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KOSOVO

PUBLIC EXPENDITURE AND FINANCIAL ACCOUNTABILITY (PEFA) PERFORMANCE ASSESSMENT REPORT

17 February 2022

Final Report

PEFA was initiated and is supported by the seven international partners:





Kosovo

**Public Expenditure and Financial Accountability (PEFA)
Performance Assessment Report**

**Supplementary Framework for Assessing Gender
Responsive Public Financial Management (Annex VI)**

The PEFA Secretariat confirms that this report meets the PEFA quality assurance requirements and is hereby awarded the '**PEFA CHECK**'.

PEFA Secretariat

March 3, 2022

Country's currency and indicative exchange rates

Euro

1 Euro =1.2271 USD

(Exchange rate of Central European Bank, 31 Dec 2020)

Fiscal year

1 January – 31 December

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Abbreviations and acronyms

AFR	Annual Financial Report
AFS	Annual Financial Statements
BO	Budget organisation
CG	Central government
CBK	Central Bank of Kosovo
COFOG	Classification of Functions of Government
COSO	Committee of Sponsoring Organizations of the Treadway Commission
CHU	Central Harmonisation Unit
GFS	Government Finance Statistics
GFSM	Government Finance Statistics Manual
FY	Fiscal Year
HRMS	Human Resource Management System
IA/FMC	Internal Audit/Financial Management Control
IPSAS	International Public Sector Accounting Standards
IMF	International Monetary Fund
ISSAIs	International Standards on Supreme Audit Institutions
KFMIS	Kosovo Financial Management Information System
NAO	National Audit Office of Kosovo
LPFMA	Law on Public Finance Management and Accountability
MTEF	Medium-Term Expenditure Framework
MoED	Ministry of Economic Development
MoFLT	Ministry of Finance, Labour, and Transfers
PIP	Public Investment Programme
PFM	Public Finance Management
RTK	Radio and Television Kosovo
TSA	Treasury Single Account
TAK	Tax Administration of Kosovo
UNMIK	United Nations Interim Administration Mission in Kosovo

Executive summary

Purpose and management

The objective of the assessment is to provide a picture of the current situation in Kosovo's PFM system. This will synthesise the progress and results of the successful reforms and those areas where further work is needed. This PEFA assessment also covers a Gender Responsive PFM assessment included in Annex VI. The assessment is financed by the European Union Office in Kosovo. It is included as part of the EU project "Technical Assistance to Support the Implementation of Public Financial Management Reforms in Kosovo."

Scope, coverage, and timing

The scope of the assessment covers the PFM performance of the central government (including extra-budgetary units and public corporations) of Kosovo in the last three completed fiscal years of 2018, 2019 and 2020 with cut-off date is 31st December 2020.

Impact of PFM on budgetary and fiscal outcomes

The planning and performance of budget is generally done well the exception being the deviation in both administrative and economic classification due to under implementation in 2018 and the Covid pandemic in 2020. The reported lower execution was mainly in the category of capital investment projects. Delay in approval of the annual budget law in FY 2018 and FY 2019 resulted in less spending for capital investment financed by international financial institutions. The budgets for FY 2018 and FY 2019 were implemented as planned without any in-year revisions. FY 2020 was an exception when the budget was adjusted in mid-year mainly due to the budgetary responses needed to address the impact of the COVID-19 pandemic.

The budget process is clear and with set rules and deadlines in place. Nonetheless, better planning of capital expenditure spending would result in more efficient use of resources and more accurate budget projections. Similarly, inaccurate budget projections may lead to fiscal risks stemming from underspending of capital expenditures. These may affect overall macroeconomic and fiscal projections as capital expenditure has a significant role in public investment and revenue projections. There are insignificant deviations for revenue outturn. In preparing its macro-fiscal analysis, the Government of Kosovo estimates a rate of under-performance for capital expenditure, nevertheless risks continue to be present.

In 2020, the economic situation in Kosovo changed due to COVID-19 pandemic. The impact on the economy and the measures taken by the Government of Kosovo have changed the fiscal projections for this year compared to the initial 2020 budget projections leading to a mid-year budget review. Furthermore, restrictive measure during 2020, limiting the activities of individuals and businesses led to lower consumption of goods that are subject to excise duties such as gasoline, alcohol, and tobacco. Therefore, the response to COVID-19 and the economic downturn in 2020, had a direct impact in the deviation between projections and actual revenues collected.

Transparency of public finances supports budget credibility. The budget classification system is consistent with international GFS/COFOG standards with majority of budget documentation provided to the public. Having all revenue and expenditure in the Single Treasury Account is essential for aggregate fiscal discipline. This ensures that all resources in financial reports are adequately managed and consistent with government policies and procedures. There is efficiency and effectiveness in resource allocation with financial transfers being rule based. However, the performance information for service delivery does not meet the international standards of recording, monitoring, and reporting.

Generally, the Government of Kosovo has electronic data management systems that produce accurate data processing, supervision and monitoring with appropriate authority level and control, coverage of most, if not all, budget users and easy access and transparency. The Treasury operations are supported by FreeBalance,

the public investment operations are in PIP (Public Investment Programme) system, the public procurement electronic portal and tax revenue administration EDI system allows access to data and information.

Allocation of resources is supported by acceptable management of assets and liabilities. However, monitoring of these does not ensure that risks are adequately identified, hence relevant management of risk mitigation measures cannot be made. Public investments do not provide value-for-money and asset maintenance is not comprehensive nor covering all Government owned assets. The fiscal risks for the operations of public corporations are monitored and reported but later than international practice.

There are verifiable macroeconomic and fiscal projections to support the development of a predictable and sustainable fiscal strategy contributing to an aggregate fiscal discipline. The fiscal strategy is clear and alignment with fiscal targets supports budget policy decisions. The medium-term budgeting underpins aggregate fiscal discipline by establishing forward year estimates that provide the baseline for future budget ceilings and allocations but only for the next year

Budget discipline and efficient allocation of resources is demonstrated by the Government providing information on revenues with a clear understanding of their rights and obligations as well as procedures in seeking redress. Control mechanisms are in place to enforce compliance against well-planned and implemented compliance improvement action plans. This contributes to additional collection of revenue that is to be distributed through allocation to budget users for services delivered to the public.

Budget credibility is enhanced by predictable and controlled budget implementation ensuring that revenue is collected, and resources are allocated and used as intended by government and approved by the legislature. Resources are available for effective management of public investment programmes. There are strong and rigorously applied procedures for recording and reporting revenue collections, consolidating revenues collected, and reconciling all revenue accounts.

Resources are allocated as intended by having reliable information available to budgetary organisation on ceilings for expenditure commitment allowing them to plan their commitments in advance. This predictability of available funds for commitment facilitates planning of activities and procurement of inputs for effective service delivery in implementation of plans. Reliable service delivery is also supported by a transparent procurement system focused on competitive tender procedures. The procurement information is fully available to the public and reliable being audited annually by the National Audit Office. The legal framework has been consistently improving, stipulating clear and appropriate procedures, accountability, and controls.

Resources are allocated as intended and through KFMIS they are controlled and used only for the authorized and committed purposes. Established internal control procedures contribute to effective internal control system. There are some concerns regarding data accuracy with regard to misclassification of expenditure, but this does not undermine the financial data integrity. All budget data in the STA are presented in the annual financial statements. They are complete, timely, and consistent with IPSAS cash basis accounting principles and standards.

Lastly, oversight arrangements for external audit and legislative scrutiny of audit reports are effective and generally reliable and control efficient use of government resources. The extensive external audit function is essential and ensures accountability of the Government. There is transparency in the use of public funds thus contributing to achieve budget outcomes and giving all stakeholders an accurate picture of financial results.

Performance changes

The performance has changed in those that scored lower and higher and they constitute 43 percent, the remaining 57 percent show no change in performance and score.

Aggregate fiscal discipline has both improved and deteriorated but generally there is no improvement in the overall budget credibility and budget execution processes with the exception of the variance in economic classification that appears to be the only area scoring lower than in 2015. Most other aspects of the budget outcome have either improved or remained the same. The revenue projections improved and resulted in better revenue aggregate outturn. The efficiency of payroll control also improved through having monthly reconciliations between payroll and HR database in time for salary payment and immaterial retroactive adjustments. Effectiveness of internal control has improved through expanded coverage of internal audit and application of international standards.

The *strategic allocation of resources* has not significantly improved because it did not benefit from the deployment of strategic multiyear-year programming tools as well as macro-budget forecasts in the previous assessment, which is a new area of assessment in the PEFA 2016 PEFA Framework. The observable changes identified are: (a) improvement in performance in the effectiveness of tax revenue coverage due to implementation of electronic registration system; and (b) improved control functions of both revenue collecting entities in deployment of compliance improvement plans.

Efficient use of resources for service delivery is observed in performance of public services that are better managed, monitored, and controlled. This is mainly achieved due to the improvements in the access to all key procurement information that is now made available to the public through the e-procurement portal and the general use of competitive procurement methods.

PFM reform agenda

The PFM reform agenda in Kosovo is guided by the 2016-2020 PFM Reform Strategy. This strategy is implemented using annual Action Plans. The Action Plans describe the activities for the four pillars and twelve priorities in the PFM Reform Strategy. To measure progress, a total of twenty-three indicators have been developed. All indicators have a baseline year (2016) and targets for 2018 and 2020. The Government plans to have a new PFM Reform Strategy (for 2022-2026) adopted by the end of 2021. The PFM Reform Coordination Group will take the lead for its preparation, supported by the EU-funded technical assistance project tasked with supporting PFM reforms in Kosovo. The preliminary findings from this 2021 PEFA will have a significant influence in identifying the priorities for the 2022-2026 PFM Reform Strategy.

Table 1: Overview of the scores of the PEFA indicators

There are two methods of scoring: i) M1 or ‘the weakest link’ when all elements are critical for the process one fails the process, and ii) M2 or ‘averaging method’ when elements are sufficiently independent, and the process can function with one of the elements scored poorly.

