibility study for medical equipment with a budget of 2 million Euros, as well as the co-financed construction of centers for the elderly and disabled, with 300 thousand Euros, and more.

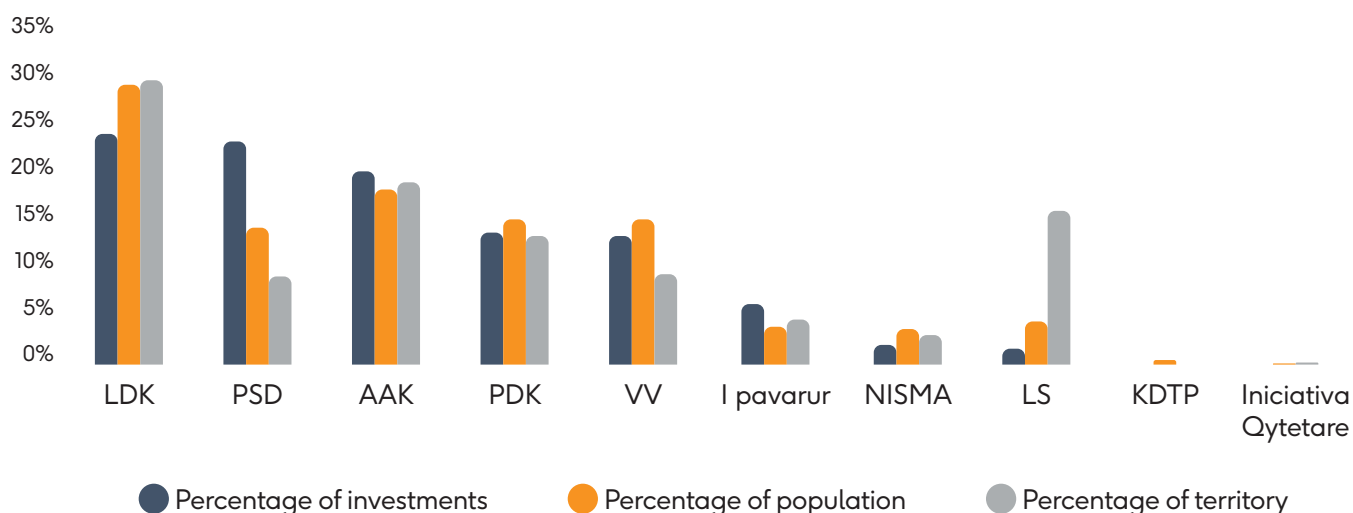
Figure 9. Capital investments from ministries in 2020 (in Euro)



Allocation of capital investments of the central level in municipalities seems more balanced compared to previous years.

According to the 2020 budget law, capital investments of ministries in municipalities are expected to reach over 150 million Euros, and will be distributed to 35 municipalities. In the 2020 budget over 90% of capital projects are ongoing from the previous year. Since 90% of capital projects of the 2020 budget are a continuation of last year's projects, when a coalition different from the current one was holding office, the distribution of projects in municipalities represents mostly the preferences of the previous coalition. Around 23% of this budget will be invested in eight LDK-led municipalities, although they constitute 28% of Kosovo's population and they cover 29% of Kosovo's entire territory. On the other hand, the two municipalities run by PSD will benefit 23% of capital investments of the ministries, although they represent only 14% of the population of Kosovo, and cover 9% of the territory of Kosovo. The seven AAK-led municipalities will jointly benefit from about 20% of the ministries' capital investments in municipalities. About 18% of the population lives in these municipalities, and together they cover 18% of Kosovo's territory. On the other hand, five PDK-led municipalities will benefit 13% of this budget, and they represent only 15% of the population of Kosovo, and cover 13% of the territory of Kosovo. Similarly, the two VV-led municipalities, with 15% of the Kosovo population and covering 9% of the country's territory, will benefit with 13% of the ministries' capital investments.

Figure 10. Investments in municipalities by ministries



PSD-led Municipality of Prishtina, which occupies 5% of Kosovo's territory and where 12% of Kosovo's population live, is the largest beneficiary of capital investments from ministries, with about 21%. Next comes PDK-led Ferizaj, which occupies 3% of the country's territory and where 6% of Kosovo's population lives, with 8% of capital investments. The Municipality of Gjakova, which occupies 5% of Kosovo's territory and where 5% of the population lives, is the third largest beneficiary of MIE capital investments with 7% of them. Based on these indicators, Table 1 shows VV-run Prizren and LDK-run Podujeve are discriminated against in terms of benefits from capital investments of ministries. Furthermore, the municipalities of Leposavic, Partesh, Klllokot and Zubin Potok will not benefit from any investment from the central level whatsoever.

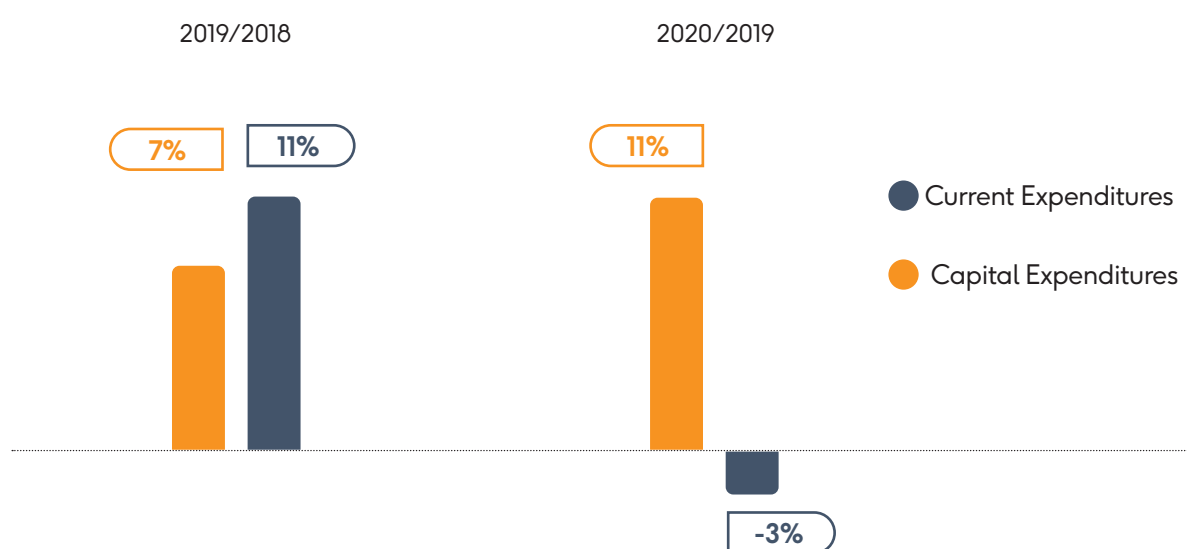
Over 63 million Euros of capital investments in municipalities in 2020 will be implemented by the Ministry of Infrastructure and Environment. Similarly, as last year, the Municipality of Gjakova, led by AAK, is the largest beneficiary of capital investments from MIE, with about 11%. It is followed by Skenderaj, benefiting over 10% of capital projects. Similar to the previous year, the municipalities of Prizren, run by VV, and Glllogovc, led by PDK, have been discriminated against by MIE in terms of investments in municipalities.

Table 1. Investments in municipalities by ministries

	PERCENTAGE OF INVESTMENTS	PERCENTAGE OF POPULATION	PERCENTAGE OF TERRITORY	PARTY OF THE MAYOR
Pristina	21%	12%	5%	PSD
Ferizaj	8%	6%	3%	PKD
Gjakova	7%	5%	5%	AAK
Mitrovica	7%	4%	3%	VV
Peja	6%	6%	6%	LDK
Deçan	6%	2%	3%	AAK
Prizren	6%	11%	6%	VV
Skenderaj	5%	3%	3%	I pavarur
Gjilan	5%	4%	4%	LDK
Vushtrri	5%	4%	3%	LDK
Gllgovc	3%	3%	3%	PKD
Suharekë	2%	3%	3%	AAK
Rahovec	2%	3%	3%	AAK
Lipjan	2%	3%	3%	LDK
Kamenica	2%	2%	4%	PSD
Podujevë	2%	5%	6%	LDK
Istog	2%	2%	4%	LDK
Malisheva	2%	3%	3%	NISMA
Year	1%	3%	2%	LDK
Klinë	1%	2%	3%	AAK
Kaçanik	1%	2%	2%	PKD
Dragash	1%	2%	4%	PKD
Fushe Kosova	1%	2%	1%	LDK
Mitrovica North	1%	1%	0.1%	LS
Junik	1%	0.4%	1%	AAK
Shtime	0.5%	2%	1%	PKD
Hani i Elezit	0.4%	1%	1%	I pavarur
Obiliq	0.4%	1%	1%	AAK
Shtërpce	0.2%	0.4%	2%	LS
Mamushë	0.1%	0.3%	0.1%	KDTP
Graçanica	0.1%	1%	1%	LS
Novobërdë	0.1%	0.4%	2%	LS
Ranillug	0.1%	0.2%	1%	LS
Zvecan	0.1%	0.4%	1%	LS
Leposavic	0%	1%	5%	LS
Partesh	0%	0.1%	0.3%	LS
Klllokot	0%	0.1%	0.2%	Iniciativa Qytetare
Zubin Potok	0%	0.4%	3%	LS