PFM performance indicator		Scoring method	Dimension score				Overall score
			i.	ii.	iii.	iv.	
Pillar I. Budget reliability							
PI-1	Aggregate expenditure outturn	M1	B				B
PI-2	Expenditure composition outturn	M1	D	D	A		D+
PI-3	Revenue outturn	M2	A	B			B+
II. Transparency of public finances							
PI-4	Budget classification	M1	A				A
PI-5	Budget documentation	M1	D				D
PI-6	Central government operations outside financial reports	M2	A	A	NA		A
PI-7	Transfers to subnational governments	M2	A	A			A
PI-8	Performance information for service delivery	M2	C	B	D	D	D+
PI-9	Public access to fiscal information	M1	B				B
III. Management of assets and liabilities							
PI-10	Fiscal risk reporting	M2	C	A	D		C+
PI-11	Public investment management	M2	C	A	C	C	C+
PI-12	Public asset management	M2	A	C	D		C+
PI-13	Debt management	M2	A	A	A		A
IV. Policy-based fiscal strategy and budgeting							
PI-14	Macroeconomic and fiscal forecasting	M2	C	B	B		B
PI-15	Fiscal strategy	M2	C	A	C		B
PI-16	Medium-term perspective in expenditure budgeting	M2	A	A	A	D	B+
PI-17	Budget preparation process	M2	A	A	C		B+
PI-18	Legislative scrutiny of budgets	M1	A	B	D	A	D+
V. Predictability and control in budget execution							
PI-19	Revenue administration	M2	A	A	A	C	B+
PI-20	Accounting for revenue	M1	A	A	A		A
PI-21	Predictability of in-year resource allocation	M2	A	A	A	A	A
PI-22	Expenditure arrears	M1	A	A			A
PI-23	Payroll controls	M1	B	A	B	A	B+
PI-24	Procurement management	M2	A	A	A	A	A
PI-25	Internal controls on non-salary expenditure	M2	A	A	A		A
PI-26	Internal audit	M1	B	A	B	A	B+
VI. and reporting							
PI-27	Financial data integrity	M2	A	NA	A	B	A
PI-28	In-year budget reports	M1	A	A	B		B+
PI-29	Annual financial reports	M1	A	A	A		A
VII. External scrutiny and audit							
PI-30	External audit	M1	A	B	B	A	B+
PI-31	Legislative scrutiny of audit reports	M2	D	A	C	B	C+

1. Introduction

1.1 Rationale and purpose

This is the fourth PEFA reassessment following the reports produced in 2007, 2009, 2016. The main purpose of the 2021 PEFA assessment is to provide the Government of Kosovo and its development partners with an objective up-to-date diagnostic of the national-level public financial management performance based on the 2016 PEFA methodology. The 2021 PEFA assessment is intended to provide an update of progress in PFM since the last PEFA in 2016 and establish a new PEFA baseline using the 2016 PEFA methodology.

The Ministry of Finance Labour and Transfers (MoFLT) has requested technical support from the European Union in doing this PEFA assessment to take stock of the status of the current PFM system and to measure progress since the previous assessment. The previous assessment was done in 2015 and published in 2016, and this one will appraise if the 2016-2020 PFMRS has made a positive impact on the overall PFM architecture.

The Government of Kosovo recognises that a PEFA assessment is a key diagnostic tool in influencing the design of PFM reform priorities. The government and the development partners accept that the PEFA assessment is a leading technical diagnostic tool for national PFM systems. The outcomes from a PEFA can also direct the development partners to invest resources in specific problematic areas of PFM where successful outcomes can have a wider impact across the management of public finances. In Kosovo, many partners, such as the EU, IMF, GIZ, USAID and the World Bank are providing specific support to PFM reforms and other sectors that have an indirect interest on the health of PFM.

In addition, the Government of Kosovo has adopted Public Financial Management Reform Strategy (PFMRS) for the period 2016-2020 and this is a sectoral strategy of the Public Administration Reform Strategic Framework. The PFMRS is the main strategic and operational guidance for planned reforms in public finances with the view to improve efficiency, transparency, and accountability in the use of public funds. The anticipated follow-on 2021-2025 PFMRS was not done. The Government decided to delay the new PFMRS for one year to 2022-2026 with a transitional 2021 PFMRS.

In conclusion, the PEFA assessment aims at: (i) informing the government on areas of PFM strengths and weaknesses; (ii) facilitating and updating the dialogue on PFM between Government and development partners; and most importantly (iii) helping the Government and international development partners build a new Strategy on PFM Reforms.

1.2 Assessment management and quality assurance

The assessment task is financed by the European Union Office in Kosovo. The assessment, for contractual reasons, is included as part of the EU project “Technical Assistance to Support the Implementation of Public Financial Management Reforms in Kosovo.” A quality review of the Concept Note and the assessment report is done by four peer reviewers. The peer reviewers are the Kosovo Government (Ministry of Finance, Labour, and Transfers), the IMF, the European Commission, and the World Bank. An Assessment Oversight Team (AOT) has been established as shown in the Box 1.1. table below.

The quality assurance framework has been reinforced as of January 1, 2018 (see PEFA Secretariat Note: PEFA Check: Quality endorsement of PEFA assessments from January 1, 2018, www.pefa.org). The quality assurance

process of this report is shown in Box 1.1 table below. The first draft report was submitted for peer review on 6th September 2021.

BOX 1.1: Assessment management and quality assurance arrangements

PEFA assessment management organization

- Oversight Team — Chair & Members: [names & organizations]
- Kosovo government: Mr Nysret Koca, Chair (MoFLT) and Ms Alketa Bucaj, Member (MoFLT)
- IMF: Mr Bojan Pogacar; Regional PFM Adviser
- World Bank: Mediha Agar; Senior Public Sector Specialist
- EU Office in Kosovo: Ms Mikaela Gronqvist, Team leader, PAR/PFM

- Assessment Manager: NA

- Assessment Team Leader and Team Members: Ms Elisaveta TENEVA (Team Lead), Ms Valmira REXHEBEQAJ (Team member), Ms Naida TRKIC-IZMIRLIJA (Team member), Ms. Ardiana GASHI (Leading on GRPFM).

Review of concept note and/or terms of reference

- Date of reviewed draft concept note: 20 April 2021
- Invited reviewers:
 - Kosovo government: Mr Nysret Koca, Chair (MoFLT) and Ms Alketa Bucaj, Member (MoFLT)
 - IMF: Mr Bojan Pogacar; Regional PFM Adviser
 - World Bank: Mediha Agar; Senior Public Sector Specialist
 - EU Office in Kosovo: Ms Mikaela Gronqvist, Team leader, PAR/PFM
 - PEFA Secretariat

- Reviewers who provided comments: [name and organization for each one, in particular the PEFA Secretariat and date(s) of its review(s) or as group e.g., the Oversight Team]
- Date of final concept note: 24 May 2021

Review of the assessment report

- Date(s) of reviewed draft report(s): 6th September 2021, 17th December 2021
- Invited reviewers:
 - IMF: Mr Bojan Pogacar; Regional PFM Adviser (6th September 2021)
 - World Bank: Mediha Agar; Senior Public Sector Specialist (6th September 2021)
 - EU Office in Kosovo: Ms Mikaela Gronqvist, Team leader, PAR/PFM (6th September 2021)
 - PEFA Secretariat (16th September 2021; 4th February 2022)
- Reviewers who provided comments: [name and organization for each one]
 - Government of Kosovo (Mr. Nysret Koca) – 31st August 2021, 30th December 2022

The Ministry of Finance Labour and Transfers coordinated the data collection, facilitated and cooperated with participation in meetings during the field mission and gathering and submission of information, data and evidence as requested by the assessment team. The assessment team worked closely with the Government's representative. The draft report was produced after the field assessment mission that took place in the second half of June 2021. There was a two-day workshop introducing the PEFA 2016 methodology that preceded the field work, it took place on 21-22 June 2021. There was a presentation of initial assessment at the end of the field work that took place on 7th July 2021 in the building of the Ministry of Finance, Labour, and Transfers. The draft PEFA report was shared with the Government of Kosovo in mid-August for their comments and has now been sent for peer review and to PEFA Secretariat.

The Ministry of Finance, Labour and Transfers has nominated officials as part of the Assessment Oversight Team that will provide the focal point for the assessment team. For quality assurance, it should be noted that

the final draft will be peer reviewed by five institutions: The Government of Kosovo (MoFLT), the PEFA Secretariat, the European Commission, the World Bank, and the IMF.

1.3 Assessment methodology

1. Scope and coverage of the assessment

The report is concerned with the activities of the central government of Kosovo that is the total Central Government revenue and expenditure, the extra-budgetary unit, the public corporations. Also including the revenue and expenditure of the government's social insurance system, which is considered as required by the PEFA Framework, as are the public corporations controlled by the central government.

As with the previous assessments, this assessment covers revenue and spending of the central government, which includes ministries, budget organisations, autonomous and semi-autonomous agencies. The main focus is on budget organisations (ministries and subordinated institutions), Extra-budgetary units (EBUs) would normally be part of the scope, as reflected by some indicators, however, there are no extra-budgetary units in Kosovo (all public money is channelled through the single treasury account, called the Consolidated Fund of Kosovo). Public Corporations and lower level of governments are also considered based on the extent of transfers and the monitoring of fiscal risks.

The objective of the assessment is to provide a picture of the current situation in Kosovo's PFM system. This will synthesise the progress and results of the successful reforms and those areas where further work is needed.

This PEFA assessment in Kosovo also covers a Gender Responsive PFM assessment. It has applied the established Framework for GRPFM covering all 9 indicators and 12 dimensions. The GRPFM Assessment is included an Annex VI to this PEFA Assessment Report.

2. When performance is assessed

The assessment covers the last three completed government's fiscal years of 2018, 2019 and 2020 the cut-off date is 31st December 2020. This will apply to all indicators covering three assessment years or "last completed fiscal year" referred to in a number of dimensions. As the period covered by the assessment includes the first year (2020) of the COVID-19 Public Health Pandemic, the consequences of the pandemic will be reflected in the PEFA indicators.

There are two methods of scoring: (i) M1 or the Weakest link; and (ii) M2 or Average method. Weakest link is used when all elements are critical for the process/system to function, and the Average method is used when elements are sufficiently independent, and the process can function with one of the elements scored poorly.

3. Sources of information

The assessment was based on interviews with numerous government officials and other stakeholders, plus reviews of documents provided by Kosovo Government administration. This information is listed in Annex III.

The process of data collection was primarily based on (i) interviews with relevant government officials and (ii) review and analysis of relevant documentation, such as public reports, analytical data and any other documents prepared by the Government of Kosovo, which are relevant to assessing PEFA indicators and PEFA GRPFM indicators and dimensions. The data collection process from the Kosovo side was coordinated by the MoFLT following the practice during the previous 2016 PEFA.

Main counterparts during the assessment have been the Ministry of Finance, Labour and Transfers and its department and agencies (Budget, Fiscal Risk Monitoring, Macro-Fiscal Analysis, Central Harmonisation Unit, Tax Administration, Customs Administration, Treasury), National Audit Office, Public Procurement Regulatory Commission, relevant Parliamentary Committees and selected front line service delivery institutions including the Ministry of Education Science and Technology, Ministry of Health.

4. Other methodological issues for the preparation of the report

All 31 Performance Indicators included in the 2016 PEFA Framework have been assessed for the purposes of the central government PEFA. In order to provide a comparison with the results of the 2016 PEFA assessment, the PFM performance of Kosovo Government has been assessed using the criteria in the 2011 PEFA Framework; the results are shown in Annex IV to this Report. All PEFA 2016 and GRPFM indicators are applicable for this assessment, however, two dimensions could not be assessed, PI-27.2 and PI-6.3. The reason why both dimensions are not applicable is the nonexistence of EBUs in Kosovo for PI-6.3 (Financial reports of extra-budgetary units) and that Treasury does not use suspense accounts to manage public money for PI-27.2 (Suspense accounts).