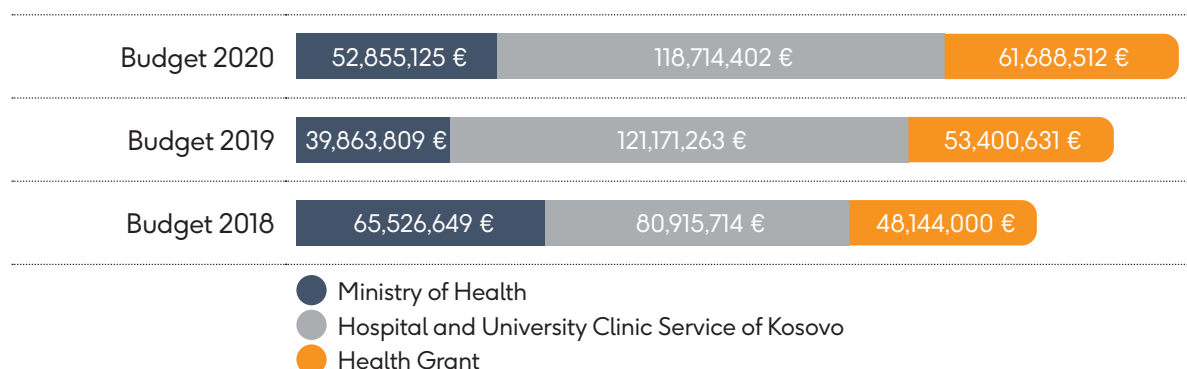
The budget for municipalities was increased. In 2020, the budget allocated for 38 municipalities in Kosovo will be over 568 million Euros or about 7% higher than in 2019. About 409 million Euros or 72% of the municipal budget in 2020 is earmarked for current expenditures, while 28%, or 159 million Euros, for capital expenditures. While in 2019 capital expenditures increased by 11% compared to 2018, in 2020 we have a decrease compared to 2019. A trend of increasing current expenditures was observed. In the period 2019-2018 they increased by 7%, while in the period 2020-2019 by 11%. The contingency of 34 million Euros allocated to municipalities also had an impact on the increase of current expenditures in 2020, as a buffer in case the Law on Salaries enters into force.

Figure 11. Increases in current and capital expenditures of municipalities, 2018-2020



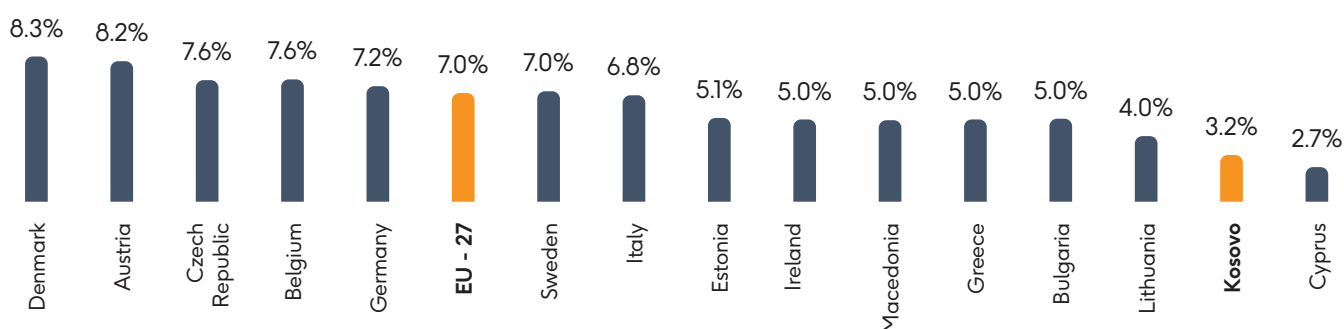
The health budget has increased but is still low relative to the size of the economy, compared to spending in EU countries. In 2020, the budget allocated to the health sector is 233 million Euros, or about 8.1% higher than in 2019, when it was 214 million Euros. Specifically, compared to 2019, the 2020 budget of the Ministry of Health was increased by 13 million Euros, or 33%, and the health grant for municipalities by 8.3 million Euros, or 16%, while the budget for the Hospital and University Clinic Service of Kosovo (HUCSK) was reduced by around 2.5 million Euros, or 2%. There was a reduction in the HUCSK budget in the economic category of capital expenditures by about 4 million Euros.

Figure 12. Kosovo's health budget in 2020



The amount allocated from the 2020 budget to health is 3.2% of GDP. In the European Union (EU), countries such as Denmark, share an annual health budget of 8.3% of GDP, Sweden 7%, Italy 6.8% and Greece 5%. On average, the 27 EU countries allocate a health budget of about 7% of GDP. Compared to these countries, the health budget allocated by Kosovo as a share of GDP remains small and is similar to Cyprus, as the state that allocates a lower budget than the 27 EU countries.

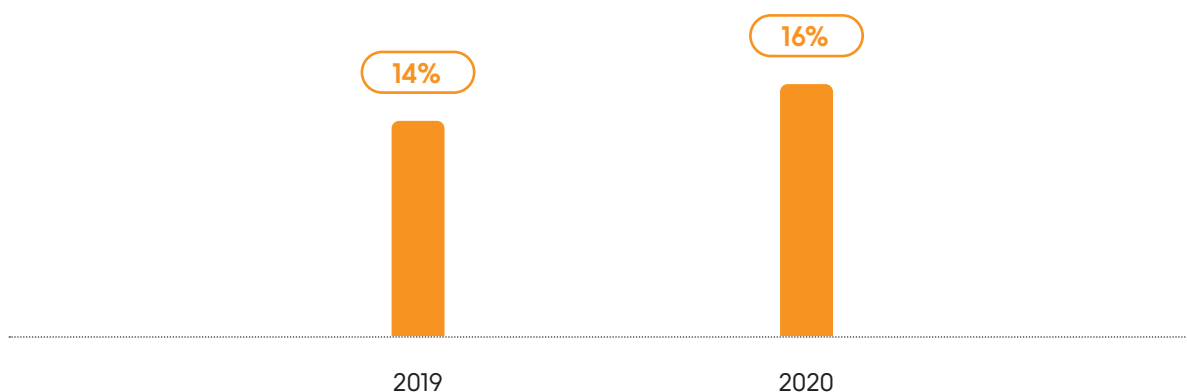
Figure 13. Health budget from several countries in Europe



SOURCE: EUROSTAT⁶ AND GAP INSTITUTE, USING 2020 BUDGET DATA

Expenditures for the education sector have increased. In 2020, based on a functional classification, about 375 million Euros, or about 16% of Kosovo’s budget, will be dedicated for education. Compared to the previous year, this is an increase of 2 percentage points for activities, training, and capital investments in the field of education.

Figure 14. 2020 expenditures in education in Kosovo



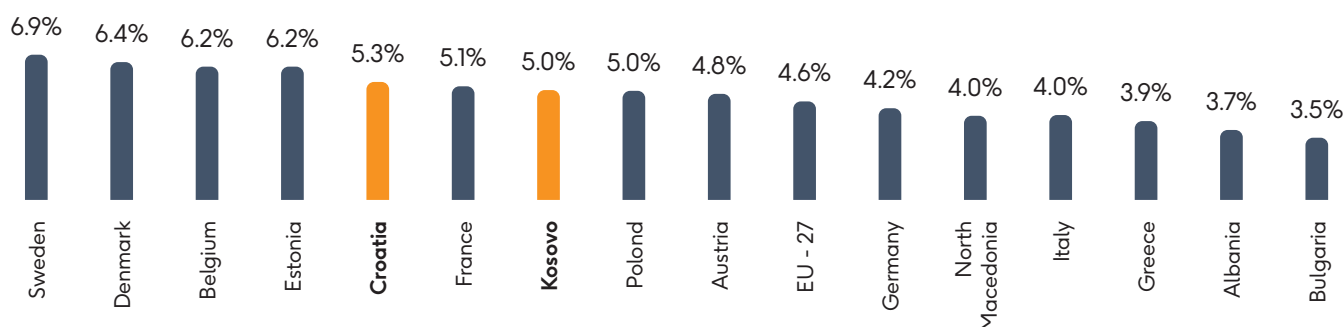
SOURCE: GAP INSTITUTE AND MFT REPORT⁷

⁶ EUROSTAT. Databases related to the spending of EU countries on health. Source: <https://bit.ly/2Yypz0V>