The purpose of PEFA GRPFM assessment is to provide a snapshot on gender responsive public financial management. Therefore, the report in Annex VI provides a brief overview comparing the existence and characteristics of GRPFM institutions, systems, and processes with the PEFA GRPFM assessment and highlights the opportunities to make the public financial management more gender responsive.

The application of the GRPFM Framework shows that (i) in four (4) out of nine (9) assessed areas, there are no gender considerations included in the relevant PFM institutions, processes, or systems; (ii) in three (3) out of nine (9), the legal framework mainstreams gender impact analysis in the relevant PFM institution, process, or system; and (iii) in two (2) out of nine (9) areas, gender is partially mainstreamed. Gender impacts are not fully mainstreamed in any of the nine areas, according to the criteria.

2. Country background information

2.1. Country economic situation

Country context

Real economic growth in Kosovo has fluctuated around 3.4% in 2018 and 4.8% in 2019. This was a continuation of economic development and was based on improvement of credit conditions, growth of income from abroad (remittances and compensation of employees) and dynamic consumption (private and public). Year 2020, on the other hand, performed different from this economic trend, but this was mainly due to the economic impact of social distancing and COVID-19.

According to preliminary quarterly data from the Kosovo Agency of Statistics (KAS), real GDP during 2020 has decreased by 3.94% compared to the previous year. This was mainly due to a significant decrease in investment by 18.8% annually (both private and public) and lower exports of services by 41.4%. This decline is mainly due to the uncertainties created due to restrictive measures caused by the COVID-19 pandemic, and travel restrictions.

In 2020, Consumption and Exports of Goods had an annual increase and a positive contribution to GDP (6.5% y-o-y and 21.4% y-o-y, respectively). The accelerated growth in private consumption in 2020 reflects the increase in primary income (2.3% y-o-y) and secondary income (13.5% y-o-y), with particular emphasis on the increase in remittances which increased by 15.4% (y-o-y) compared to the previous year. The withdrawal of 10 percent of the savings from the Pension Trust, as part of the economic recovery package, has also had an impact in this consumption growth in the last quarter of the year.

Inflation levels fluctuated significantly during these three years. In 2018, inflation measured by changes in HCPI was 1.1%. In 2019, however, inflation increased 2.7% on annual terms. The level of consumer prices during 2019 is mainly attributed to the rise in prices of the category of "Food and non-alcoholic beverages", which recorded an annual increase of 5.4% on average. This was mainly due to the upward pressures on prices cause by the 100% tariff on Serbian goods that was imposed by the Kosovo government in 2019.

In 2020, inflation increased on average by 0.2%, marking a drastic decline from a positive rate of 1.5% in January to a negative average rate of -0.13% in the last quarter of the year. The main positive contribution in inflation during this year came from the category "Health". On the other hand, Transport services had a significant negative contribution to inflation, consistent with international developments in oil prices, travel restrictions which had an impact on trade, and overall lower economic activity.

Kosovo Budget domestic revenues are highly dependent on the border tax collection at approximately 63% and 27% on domestic taxes (2018-2020 average). Current structure of the economy impacts the way taxes are collected. Private consumption averaged 81% of GDP over 2015-2019, most of which was imported. The industrial sector is still developing and most of economic activities are focused in trade sector (KAS, National Accounts).

A narrow tax base and low labour participation are among the reasons for the high dependence on the consumption taxes. According to KAS labour force survey, average unemployment rate in 2018, 2019, and 2020 was 26.8%; while the labour participation rate stood at about 38%. It is worth nothing that unemployment was highest among females at 32.3%, compared to males at 23.5%. The highest unemployment rate is in the age group 15-24 with 49.1%. According to the results of LFS, in 2020 inactive labour force is high at 61.7%, with a particular focus on females at 79.2%, compared to males at 44.0%.

The government's main economic challenges and government-wide reforms

One of the main challenges of the government has been and remains the non-implementation of capital expenditure projects, especially those for the Investment Clause. An increase of public capital expenditures to address structural gaps is a key in supporting economic growth.

Implementation of capital projects financed by concessionary debt as part of the investment clause¹, remains a challenge. These problems stem from poor planning and delays in project implementation after loan ratification.

Additionally, the government sees as a challenge the risk that comes from the pressure for new initiatives for social transfers. The government has a limited space for accommodating new social transfer initiatives especially now that the deficit needs to return to its pre COVID levels in compliance with Article 22A of the Law

¹ The Fiscal rule excludes capital investment financed by multilateral/bilateral projects contracted after 2015

on Public Financial Management and Accountability. Transfers has been a significant component of budget expenditure and are increasing in recent years.

Lastly, the performance of public enterprises is seen as a challenge by the government, due to their poor performance. This has been an ongoing issue, but the risks have heightened during the pandemic.

Key selected economic indicators

TABLE 2.1: Selected economic indicators

	2018	2019	2020
GDP	6671.5	7056.2	6803.5
Real GDP growth (%)	3.4	4.8	-3.9
CPI (annual average change) (%)	1.1	2.7	0.2
Gross government debt (% of GDP)	16.9	17.51	21.83
Current account balance (% of GDP)	-7.6	-5.7	-7.1
Export of Goods (% annual growth)	-2.8	4.4	23.8
Export of Services (% annual growth)	14.9	7.3	-40.7
Import of Goods (% annual growth)	9.8	4.5	-5.
Import of Services (% annual growth)	32.8	6.1	-19.6
Remittances (% annual growth)	5.5	6.4	15.1
Total external debt (% of GDP)	30.5	31.2	37.3
Gross official reserves (in mln)	769.3	863.7	900.6

Sources: KAS, CBK, MoFLT

2.2. Fiscal and budgetary trends

Fiscal performance

In terms of public revenues and expenditure, Kosovo's fiscal strategy was designed to maintain macro-fiscal stability, so the level of the budget deficit was low in 2018 and 2019, providing sufficient budget reserves and avoiding excessive accumulation of public debt. During these two years, public debt was under 20% of GDP. This fiscal discipline is regulated by several legally² binding fiscal rules:

- Budget deficit limit to 2% of GDP (excluding liquidation proceeds and investment clause spending)
- Constant share of public payroll to nominal GDP of previous year, and
- Public debt limit of 40% or respectively 30% of GDP for the exclusion of capital investments from the deficit rule, according to the "investment clause"

In 2020, due to the situation caused by COVID-19, the government issued the Decision No. 03/02, dated 05.06.2020³, with the request for temporary exceeding of the budget deficit ceiling to -6.5% of GDP and to reduce the usable bank balance ceiling to 3% of GDP. This, however, was a temporary decision and once the pandemic situation is resolved, the government must gradually return to compliance with the fiscal rule.

² Law on Public Financial Management and Accountability (LPFMA) :

³ <https://kryeministri-ks.net/wp-content/uploads/2020/06/Vendimet-e-Mbledhjes-s%C3%AB-2-t%C3%ABt%C3%AB-Qeveris%C3%AB-s%C3%AB-Republik%C3%ABs-s%C3%AB-Kosov%C3%ABs-2020.pdf>

TABLE 2.2: Aggregate fiscal data

General Government Actuals (in percent of GDP)			
	2018	2019	2020
Total revenue	26.6	26.8	25.3
—Own revenue	26.5	26.6	24.8
—Grants	0.1	0.2	0.5
Total expenditure	29.7	30.5	34.3
—Noninterest expenditure	29.4	30.2	33.9
—Interest expenditure	0.3	0.3	0.4
Aggregate deficit (incl. grants)	2.7	2.9	7.5
Primary deficit	2.4	2.6	7.1
Deficit as per fiscal rule	1.0	0.5	5.2
Net financing ⁴			
—External	-0.5	-0.1	2.0
—Domestic	2.9	3.7	3.5

Source: Annual Financial Report 2018, 2019, 2020

Allocation of resources

Based on the published government documents⁵, the Kosovo government publishes its statement of priorities each year in the Medium-Term Expenditure Framework from which the annual budget document is prepared. Each year, the priorities stated in the MTEF, and the Budget Law are based on the National Strategy and the Economic Reform Program. Based on the COFOG classifications, in the Budget Laws 2018 and 2019, education is prioritized and as such its budget is approximately 15% of total expenditure (including debt service payments). Economic issues have also been a priority (approximately 24% of expenditure for 2018 and 2019). These economic measures included: informal economy reduction, regulatory environment improvement, energy efficiency, and competitiveness.

Finally, social welfare is also a priority, with an ever-increasing share of total spending. This sector includes the improvement of social services as a priority and labour market measures.

The changes that happened in 2020, are mainly one-off measures due to the pandemic situation and the Economic Recovery Program of the government. Capital expenditures during 2020 were historically low, again this was mainly due to impact of the pandemic and restrictive measures. Transfers, including social transfers and subsidies, significantly increased in 2020, in order to accommodate fiscal measures in the Economic Recovery program.

TABLE 2.3: Budget allocations by function

Actual budgetary allocations by sectors (as a percentage of total expenditures)			
	2018	2019	2020
Health	10.1	10.3	11.2
Education	15.2	15.0	13.4
Economic Issues	24.5	23.3	18.3
Social Welfare	19.2	18.7	19.1
Other	31	32.7	37.9

⁴ Financing Table on Budget Documents

⁵ MTEF, Budget Laws, ERP's, National Development Strategy,

TABLE 2.4: Budget allocations by economic classification

Actual budgetary allocations by economic classification (as a percentage of total expenditures)			
	2018	2019	2020
Current expenditures			
—Wages and salaries	29.9	28.6	28.3
—Goods and services	12.8	13.7	12.5
—Interest	0.9	1.1	1.2
—Subsidies and Transfers	28.2	29.1	37.2
—Others	1.2	2.7	4.4
Capital expenditures	26.9	24.7	16.5

Source: Annual Financial Report 2020

2.3. Legal and regulatory arrangements for PFM

Based on **Kosovo’s constitution**, the legislative power in Kosovo falls under the Assembly of the Republic of Kosovo. The executive branch is the Government of Republic of Kosovo, which is responsible for issuing and implementing state laws and policies, under the supervision of the Assembly.

The President of the Republic of Kosovo represents the unity of the people and is the legitimate representative of the country within and outside the country as a guarantor of democratic functioning of institutions of the Republic of Kosovo.

The **Constitutional Court** is an independent body, which protects constitutionality and is the final interpreter of the Constitution.

The **Executive branch** comprises the Prime minister, deputy Prime Ministers, and Ministers. After elections, the President of the Republic of Kosovo proposes to the Assembly a candidate for Prime Minister (PM), in consultation with the political party or coalition that has won the majority of votes in the Assembly necessary to establish the Government. The candidate for PM then presents the composition of the Government to the Assembly and asks for Assembly approval. The Government is considered elected when it receives the majority vote of all deputies of the Assembly of Kosovo. Government Ministers oversee budget organizations that provide various types of public services (e.g., education, health, social welfare, etc.).