⁷ Ministry of Finance and Transfers Annual Financial Report 2019 (unaudited). Source: <https://bit.ly/2wssSLH>

The budget allocated by the Government of Kosovo for the education sector, based on the functional classification of the 2020 budget, is about 5% of GDP. This percentage is roughly similar to that allocated by France (5.1% of GDP), Poland (5% of GDP) and Austria (4.8% of GDP). The average budget allocated for education in the EU is 4.6% of GDP.

Figure 15. Education budget in several countries in Europe



SOURCE: EUROSTAT⁸ AND GAP INSTITUTE, USING 2020 BUDGET DATA

The budget for some pensions was increased. Another change in 2020 is with the social schemes component, which was transferred from the Ministry of Labor and Social Protection, which is no longer a ministry, to the Ministry of Finance and Transfers. The amount allocated for pensions and other social benefits in 2020 is over 458 million Euros, which is 4% or about 18 million Euros higher than in the previous year. For half of the programs, the budget has not changed since last year, whereas there was an increase in the budget for contributory pensions (8.8 million Euros or 7.9%), basic pensions (6.6 million Euros or 4.8%), veterans' pensions (4.1 million Euros or 7.1 %) and pensions of KSF members (1.4 million Euros or 99.6%).

However, by the end of the year we should see what will happen to the veterans' pension category, as there was a significant deviation from the planned amount in recent years. Specifically, 58 million Euros were allocated for this category in the 2019 budget however, additional funds were allocated during the year, and the amount spent by end 2019 was about 77 million Euros or 33% higher than planned.⁹

⁸ EUROSTAT. Databases related to the spending of EU countries on education. Source: <https://bit.ly/2Yypz0V>

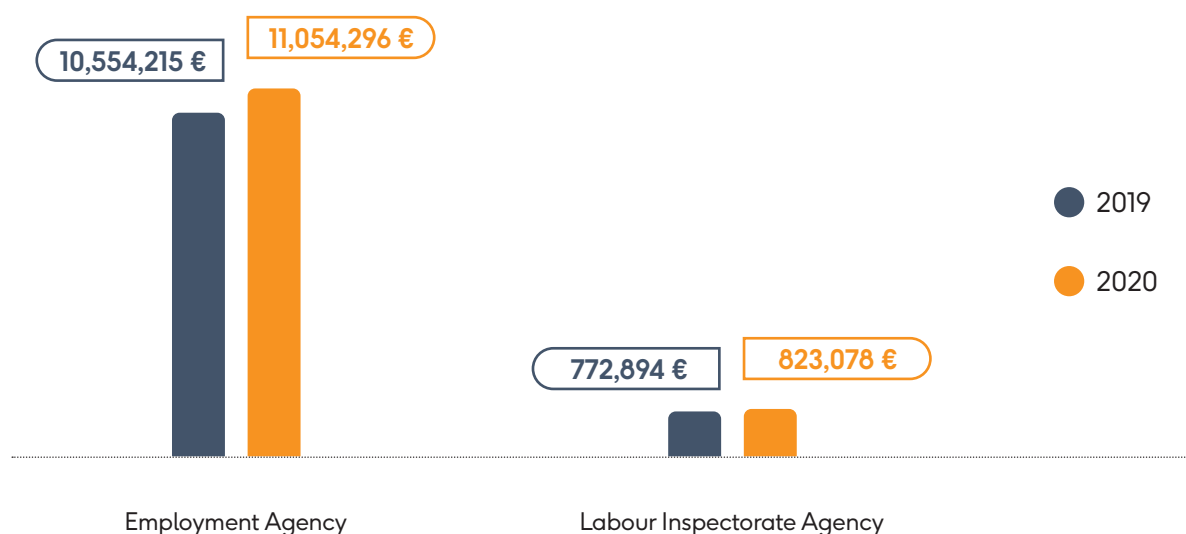
⁹ Ministry of Finance and Transfers Annual Financial Report 2019 (unaudited). Source: <https://bit.ly/2wssSLH>

Figura 16. Pensionet dhe kompenzimet 2019-2020

	2019	2020
Employment Disability Pension	720,000 €	378,000 €
Implementation of Law 04/L-054	1,000,000 €	1,000,000 €
Bank provisions for social scheme payments	1,200,000 €	1,200,000 €
Early retirement (KPC)	2,785,000 €	2,785,000 €
Pensions of KSF members	1,403,000 €	2,800,000 €
Early retirement (Trepca)	5,300,000 €	4,350,000 €
Utility payment for those in social assistance	4,500,000 €	4,500,000 €
Family pension	6,193,697 €	5,110,000 €
Benefits for the blind	5,500,000 €	5,500,000 €
Benefits for political prisoners	5,500,000 €	5,500,000 €
Paraplegics and tetraplegics	12,401,000 €	12,401,000 €
Disability pensions	17,100,000 €	17,100,000 €
Social assistance	29,000,000 €	28,780,000 €
War Invalids	39,505,527 €	39,505,527 €
War Veterans	57,911,776 €	62,000,000 €
Contributory pensions	111,121,647 €	119,946,400 €
Basic-Social Pensions	138,814,426 €	145,448,720 €

The budget of labor market agencies has increased. In 2020, the Employment Agency will have a budget of 11.1 million Euros, about 500 thousand Euros (4.7%) more than in the previous year. There was a specific increase in the budget for the employment services program of the agency by about 716 thousand Euros or 8% while the budget for vocational training services program was reduced by about 216 thousand Euros or 18%. The Labor Inspectorate's budget in 2020 will be over 823 thousand Euros or 6.5% higher than in 2019. The budget increase for this institution was done in the category of capital expenditures, by about 65 thousand Euros more, while there is a slight decrease in the categories of salaries and wages, and goods and services, of about 10 thousand and 5 thousand Euros, respectively. Although the government program promised a staff of 400 people for this inspectorate, the 2020 budget envisages 90 employees in this institution.¹⁰