The legislative branch consists of 120 members of the Assembly elected for a four-year term. The Assembly includes twenty reserved seats: ten for Kosovar Serbs and ten for non-Serb minorities (e.g., Bosniak, Roma, etc). The seats in the Assembly are distributed amongst all parties, coalitions, citizens’ initiatives, and independent candidates in proportion to the number of valid votes received by them in the election to the Assembly. The Assembly adopts all laws in Kosovo, ratifies international treaties, appoints the President, Prime Minister, ministers, and judges of all courts, adopts the budget, and performs other duties as established by the Constitution.

The Judiciary branch is regulated with the Constitution and judicial power in the Republic of Kosovo is exercised by the courts, mandating the Supreme Court of Kosovo as the highest judicial authority⁶. The Constitution establishes the Kosovo Judicial Council (KJC) as the responsible body for ensuring the independence and impartiality of the judicial system. As a fully independent institution in the performance of

⁶ Article 103 [Organization and Jurisdiction of Courts]

it functions, the KJC ensures that Kosovo courts reflect the multi-ethnic nature of Kosovo and follow the principles of gender equality⁷.

Ministry of Finance, Labour and Transfers is the main institution in terms of budgeting and fund management. The budget department under the Ministry, is responsible for the development of the annual budget and the medium-term expenditure framework. **The Budget Department** consists of the central government budget division and the local government budget division. This department is also responsible for the evaluation of requests for changes to budget appropriations. The Budget Department responsibilities are specified in Article 5 of LPFMA, amended with Law Nr. 05/L -063.

Treasury is responsible for the management of Funds of the Republic of Kosovo, management of accounts, and establishment of processes for the collection of revenues, financial reporting, debt management, debt issuance, and others.

The Central Harmonization Department includes two divisions: namely the central harmonization division for internal audit and the central harmonization division for financial management and control. This department is part of the MoFLT. The department is responsible for developing and implementing strategic policies related to internal audit and financial management and for drafting legislation for internal audit and financial management. Furthermore, the department is responsible for developing training programs for internal auditors in line with the best international practices and preparing annual reports on the functioning of internal control of public finances in public sector entities. **The Law on Internal Control of Public Finances** governs the public internal financial control system that covers the Financial Management and Control, Internal Audit, and their harmonization, in compliance with the international standards for internal control and internal audit.

The Law on Public Finance Management and Accountability was issued in 2008 and regulates public finances and the structure that manages public finances. Likewise, the law regulates the oversight bodies and their responsibilities.

Law on Public Debt has been issued in 2010 and it regulates public debt and state guarantees. The purpose of this law is to provide the Republic of Kosovo the authority to borrow money; to make loan guarantees, to pay expenses for debt issuance and to pay the principal and interest on its Public Debt. In addition, it gives the Minister of Finance the authority, as well as the responsibility, for managing and administering Debt and to authorize loan guarantee programs of the Republic of Kosovo. Furthermore, it is the basis on which the Debt Management unit was formed in the Treasury, Ministry of Finance, Labour and Transfers and the basis on which the Debt Management Strategy is created.

Kosovo has two main tax administrative entities in the country: **The Tax Administration of Kosovo** and **Kosovo's Customs**.

The Tax Administration is an independent entity part of the MoFLT of Kosovo. Its structure is functional and in line with the best international practices. It operates through regional offices and a Large Taxpayers unit. Customs Service of Kosovo is an independent entity, also part of the Ministry of Finance, Labour, and Transfers of Kosovo. This entity is responsible for administering Customs Duties, VAT, and Excises.

Tax laws: The main tax laws have been updated since the previous PEFA assessment: The Personal Income Tax Law (Law No. 05/L -028) issued in 2015, the Corporate Income Tax (CIT) Law (Law 06/L-105) issued in 2019, and the VAT Law (Law No. 05/L-037), issued in 2015, and the Tax Administration & Procedures Law (TAPL: Law No. 03/L-222) in 2010. The revised laws do not represent a significant deviation from past laws as most changes have been made to enhance tax collection, simplify procedures for taxpayers, and align with international and

⁷ Article 108 [Kosovo Judicial Council]

European standards. The 2015 VAT law changed the VAT rate to 18% and introduced a reduced rate of 8% for basic consumption goods.

The Customs and Excise Code, did not change significantly, however some amendments have been made over the including: the excise calendar on tobacco, exemptions of customs on production inputs, exemption of excise on energy inputs in the production process, etc.

The public procurement legal and regulatory framework is in the Law on Public Procurement No. 04/L-042, 2011. The law has been amended in 2014 and 2016 to enhance transparency and accountability in the procurement process. This law stipulates that the two procurement agencies in place are (The Public Procurement Regulatory Commission and the Procurement Review Body) while the Central Procurement Agency becomes part of the MoFLT.

The electronic procurement system was established in 2016 and provides the public with unrestricted access for all information concerning Public Procurement in Kosovo, thus increasing transparency. Currently, this law is under revision.

Law on Public Private Partnerships (04/L-045) came into effect in 2011. The Law was designed in accordance with international best practice, with TA provided by a USAID-funded project located in MoFLT. The Law does not provide for explicit contingent liabilities and the law specifies that any funding provided by the Government to the private partner has to be appropriated in accordance with LPFMA and annual budget laws. The selection process for private partners must comply with the Public Procurement Law. All PPPs have to submit annual reports to the PPP Commission (PPPC), an inter-ministerial body chaired by the Minister of Finance, and which is responsible for policies regarding PPPs and approving PPP projects.

Local Government Finance is regulated with the Law on Local Government Finance (No. 03/L-049, 2008) amended in 2016. The law established, for example, rules and procedures for local budget appropriations and local government grants.

Law on Publicly Owned Enterprises is mandated by the 2008 Law on Public Enterprises, and the government of Kosovo monitors the financial performance of POEs, this is used for PI-10.

2.4. Institutional arrangements for PFM

The Kosovo's public sector structure is based in two levels of government: Central and Local level. The local level covers 38 municipalities while the central has 53 budget organizations.

In 2020, the central level organization changed significantly however most of the changes were undone mid-year 2020 when the budget was revised, and a new government was elected. At the start of 2020 we had 21, this was reduced to 15 through merging of ministries. With the election of a new Government, many of these changes were reversed in mid-2020. In 2021, further restructuring took place.

The current Central Government Structure is based on decision 846/2, 24th of March 2021 authorising the establishment of 15 ministries.

- **The MoFLT**, is currently merged with parts of the Ministry of Labour and Social Welfare and is thus named the Ministry of Finance, Labour, and Transfers.
- **The Ministry of Foreign Affairs** has been merged with the former Ministry of Diaspora and Ministry of European Integration into the Ministry of Foreign Affairs and Diaspora.
- **Ministry of Education, Science, and Technology** has been merged with the former Ministry of Innovation into the Ministry of Education, Science, Technology, and Innovation.
- **Ministry of Environment and Spatial Planning** has been merged with the former Ministry of Infrastructure into Ministry of Environment, Spatial Planning, and Infrastructure.

- **Ministry of Trade and Industry** has experienced changes during 2020 and has finally been consolidated into the Ministry of Industry, Entrepreneurship and Trade.
- **The Ministry of Economic Development** has been renamed into the Ministry of Economy.
- Ministry of Defence, Ministry of Local Administration, Ministry of Health, Ministry of Culture, Youth, and Sports, Ministry of Agriculture, Forestry and Rural Development, Ministry of Internal Affairs, Ministry of Regional Development, Ministry of Communities and Return, and Ministry of Justice, have remained in the same composition as before.

TABLE 2.5: Structure of the public sector (number of entities and financial turn-over) 2020

Year	Government subsector		Public sector		
	Budgetary unit	Extra budgetary units	Social security funds 1/	Nonfinancial public corporations	Financial public corporations
Central	53 Budget Organization	N/A	Kosovo Pension Savings Trust	19 Central POEs	
Local Level	38 Municipalities			16 Local POEs	

TABLE 2.6: Financial structure of central government—budget estimates in EUR 2020

Year	Central government			
	Budgetary unit	Extra budgetary units	Social security funds	Total aggregated 1/
Revenue	2,020.4			2,020.4
Expenditure	2,357.1			2,357.1
Transfers to (-) and from (+) other units of general government's				
Liabilities				
Financial assets (General Government)				
Nonfinancial assets (net)				

Source: Annual Budget Law 2020

TABLE 2.7: Financial structure of central government – actual expenditure in Euro 2020

Year	Central government			
	Budgetary unit	Extra budgetary units	Social security funds	Total aggregated 1/
Revenue	1,722.2			1,722.2
Expenditure	2,234.9			2,234.9
Transfers to (-) and from (+) other units of general government's				
Liabilities	211.9			211.9
Financial assets (General Government)	329.9			329.9
Non Financial assets (net)	1,1977.9			1,1977.9

Source: Annual Financial Report 2020

1/ Where available this should be the consolidated total, but other aggregation method may be used (with explanation).

2.5. Other key features of PFM and its operating environment

The degree of centralization of the PFM system

The budget process is led by the Ministry of Finance, Labour, and Transfers. The MoFLT issues budget circulars to all budget institutions. Following submissions of budget proposals from all BO's, the MoFLT puts together the proposed budget and sends it to Government for approval. The latter forwards it to the Assembly. Despite approval of the Regulation No. 05/2016 2 on minimum standards for public consultation process, that sets minimum standards, principles, and procedures of the public consultation process between public authorities, interested parties and the public in the process of drafting the policy and legislation, the MoFLT so far has failed in involving public in the consultation process for the Budget Law.

The type of control exercised by the external oversight bodies

Kosovo has several parliamentary committees as working bodies of the Assembly, through which the legislative and oversight functions are exercised. In relation to public finance management, Kosovo has two committees, namely the Committee for Oversight of Public Finance and the Committee on Budget, Labour, and Transfers. Legal and policy initiatives have to go through Assembly Committees in order for the impact on public finances to be assessed.

Furthermore, the government has established a working group that monitors the implementation of the Public Finance Management Reform Strategy (PFMRS 2016-2020). An implementation report is published semi-annually and annually on the website. Progress against different indicators is measured and a public finance management assessment is done. Until the new strategy is in place, the government has initiated a transitional action plan for PFM for 2021. The report for this action plan includes indicators and their performance measurements.

The National Audit Office also acts as a public finance management oversight body. It audits the financial reports of the budget organizations and the public enterprises. These are sent to the assembly.

Any recent changes or reforms

The Law on Public Finance Management and Accountability was issued in 2008 and since then it has been reviewed several times. The 2010 amendment (03/L-221) amends Article 19 and establishes the Medium-Term Expenditure Framework (MTEF) in the form of an annual document to be issued to Parliament prior to the issue of the first budget circular in May. The 2013 amendment revised the macro-fiscal stability and fiscal rules. This amendment set a 2% of GDP ceiling on budget deficits (Article 22a).

The Law provides for temporary breaches of the ceiling due to emergencies, bank crises, unexpected revenue shortfalls etc. The law also gives the Minister of Finance the authority to take measures to mitigate against excessive deficits, deviations from the deficit ceiling in excess of 0.5% of projected GDP in a single fiscal year, or cumulative over two fiscal years.

In 2020, this ceiling was temporarily breached due to the COVID-19 situation, which resulted in revenue shortfalls because of social distancing measures. As such, the government issued the Decision No. 03/02, dated 05.06.2020, with the request for temporary exceeding of the budget deficit ceiling to -6.5% of GDP and to reduce the usable bank balance ceiling to 3% of GDP. This, however, was a temporary decision and once the

⁸ <https://kryeministri-ks.net/wp-content/uploads/2020/06/Vendimet-e-Mbledhjes-s%C3%AB-2-t%C3%ABt%C3%AB-Qeveris%C3%AB-s%C3%AB-Republik%C3%ABs-s%C3%AB-Kosov%C3%ABs-2020.pdf>

pandemic situation is resolved, the government based on this decision must gradually return to compliance with the fiscal rule.

The 2016 amendment with Law Nr. 05/L -063, allowed for capital projects financed through IFI, EU or its institutions, foreign governments, or development agencies, to be excluded from the fiscal deficit rule of 2%. This fiscal rule deficit exemption would be in place until the total public debt is under 30% of GDP. Once the level of public debt exceeds 30% of GDP, these expenses have to be considered in the fiscal deficit of 2% rule. Furthermore, this exemption is set to expire within 10 years after the law was enforced, i.e., in 2026.

3. Assessment of PFM performance

PILLAR ONE: Budget reliability

PI-1. Aggregate expenditure outturn

Summary of scores and performance table

Indicator/Dimension	Score	Brief justification for score
PI-1. Aggregate expenditure outturn	B	Weakest link method: M1 (WL)
1.1. Aggregate expenditure outturn	B	Aggregate expenditure outturn was between 90% and 110% of the approved aggregate budgeted expenditure in at least two of the last three years (91.7% in 2018, 87.8% in 2019, and 93.3% in 2020)

General description of the characteristics of the indicator within the scope covered

This indicator measures the extent to which aggregate budget expenditure outturn reflects the amount originally approved, as defined in government budget documentation and fiscal reports. There is one dimension for this indicator – Dimension 1.1. Aggregate expenditure outturn. The assessment covers the last three completed fiscal years 2018-2020. The detailed tables of calculation are in Annex V.

Capital expenditures financed by IFI, under the investment clause, were first introduced in 2015 to allow the Government to finance additional growth boosting projects mainly through IFIs. Nonetheless, the expenses under the investment clause have been largely unexecuted from their onset.

1.1 Aggregate expenditure outturn

Performance level and evidence for scoring of the dimension

The table below shows that aggregate expenditure outturn was between 90% and 110% of the approved aggregate budgeted expenditure in at least two of the last three years.

Table: 1.1 Total budget and actual expenditure for FY 2018-2020 (in Euro `000,000)

Table: Total budget and actual expenditure			
	FY 2018	FY 2019	FY 2020
Budget	2,159	2,452	2,502
Actual	1,980	2,153	2,335
% Deviation	92%	88%	93%

Source: Annual Financial Report for FY 2018-2020

The under-execution of expenditures during all three years was caused mainly from under spending in capital expenditure, especially spending on capital projects financed by international financial institutions projected under the investment clause. Implementation of capital projects financed by concessionary debt, after the signing of finance agreements, continues to be the most significant challenge for budget organizations. This is because, decision-making on including those projects in the budget or signing the agreements, without ensuring that all preconditions exist, or proper preparations are made to ensure the immediate start of project implementation after ratification of loans. Other factors contributing to this challenge are the lack of harmonization of procurement procedures with those of the creditor, low participation of officials of Line Ministries during the loan negotiation process, non-consolidation, and instability of Project Implementation Units, etc. Furthermore, another less significant reason for under-execution of expenditures, mainly in the

category of capital expenditures and goods and services is related to the late approval of the annual budget. Based on the evidence provided by the Parliamentary Commission on Budget and Finance, the Budget Law for FY2019 and FY2020 was approved after the beginning of the fiscal year, on 3rd of February 2019 and 15th of March 2020, respectively. As a result, spending for capital investment during the first quarter of each of these two years was minimal.

Nonetheless, despite these deviations, the Government did not initiate a budget revision in years 2018 and 2019. The Budget for the year 2020 did go through a revision process, however, this was mainly due to the situation brought by the COVID-19 pandemic and the measures taken by the government to mitigate the negative economic impact of social distancing.

After the spread of COVID-19, the Government of Kosovo adopted both restrictive measures and an Emergency Fiscal Package, which addressed the socio-economic problems caused by the pandemic. This package had 15 measures, designed to provide immediate assistance to citizens and businesses that were affected by the measures imposed by the government, The package was later enlarged as part of the Economic Reform Program, and in 2020, approximately €286 million Euros in total (around 4.2% of GDP) have been disbursed to mitigate the impact of the pandemic.

In 2020, the Government restructured the number of ministries from 21 ministries to 15. A further restructuring happened late in 2020. These changes caused significant problems in budget execution since many ministries' budget lines had to be combined due to mergers of ministries, Nonetheless, the impact is not directly evident as overall budget execution was low, not only based on budget organizations but also on economic categories and functions.

Even after the calibration in 2020, the score does not change since the two years being analysed continue to qualify for a score B as the budget execution rate is below 95%- which is the required benchmark for a score of A.

Based on the analysis and supporting evidence, the score for this dimension is B. To qualify for a higher score, the aggregate expenditure outturn had to be between 95% and 105% of the approved aggregate budgeted expenditure in at least two of the last three years.

Performance change since the previous assessment

Performance remained in similar levels in comparison with the previous PEFA Assessment conducted in 2015, where the overall dimension score was B.

Recent or ongoing reform activities: NA

PI-2. Expenditure composition outturn

Summary of scores and performance table

Indicator/Dimension	Score	Brief justification for score
PI-2. Expenditure composition outturn	D+	M1 (WL) method
2.1 Expenditure composition outturn by function	D	Variance in expenditure composition by, administrative classification was more than 15% in at least two of the last three years.
2.2 Expenditure composition outturn by economic type	D	Variance in expenditure composition by economic classification was more than 15% in at least two of the last three years.

2.3 Expenditure from contingency reserves	A	Actual expenditure charged to a contingency vote was on average less than 3% of the original budget (around 1%)
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General description of the characteristics of the indicator within the scope covered

This indicator measures the extent to which reallocations between the main budget categories during execution have contributed to variance in expenditure composition. It contains three dimensions and uses the M1 (WL) method for aggregating dimension scores. It is based on the last three completed fiscal years 2018-2020. The detailed tables of calculation are in Annex V.

2.1. Expenditure composition outturn by function

Performance level and evidence for scoring of the dimension

Composition variance by function indicates that only year 2019 had a lower variance than 15%. It is noted that the greatest variance occurred in 2018 and 2020. In 2018, the largest deviation occurred under the environmental function, where there was a significant under execution of expenditure. In 2020, due to the pandemic, there was a need to revise the budget in order to accommodate fiscal packages designed to help the economy and the sectors hit the hardest from the restrictive measures.

Table 2.1. Expenditure composition outturn for FY 2018-2020

Year	total expenditure outturn	composition variance
2018	91.7%	21.4%
2019	87.8%	14.0%
2020	93.3%	17.4%

Source: AFS FY 2018-2020

	2018 Budget	2018 Actual	% Dev	2019 Budget	2019 Actual	% Dev	2020 Budget	2020 Actual	% Dev
General Public Services ⁹	208.7	204.6	-1.9%	338.6	285.2	-15.8%	362.1	287.8	-20.5%
Defence	53.7	46.5	-13.4%	59.0	49.9	-15.3%	69.6	59.7	-14.3%
Law and Order	199.0	176.3	-11.4%	194.7	197.7	1.5%	207.6	204.8	-1.3%
Economic Issues	528.4	450.8	-14.7%	571.9	404.5	-29.3%	458.6	462.4	0.8%
Environment	87.3	16.4	-81.2%	42.8	23.7	-44.7%	35.1	14.8	-57.9%
Housing and Community Issues	13.9	43.2	210.2%	53.1	43.7	-17.7%	55.1	37.2	-32.4%
Health	212.5	199.8	-6.0%	234.3	220.8	-5.8%	238.4	261.7	9.8%
Recreation and Culture	68.1	57.1	-16.1%	78.1	61.0	-21.9%	78.2	51.8	-33.8%
Education	305.5	301.9	-1.2%	346.0	323.0	-6.7%	374.2	313.1	-16.3%
Social Welfare	415.5	440.4	6.0%	459.7	490.7	6.7%	478.0	550.7	15.2%
Other ¹⁰	66.2	42.6	-35.6%	74.0	52.3	-29.4%	144.9	91.0	-37.2%

Source: Ministry of Finance, Annual Financial Report

⁹ Includes interest payments for public debt

¹⁰ Includes, principal payments, sub-lending and return on deposit.

This indicator acknowledges an outlier year 2020 due to the impact of COVID. However, even after treating 2020 as an outlier, the score does not change since the two years being analysed continue to qualify for a score C as the budget variance in terms of function is only below 15% in year 2019, which does not allow for a higher score to be given.

Based on the analysis and supporting evidence, the score for the present dimension is D, as the variance in expenditure based on functions was not less than 15% in at least two of the three years. For a higher score, the variance needs to be lower i.e., <15% for a score of C <10% for a score of B, <5% for a score of A.

2.2. Expenditure composition outturn by economic type

Performance level and evidence for scoring of the dimension

The annual budget law is presented for all administrative units in terms of economic function. In-year budget allocations are regulated by the LPFMA, and they are transparent. Nonetheless, besides the process of budget re-allocations, one major factor of high variance among economic categories of expenditures is related to under-execution of the budget under certain categories.

Based on data on budget allocations and actual budget execution, the variance of expenditures by economic type is more than 15% for two of the fiscal years (16.0% and 30.8% in 2019 and 2020). The variance in 2019 is a result mainly from under-execution of capital expenditure, which had an execution rate of only 67 %. However, it is worth noting that the largest contributor to this deviation stemmed from capital expenditures financed by IFI, under the investment clause. The execution of capital projects financed by concessionary debt, after the signing of financial agreements, remains challenging for budget organizations. This is mainly due to a decision-making on loans, without ensuring that all the preconditions are met, and the required studies and market analysis are prepared. Lack of meeting these preconditions does not allow immediate initiation of projects after loan ratification and efficient use of funds.

Year	composition variance
2018	13.9%
2019	16.0%
2020	30.8%

Source: AFS FY 2018-2020

Based on the analysis and supporting evidence, the score for the present dimension D as the variance is greater than 15% for at least two fiscal years, despite 2020 being considered as an outlier. For a higher score, the variance needs to be lower i.e., <15% for a score of C <10% for a score of B, <5% for a score of A.

2.3. Expenditure from contingency reserves

Performance level and evidence for scoring of the dimension

The contingency allocations and expenditure have been available for all three fiscal years of assessment.

Year	Contingency share
2018	1.0%
2019	
2020	

Source: AFS for FY2018-2020

The largest contingency fund was allocated in 2020, but as a share to total expenditures for the year, this amount was well below the 3% threshold. All in all, contingency reserves on average for the three-year period

were around 1% of total expenditures. Furthermore, the transparency of the contingency reserve spending was satisfactory as the Ministry of Finance, Labour and Transfers published online in its financial report, all the information on the decisions taken by the government for spending the reserve.

Based on evidence presented by the government authorities, contingency reserves were never above 3% of total expenditures approved in the budget law. Therefore, based on the analysis and supporting evidence, the score for the present dimension is A.

Performance change since the previous assessment

Overall performance for PI-2 deteriorated in comparison with the previous PEFA Assessment conducted in 2015, where the overall dimension score was B.

Recent or ongoing reform activities

There are some reforms in process that will address the issues of under-execution of expenditure, especially that of capital expenditure. The Administrative Instruction No: 06/2019, on selection criteria and prioritization of capital projects was approved in the end of 2019 and its implementation began with the 2021 budget process. The instruction and the criteria specified in are meant to address the issues with implementation of capital projects and under execution of capital expenditure. This instruction will help budget organizations in selecting projects during the budget preparation process and the criteria that have to be met to permit better planning.

PI-3. Revenue outturn

Summary of scores and performance table

Indicator/Dimension	Score	Brief justification for score
PI-3. Revenue outturn	B+	M2 (AV) method
3.1 Aggregate revenue outturn	A	Actual revenue was between 97% and 106% of budgeted revenue in at least two of the last three years.
3.2 Revenue composition outturn	B	Variance in revenue composition was less than 10% in two of the last three years

General description of the characteristics of the indicator within the scope covered

This indicator measures the change in revenue between the original approved budget and end-of-year outturn. It contains two dimensions and uses the M2 (AV) method for aggregating dimension scores. It is based on the last three completed fiscal years 2018-2020. The detailed tables of calculation are in Annex V.

Accurate revenue projections are of importance in the process of reliable budget preparation. Large deviations in revenue projections can lead to excessive expenditure allocations that will eventually lead to revisions in spending or higher borrowing requirements. This indicator assesses the quality of revenue projections by comparing revenues projected in the original budget law with actual collection of revenues. The revenue forecasts in Kosovo are done by the MoFLT, specifically the Department for Economic, Public, Policy and International Financial Cooperation. Revenue projections are based on the baseline scenario and throughout the years, there is usually a slight under collection of revenue.

3.1. Aggregate revenue outturn

Performance level and evidence for scoring the dimension

In 2020, the economic situation in Kosovo changed due to COVID-19 pandemic. The impact on the economy and the measures taken by the Government have changed the fiscal projections for this year compared to the initial 2020 budget projections leading to a mid-year budget review.

Besides the government's Emergency Package and the Economic Recovery Plan, the Government also provided businesses with tax payment deferrals, however, most of them had to be paid within 2020. There has been only one measure that allowed for the postponement of the payment instalments from 2020 to 2021, and that is the concessionary fee paid by the Pristina International Airport "Adem Jashari" (-0.15% of GDP). Likewise, the direct impact of economic performance to revenues, lead to significantly lower revenues than projected.

During 2020, GDP fell by 3.9% in real terms and 4.2% in nominal terms. Border taxes that are highly sensitive by the volume of imports were lower than projected. Local and Central Government fines, penalties and charges were also lower than projected as the lockdown affected traffic and public services. Furthermore, restrictive measure during 2020, which limited the activity of both individuals and businesses contributed to lower consumption of goods that are prone to excise taxes such as gasoline, alcohol, and tobacco. Therefore, the response to COVID-19 and the economic downturn in 2020, had a direct impact in the deviation between projections and actual revenues collected.

In mln Euro, if not stated otherwise	total revenue deviation	Total Revenues Budgeted	Total Revenues Collected
2018	97%	1,829	1,777
2019	97%	1,949	1,888
2020	85%	2,020	1,722

Source: Annual Financial Reports (2018, 2019, 2020), MoFLT

Based on the analysis and supporting evidence, the score for the present dimension is A as revenue collections were at least 97% of the projected amounts for two years 2018 and 2019. Year 2020 had a lower collection rate of 85%, but this it has to be viewed in the context of COVID-19.

3.2. Revenue composition outturn

Performance level and evidence for scoring the dimension

Besides macroeconomic indicators performance, variance in projected revenue occurred due to difficulties in projecting these items considering the level of informality in the economy. Latest estimates in Kosovo in 2017 report an informality rate of around 30% of GDP. This characteristic makes it hard for projecting institutions to forecast accurately revenues from domestic sources.

	Variance
2018	4.7%
2019	5.1%
2020	5.1%

Based on the analysis and supporting evidence, the score for the present dimension is B as variance in revenue composition was less than 10% in two of the last three years but not less than 5% which would be the required level to score A. Despite year 2020, being considered as an outlier, the scoring does not change since year 2019 has a higher variance than 5%.

Performance change since the previous assessment

Revenue outturn improved in comparison with the previous PEFA Assessment, where the overall dimension score was C.

Recent or ongoing reform activities

The Kosovo institutions have initiated several reforms during 2020 and 2021. Some of these reforms consist of taxation legislation reviews with the aim of increasing collection rates and employing the best international taxation practices. The General Diagnostics Report of the Tax System prepared by the IMF in 2021 will be consulted in the process of taxation legislation revision. The rationale for drafting these laws refers to the further advancement of the legal framework, elimination of current legal gaps and the harmonization of laws with the European Union directives. Importantly, these changes will address informality and ways of improving collection efficiency.

An important factor to address is that during the pandemic, institutions mandated to address the informal economy were limited due to restrictions placed on the number of staffs working in the country. However, some of the measures taken by the Government regarding business support have had a positive impact on voluntary compliance. More specifically, measure number 14 of the Emergency Fiscal Package, which was designed for new employees being registered, has contributed to an increase of 14,000 thousand newly registered employees. Also, the second fiscal package has made business more aware of the need for formalization (especially the number of employees), given that government support would depend directly on the number of employees declared. Furthermore, looking at administrative employment data there is an evident increase in the number of workers in 2020. The sectors that had the greatest increase in employment are especially those characterized with higher informality such as construction, accommodation, trade – wholesale and retail, and manufacturing.

Lastly, in cooperation with World Bank and other relevant institutions, the MFLT is working in assessing the tax gap – an analysis which would provide institutions with more information on the informality of the economy, and allow them to prepare more informed revenue projections, especially for direct taxes.

PILLAR TWO: Transparency of public finances

PI-4. Budget classification

Summary of scores and performance table

Indicator/Dimension	Score	Brief justification for score
PI-4. Budget classification	A	M1 (WL) method
4.1 Budget classification	A	Budget formulation, execution and reporting are based on every level on GFS/COFOG standards. Program classification substitutes sub-functional classification.

General description of the characteristics of the indicator within the scope covered

This indicator assesses the extent to which the government budget and accounts classification are consistent with the Government Finance Statistics Manual (GFSM) and the Classification of Functions of Government (COFOG), international standards providing the framework for economic and administrative, and functional classification respectively. A robust classification system allows transactions to be tracked throughout the budget preparation, implementation and reporting cycle, according to the administrative unit, economic category, function/sub-function, or program. It covers the budgetary units of the central government. The period of assessment is the last completed fiscal year, i.e., 2020. This indicator has only one dimension.

Budget classification in Kosovo is governed by the Law on Public Financial Management and Accountability (2003). This law says that “The presentation of financial information, such as receipts, expenditures and financing, in the proposed Kosovo Consolidated Budget and the format of the documentation therein shall be comprehensive, transparent and consistent with the GFS cash basis classification system” (Article 21). Further, “The Minister shall establish a budget classification system and a chart of accounts that: a) allow strategic and effective preparation and execution of MTEF and annual budget; b) facilitate the control of spending by budget organizations; c) permit analyses of commitments and expenditures by budget organizations, by functional category and by economic category, in a manner that meets Kosovo’s needs for external and internal reporting and that is based on the applicable standards adopted by IFAC; and d) permit other analyses as the Minister deems appropriate”. If the budget classification system is modified to meet specific needs of the Government, a bridge table must be prepared to allow reconciling the differences between the budget classifications system/the chart of accounts and the internationally recognised budget classification systems (Article 43).

4.1. Budget classification

Performance level and evidence for scoring the dimension

The budget classification system is administered by the MoFLT Treasury Department Both GFSM and COFOG are used consistently in all budget documents, in accordance with international good practice. Budget preparation, implementation and reporting are based on every level of administrative, economic, and functional classification using GFS and COFOG standards. Program classification substitutes for sub-functional classification.

Budget classification is supported by a unified chart of accounts, used for budget planning, execution, and reporting purposes. While for purposes of this study the 2020 version of the chart of accounts has been reviewed, the same chart of accounts has been used since 2015, with only minor changes. The chart of accounts and the inherent budget classification are based on GFS 2001 and are COFOG compliant. Full compliance with GFS 2014 has not yet been achieved, and a bridge table is used when preparing GFS 2014 compliant statistics.

Treasury operations are implemented using the Kosovo Financial Management Information System (KFMIS). This FreeBalance-based system was upgraded to version 7.0 in 2015, which enables all budget organisations to access the KFMIS using the internet. Around 2,000 staff have access to the KFMIS, and all have had training by MoFLT and have been licensed. These include external auditors, various financial officers with budget organisations and municipalities, and MoFLT staff. Depending on their role, they may have the right to read only or to also prepare records.

The KMIS operates using six segments/digit blocks: (i) fund/source, (ii) budget organisation, (iii) program/department, (iv) line-item (v) PIP project and (vi) function:

- (i) Information in the first segment (Fund) is categorised into General Government Fund; Own-Source Revenues; Internal Donor Grants; and International Donor Grants, with a second level of categorisation provided as well. The total number of digits in this block is 2.
- (ii) The information in the second segment (Organisation) is categorised into 88 budget organisations (reflecting all general government units and grouped by type - central government unit, local government unit, publicly owned enterprises, or project). The total number of digits in this block is 3.
- (iii) The third segment (Programme) is the second tier of the administrative classification. It is divided into 1121 programmes, implemented by different central government and local government units, publicly owned enterprises, and projects. The total number of digits in this block is 5.
- (iv) The fourth segment (Object/ Economic line-items) encompasses expenditures, revenues, and financing, and includes a fair amount of disaggregation. The total number of digits in this block is 5 (e.g., “13 Goods and Services” down to “13142 Accommodation during official travel abroad). In practice, information is entered at the level of the 3rd digit.
- (v) The fifth segment (Project) relates to the Public Investment Programme and is not part of the official chart of accounts. It lists all government-funded projects, at the central government or local level. The structure applied with public investments projects leans on the functional classification. The total number of digits in this block is 5.
- (vi) The sixth segment (Function) is based on COFOG divisions and groups and contains three tiers (e.g., 04 Economic Affairs, 042 Agriculture, Forestry, Fishing and Hunting, 0423 Fishing and Hunting). The total number of digits in this block is 4.

Appropriations are made at the second level of the administrative classification (i.e., at the programme level), by main expenditure category (i.e., salaries and allowances, costs of goods and services, expenditures for utilities, subsidies and transfers, capital expenditures, and reserve). Execution is reported in the same way.

Based on the analysis and supporting evidence, the score for this dimension is A.

Performance change since the previous assessment, where applicable

This indicator is directly comparable with indicator PI-4 from the 2015 assessment. While there is no change in the score (in both cases an A), change in performance has been observed. The 2016 PEFA stated that it was not possible to aggregate the functional and sub-functional codes into one overview using the KFMIS until the previous assessment reform was finalised. The KFMIS has been re-calibrated to accommodate functional classification, and it is now possible to group information contained in the KFMIS by functions/ sectors, e.g., for purposes of the MTEF.

Recent or ongoing reform activities

Interviewees stated that further initiatives are underway to make the chart of accounts fully compliant with GFSM 2014. Also, plans have been communicated (but no evidence has been provided) that the Public

Investment Programme (PIP) software would be integrated with the KFMIS or that a platform would be utilised to facilitate the integration of PIP information in the KFMIS.

PI-5. Budget documentation

Summary of scores and performance table

Indicator/Dimension	Score	Brief justification for score
PI-5. Budget documentation	D	M1 (WL) method
5.1 Budget documentation	D	The budget documentation contains one basic element (out of four) and six additional elements (out of eight). For any score higher than D, minimum of three basic elements is required.

General description of the characteristics of the indicator within the scope covered

This indicator assesses the comprehensiveness of the information provided in the annual budget documentation, as measured against a specified list of basic and additional elements. There is one dimension for this indicator. The period considered is the year of the last budget submitted to the legislature.

At the heart of this indicator is the budget documentation. Annual budget documentation refers to the executive's budget proposals for the next fiscal year and its supporting documents, as submitted to the legislature for scrutiny and approval. The submitted documentation should allow a complete picture of the central government's fiscal forecast, budget proposal, and outturns of the current and previous fiscal year.

The budget documentation reviewed for this indicator includes the 2021 annual budget (Law No. 07/L -041 on the Budget Appropriations for the Budget of the Republic of Kosovo for the Year 2021), the Medium-Term Expenditure Framework 2021-2023 (revised version from September 2020) and the 2020 Annual Financial Report, which contains budget execution. The Medium-Term Expenditure Framework (MTEF) does not require the approval of the General Assembly - the executive submits it to the Assembly for informational purposes, to assist the scrutiny of the draft annual budget. It should be noted that the figures in the annual budget differ slightly from those contained in the MTEF and that no reconciliation table/information has been included explaining the differences.

5.1. Budget documentation

Performance level and evidence for scoring the dimension

The existence of the relevant elements is presented in Table 5.1.

Element/ Requirements	Met (Y/N)	Evidence used/Comments
Basic elements		
1. Forecast of the fiscal deficit or surplus or accrual operating result	Y	Forecast of the fiscal balance can be found in the Statement of Government Revenue and Expenditure (Table 1) and the Macro-Fiscal Framework (Section 4, Budget Deficit and Fiscal Rule), which are both parts of the annual budget document. In addition to the budgeted year, a forecast is provided for the two out-years.
2. Previous year's budget outturn, presented in the same format as the budget proposal	N	While the annual budget includes aggregated revenues and expenditures presented in the same way for the budgeted year and the previous year (Table 1: Statement of Government

		Revenue and Expenditure), the proposed appropriations of each budget organisation are presented only for the budgeted year, with no reference to the previous year. The MTEF contains revenue and expenditure figures for both the budgeted year and the previous year, however, disaggregated by sector only. Since its total differs from the total expenditure in the annual budget though, it cannot substitute.
3. Current fiscal year's budget presented in the same format as the budget proposal	N	While the annual budget includes aggregated revenues and expenditures presented in the same way for the budgeted year and the current year (Table 1: Statement of Government Revenue and Expenditure), the proposed appropriations for each budget organisation are presented only for the budgeted year, with no reference to the current year. The MTEF contains revenue and expenditure figures for both the budgeted year and the current year, however, disaggregated by sector only. Since its total differs from the total expenditure in the annual budget though, it cannot substitute.
4. Aggregated budget data for both revenue and expenditure	N	In its Table 1 (Statement of Government Revenue and Expenditure), the annual budget contains an overview of aggregated revenue and expenditure data, alongside a disaggregation using economic classification. The data are given for the previous year, the current year, the budgeted year, and for two out-years. Table 3.1 (Central Budget) contains a disaggregation by administrative classification, as well as information about programmes and functions. However, this disaggregation pertains to expenditures and sources of funding, while revenues are not presented.
Additional elements		
5. Deficit financing, describing its anticipated composition	Y	The anticipated deficit is included in Table 1 of the annual budget, expressed: (i) as the difference between revenues and expenditures and (ii) per fiscal rule definition, both for the previous year, current year, budgeted year, and the two out-years. Detailed information is provided also on its anticipated composition (external and internal financing, and usable bank balance).
6. Macroeconomic assumptions, including at least estimates of GDP growth, inflation, interest rates, and the exchange rate	Y	The macroeconomic assumptions underlying the budget, including estimates of GDP growth, inflation, and the exchange rate, are discussed in the Macroeconomic Perspective part of Section 2 of the Macro-Fiscal Framework 2021-2023 that is an integral part of the budget. In addition to that, a tabular overview is provided in Tables 2 (Nominal GDP and Key Components) and 3 (Key Aggregates) of the same documents.
7. Debt stock, including details at least for the beginning of the current fiscal year presented in accordance with GFS or another comparable standard	Y	Table 1 (Statement of Government Revenue and Expenditure) presents debt for the period 2019-2023, disaggregated into total domestic debt, foreign debt, and total debt as % of GDP. Also, Section 5 of the Macro-Fiscal Framework 2021-2023 (named Funding and State Borrowing) contains a discussion of the debt stock and its trends, as well as an overview of debt in relation to GDP over the period 2013-2020.

8. Financial assets, including details at least for the beginning of the current fiscal year presented in accordance with GFS or another comparable standard	N	Neither the annual budget law nor documents tabled with it (including the MTEF) include information on financial assets. The only document containing an overview of financial assets is the Annual Financial Report, containing historical data only, with no information about the current fiscal year.
9. Summary information of fiscal risks	Y	Section 6 of the Macro-Fiscal Framework 2021-2023 is dedicated to medium-term risks. It presents a discussion of external and domestic fiscal risks, as well as risks of non-implementation of capital expenditure projects. The level of risk exposure remains unknown since none of the risks mentioned has been quantified.
10. Explanation of budget implications of new policy initiatives and major new public investments, with estimates of the budgetary impact of <i>all</i> major revenue policy changes and/or changes to expenditure programs	Y	Major new public investments and their quantified budget implications are contained in the 2021-2023 MTEF. Changes in expenditure and policies, as well as their budgetary impact, are discussed in the Macro-Fiscal Framework within the same document. The MTEF also contains the Sectoral Expenditure Framework. While this lists major changes to expenditure programs, their budgetary impact remains unquantified.
11. Documentation on the medium-term fiscal forecasts	Y	The Macro-Fiscal Forecast is an integral part of the budget document.
12. Quantification of tax expenditures	N	The budget documentation submitted to the legislature contains no quantification of tax expenditure (i.e., revenue foregone due to preferential tax treatments such as exemptions, deductions, credits, tax breaks, etc.).

One basic element required (out of four) and six additional ones (out of eight) are included in the budget documentation. As any score above D would require a minimum of three basic elements, the score for the present dimension is D.

Performance change since the previous assessment, where applicable

The previous assessment made no distinction between basic and additional elements, focusing on the total number of elements. Also, the methodology used for the previous assessment considered nine instead of twelve elements. This facilitated a total score of B. Comparison of the findings in the equivalent indicator of the last assessment revealed one key difference - it was assessed that financial assets were included in the budget documentation.

Recent or ongoing reform activities

No evidence or claims have been presented indicating that activities were implemented or underway to reform budget documentation.

PI-6. Central government operations outside financial reports

Summary of scores and performance table

Indicator/Dimension	Score	Brief justification for score
PI-6. Central government operations outside financial reports	A	This is an M2 (AV) indicator*
6.1 Expenditure outside financial reports	A	Kosovo operates using the Single Treasury Account system and all expenditures incurred are recorded in financial reports.
6.2 Revenue outside financial reports	A	Kosovo operates using the Single Treasury Account system and no funds are transacted outside of it (nor financial reports).
6.3 Financial reports of extra-budgetary units	NA	There are no extra-budgetary funds/units.

Averaging method: M2 (AV). The aggregate indicator score awarded using this method is based on an approximate average of the scores for the individual dimensions of an indicator.

General description of the characteristics of the indicator within the scope covered

This indicator measures the extent to which government revenue and expenditure are reported outside central government financial reports. To allow a complete picture of revenues and expenditures across every category, ex-post financial reports must be available to the Government presenting all budgetary and extra-budgetary activities of the central government. This indicator contains three dimensions and uses the M2 (AV) method for aggregating dimension scores. The period reviewed is the last completed fiscal year, i.e., 2020.

The Government of Kosovo operates using the Kosovo Consolidated Fund and all transactions to and from that fund are made using a Single Treasury Account - a system of accounts and sub-accounts, as prescribed by Article 1 of the Law on Public Finance Management and Accountability (2008). Article 2 of the same law stipulates those expenditures of public funds can be incurred only once they have been duly appropriated.

6.1. Expenditure outside financial reports

Performance level and evidence for scoring the dimension

In interviews and documents, no evidence has been found for any public expenditures incurred outside the Single Treasury Account. All spending is recorded in financial reports, under the budget organisation that incurred them. Since expenditure outside government financial reports is less than 1 percent of the total budgetary central government, the score for this dimension is A.

6.2. Revenue outside financial reports

Performance level and evidence for scoring the dimension

In interviews and documents, no evidence has been found for any budgetary central government revenue raised outside the Single Treasury Account. Accordingly, all revenues are recorded in financial reports, under the budget organisations that raised them. Since revenue incurred outside government financial reports is less than 1 percent of the total budgetary central government, this dimension scores A.

6.3. Financial reports of extrabudgetary units

Performance level and evidence for scoring the dimension

Neither identified piece of legislation that was in force in 2020 mentioned the establishment or existence of an extra-budgetary fund. No report substantiated the existence of such fund, nor have interviewees stated such fund existed in Kosovo. There is no Social Security Fund. The Pension Fund is a payment scheme managed by the Ministry of Finance, Labour, and Transfers (until 2020, by the Ministry of Labour and Social Welfare) and is paid directly from the budget, through transfers. The Health Insurance Fund is also included in the general budget. It is an individual administrative unit in the general budget whose expenditures are funded directly from the budget. It does not have any own-source revenues (i.e., it does not raise contributions) and it is subject to the same commitment and payment controls as any other budgetary organisation. Finally, it underlies the same budget regulations as all other budget organizations - it receives the same budget circulars, meets the same deadlines and the same reporting procedures. Telecoms, post offices and railroads are categorised as publicly owned enterprises. Several interviewees mentioned that the Radio Television of Kosovo (RTK) had some elements of an extra-budgetary fund (it fulfils a function that is in the public interest, it is a public company that is heavily subsidised through public funds, it has controls over its own spending, and it raises revenues which it keeps in its own account) and that it may be considered obliged to seek approval of its budget by the legislature. However, it operates independently when it comes to management and supervision and submits only ex-post financial reports to the legislature. Therefore, based on the analysis and supporting evidence, this dimension is assessed as not applicable.

Performance change since the previous assessment, where applicable

Indicator PI-6 and its equivalent in the previous assessment (PI-7) have only the first dimension in common. Even though that dimension has been described differently in the two methodologies, both refer to expenditure outside government reports. Both assessments recognised that all transactions were made using the Single Treasury Account, that no extrabudgetary funds existed, and that no expenditures were incurred outside of government financial reports.

Recent or ongoing reform activities

The performance in this segment is very strong and no changes are envisaged. The MoFLT stated that Radio Television of Kosovo had indicated that from 2021 onwards, financial reports would be shared with the executive as well (in addition to the legislature). Details had not been worked out yet.

PI-7. Transfers to subnational governments

Summary of scores and performance table

Indicator/Dimension	Score	Brief justification for score
PI-7. Transfers to subnational governments	A	This is an M2 (AV) indicator.
7.1 System for allocating transfers	A	The horizontal allocation of all transfers to subnational governments from central government is determined by a transparent, rule-based system.
7.2 Timeliness of information on transfers	A	The dates are managed through the regular budget calendar, which is largely adhered to. The deadline for municipalities to complete their planning is more than 6 weeks away.

General description of the characteristics of the indicator within the scope covered

This indicator assesses the transparency and timeliness of transfers from central government to subnational governments. It considers the basis for transfers and whether subnational governments receive information on

their allocations in time to facilitate budget planning. The coverage of this dimension is the central government and sub-national governments that have direct financial relationships with the centre. It contains two dimensions and aggregates dimension scores using the M2 (AV) method.

Kosovo is organised on a unitary basis, with one level of decentralisation (municipal level) in addition to the central level. This arrangement stems from the Constitution (Article 12) and details have been set out in the Law on Local Self-Government (2008), the Law on Local Government Finance (2008) and the Law on Administrative Municipal Boundaries.

The basis for their financial arrangements can be found in the Constitution (Article 124) and the Law on Local Government Finance (Article 24). Municipalities finance their competencies using their own-source revenues as well as other funds, such as grants from the Government of Kosovo and donations. The Law on Local Self-Government defines three types of competencies (Articles 17-23):

- (i) Municipalities' own competencies (e.g., local economic development; urban and rural planning; provision and maintenance of public services and utilities; pre-primary, primary and secondary education; public health; and provision of primary health care)
- (ii) Delegated competencies (e.g., public registries; distribution of social assistance payments; and forestry protection)
- (iii) Enhanced competencies for municipalities with a Serb majority (health, education, cultural affairs, and local police).

Supervisory authority lies with the ministry responsible for local government unless it is legally assigned to the ministry or institution concerned with a specific field (Article 76).

7.1. System for allocating transfers

Performance level and evidence for scoring the dimension

In its Article 23, the Law on Local Governance Finance defines three types of operating and equalisation grants transferred from the Centre to the municipalities: (i) General Grants, (ii) Specific Grants for Education and (iii) Specific Grants for Health. The details of how the above grants are calculated are contained in the fourth chapter of the MTEF document:

- (i) The amount shall be 10% of the budgeted total revenues of the central government, excluding revenue from the sale of assets and other extraordinary revenue, dedicated revenue, and proceeds from borrowing. This grant has an equalisation component, in favour of smaller municipalities raising less own-source revenues. It is based on total population and minority population figures, as well as the size of the municipality's territory. The funds may be used in the delivery of any municipal competencies.
- (ii) Specific grants for education shall finance the cost of providing a minimum standard level of pre-university (pre-primary, primary and secondary) education. The amount is defined and allocated according to an allocation formula established by the Grants Commission, upon proposal by the Ministry of Health. The formula relies on student enrolment figures, pupil-teacher ratios, pupil-administrative staff ratios, and wages and salaries.
- (iii) Specific grants for primary healthcare have the purpose of financing the cost of providing a minimum standard level of public primary healthcare. Like with the education grant, the amount is defined and allocated according to an allocation formula established by the Grants Commission. The formula is based on population, the number of visits and services per capita, and fixed rates per capita.
- (iv) Financing of secondary health care concerns only those three municipalities with significant shares of ethnic minorities and is done based on fixed amounts.
- (v) Grants for delegated competencies concerned municipalities receive from the relevant ministries.

Legislation requires that the grants are based on fair, transparent and objective criteria, ensuring greater municipal autonomy in grants' allocation and expenditure. The same legislation defines the Grants Commission (Article 32). It is composed of: (i) the Prime Minister or his representative, (ii) the Minister of Finance and Economy, (iii) the Minister of Local Government, (iv) another Minister appointed by the Government, (v) the Chairman of the Budget Committee of the Assembly, and (vi) four mayors (rotating), one of whom shall be a mayor of a minority municipality. The Commission's responsibilities include: i) reviewing the grant allocation formulae and recommending proposed amendments to the Government and eventually the Assembly and (ii) annually establishing the allocation formulae for the Specific Grant for Education and the Specific Grant for Health.

The table below aims to present a comparison of the budgeted amounts with those the central government actually transferred to municipalities. The 2016 PEFA Framework requires the actuals to be provided for the last completed fiscal year (i.e., 2020), however, in Kosovo, this information is provided with a time lag (i.e., in the 2021 budget, latest actuals referred to are for 2019). Accordingly, no evidence is available substantiating years after 2019. Assessment of the "transparent and rule-based" criterion for the planned budget is based on the calculations available in the published MTEF document (chapter 4). Assessment of the same criterion for the actual number reflects whether the executed transfer amounts correspond to what was planned to be executed in the same year.

Table 7.1: System for allocating transfers

Category of horizontal transfer	Budget		Actuals	
	Amount	Transparent and rule-based (Y/N)	Amount	Transparent and rule-based (Y/N)
General grant	197,233,264	Y	197,233,264	Y
Specific grant for education	184,998,870	Y	184,998,870	Y
Specific grant for health	53,400,631	Y	53,400,631	Y
Specific grant for culture	0	Y	0	Y
Financing of residential services	1,620,000	Y	1,620,000	Y
Financing of secondary health	2,603,077	Y	2,603,077	Y
TOTAL GOVERNMENT TRANSFERS	439,855,841		439,855,841	

The horizontal allocation of all transfers to subnational governments from the central government is determined by a transparent, rule-based system. Hence, the score for the present dimension is A.

7.2. Timeliness of information on transfers

Performance level and evidence for scoring the dimension

As per the budget calendar, the deadline for the MoFLT to issue the Budget Circular No. 1 was May 15. The Ministry respected the deadline in 2020 and issued the circular on May 15, 2020. The circular reported to municipalities and budget organisations their initial ceilings originating from the 2020-2022 MTEF. Also, municipalities were informed that they were expected to (i) have their medium-term expenditure estimates approved by municipal assemblies and (ii) have the approved figures, which must be in line with ceilings from Budget Circular No. 1, entered into budget request forms and shared with MoFLT no later than Sep 30, as foreseen in the budget calendar.

The budget calendar included a provision for issuing additional circulars prior to the annual budget being finalised and MoFLT decided to use this provision, amending municipalities' initial budget ceilings to reflect the unexpected revenue shortfall caused by the COVID-19 pandemic. Budget Circular No. 2 was issued on August 10, 2020, containing the original date for submission of municipal budget requests (September 30, 2020), and slightly amended ceilings. On September 14, a third (and last) budget circular was issued, containing a new set of updated ceilings (on average, 1% below the initial ceilings) prompted by an amended MTEF adopted earlier that day. Like the earlier circulars, this circular quoted the deadline of September 30.

The PEFA framework methodology has two requirements for this dimension. The first requirement for score A is that the dates are managed through a regular budget calendar, which was the case in Kosovo in 2020. The second requirement for score A is that the deadline given to municipalities to complete their planning and approval processes is more than 6 weeks away. This was the case with the first two circulars and by the time the third circular was issued (allowing two weeks) the municipalities had sufficient time to accomplish the task. Also, the framework methodology accommodates multiple notifications of the planned transfers at different stages of the budget process (e.g., initial ceilings at the beginning of the process and final ceilings once those have been approved by the Government). Since changes between those two were within 10 percent, the date of the initial ceilings can be considered relevant and since that budget circular gave municipalities a more than 6 weeks' notice, score A is awarded.

Performance change since the previous assessment, where applicable

There has been no change in performance with respect to the first indicator (scored A both in previous and in this assessment and in both assessments, the requirement for A was above 90% of total transfer value). The second dimension is not comparable – in the previous framework, the score requirement was not specific about when information had to be shared with the municipalities; while in the latest framework, the period is specified in weeks. Accordingly, performance cannot be compared.

Recent or ongoing reform activities

The system applied for inter-governmental transfers is rule-based and timely. The Grants Commission is functional and calculates individual education and health sector grants on annual basis, as per law. Interviewees mentioned that in some municipalities, general grants funds are used to make up for insufficient funds for education and health, while the formulae appear to be, generally, adequate. Nevertheless, interviewees also mentioned that the formulae undergo an occasional deeper review and indicated that one is planned in near future.

PI-8. Performance information for service delivery

Summary of scores and performance table

Indicator/Dimension	Score	Brief justification for score
PI-8. Performance information for service delivery	D+	This is an M2 (AV) indicator.
8.1 Performance plans for service delivery	C	Across different budget-related documents, information is published annually on policy and sector objectives, activities, key performance indicators, and to some extent planned and measurable outputs and outcomes, for all government ministries.
8.2 Performance achieved for service delivery	B	Information is published semi-annually on the number of outputs produced or the outcomes achieved (mixed), for all Government ministries.
8.3 Resources received by service delivery units	D	The information on resources received by frontline service delivery units is collected and recorded in the KFMIS for two of the largest ministries (Ministry of Education and Ministry of Health), disaggregated by sources of funds. While reports can be extracted from the system at any time, no evidence has been presented showing that any such information has been extracted and used in the past three years.
8.4 Performance evaluation for service delivery	D	Independent evaluations of the efficiency and/or the effectiveness of service