Figure 17. Budget for labor market institutions, 2020

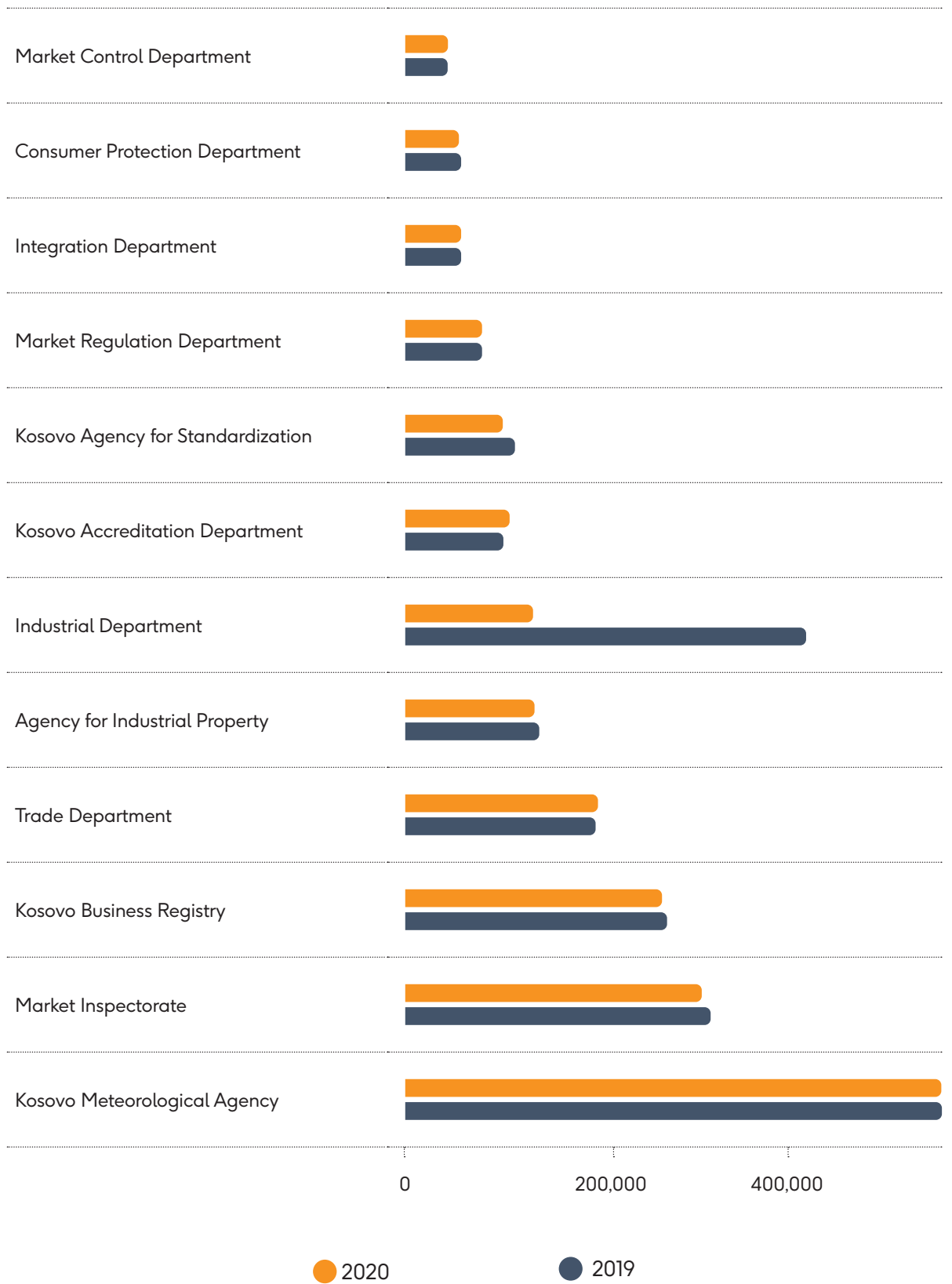


Over 9.2 million Euros in subsidies for direct entrepreneurship support. In 2020 there are two budget programs that envisage entrepreneurship subsidies. The Enterprise Investment and Support Agency, which has been transferred and operates under the Office of the Prime Minister, previously part of the Ministry of Trade and Industry, received an allocation of about 7.2 Euros in subsidies, and the Entrepreneurship program under MEETISI envisages an allocation of over 2 million Euros in subsidies for this area.

Small changes in the budgets of institutions that monitor the quality of products in the market. The budget allocated to most departments and agencies covering the field of trade and industry remained the same as in the previous year. Institutions issuing policies for different sectors, overseeing the quality of products in the market, had reduced budgets, with most notable drop observed in the Industry Department, with 120 thousand Euros now, compared to 377 thousand Euros in 2019. This department, as well as other institutions presented in Figure 18, now operate under the umbrella of MEETISI, as the Ministry of Industry and Trade was merged therein. The annual budget of other institutions, such as the Market Inspectorate, the Department of Commerce, and more, were affected beyond the value of 9,800 Euros.

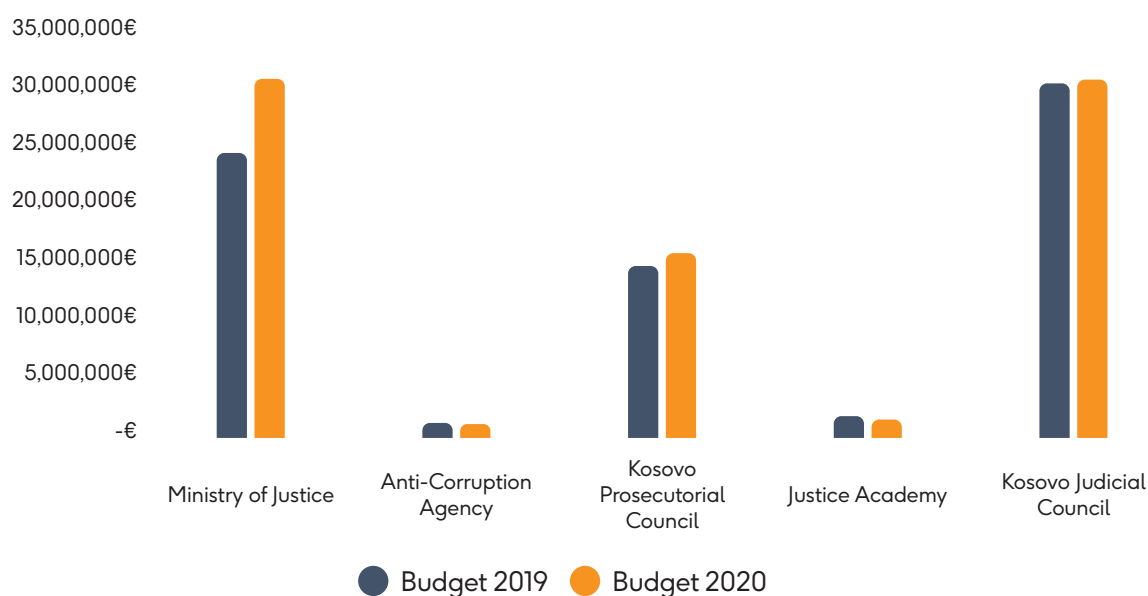
¹⁰ The Program of the Government of the Republic of Kosovo 2020 - 2023, Source: <https://bit.ly/2VYmCU>

Figure 18. Budget for market monitoring institutions, 2020



The budget for some key institutions of the justice system was increased. In 2020, over 76 million Euros were allocated to five institutions covering the field of justice, where the Ministry of Justice (MoJ) received an allocation of about 30 million Euros, the Kosovo Judicial Council (KJC) about 30 million Euros, the Kosovo Prosecutorial Council (KPC) over 15 million Euros, the Academy of Justice (AJ) over 960 thousand Euros and the Anti-Corruption Agency (AKK) about 572 thousand Euros. Compared to 2019, the budget for these institutions this year has increased by 10% or 7.1 million Euros. In the MoJ budget, the category of subsidies has increased significantly, by 4.8 million Euros, with almost the entire amount of this category (6.5 million Euros) dedicated for potentially accused persons by the Special Court. AJ will have a smaller budget in 2020 of about 470 thousand Euros, with capital expenditures mainly affected. The budget of KPC and KJC was increased by 6% and 1.4%, respectively. The number of employees has increased for all these institutions, with the exception of ACA. It is important to note that for two important justice institutions, the Prosecutorial and the Judicial Councils, the change in the limit for the allowed number of employees was followed by an additional budget for wages and salaries, with 754 thousand and 822 thousand Euros respectively. Meanwhile, for other institutions there was a decrease in the category of wages and salaries.

Figure 19. The budget of some justice institutions in 2020



The budget of Radio Television of Kosovo (RTK) was decreased by 20%. The financing of RTK in 2020 will remain from the public budget. This year, RTK's budget will be 8.96 million Euros, or 20% (2.24 million Euros) lower than in 2019. This financing is conditional on the fact that, based on the Budget Law 2020, RTK must submit a report on expenditures to the Assembly Committee on Budget and Transfers on quarterly basis. The committee will then make a decision regarding the allocation of funds.

Conclusion

The political situation created after the last parliamentary elections in Kosovo and the formation of the government in February 2020 led to delays in the approval of the 2020 budget. The new government reorganized the ministries, reducing their number to 15, leading to changes in the budget allocated for these ministries. The three ministries with the largest budgets are the Ministry of Finance and Transfers (MFT), the Ministry of Internal Affairs and Public Administration (MIAPA) and the Ministry of Infrastructure and Environment (MIE).

Annual expenditures are projected to be higher than revenues, thus increasing the budget deficit. However, unlike last year, a faster increase in capital investments is expected, in addition to current expenditures.

Priority by area of expenditure remained the same as last year, though this year there was a sharp decline in the budget for highway construction and road rehabilitation. Unlike 2019, this year saw a more balanced distribution of central level investments in municipalities. The health budget has increased, though not sufficiently when comparing with the expenditures in EU countries, relative to GDP. The budget for education has also increased compared to the previous year and, relative to the size of Kosovo's economy, it is similar to that allocated by major EU countries.

The budget for RTK was decreased and the allocation of funds was conditioned by regular reporting on expenditures to the Assembly Committee on Budget and Transfers.

However, the budget was approved prior to the COVID-19 pandemic, and this report makes an ex-post analysis of initial allocations. An analysis of new budget priorities for 2020 following the spread of the COVID-19 pandemic will be made by GAP Institute in the coming months.

GAP Institute is supported by:

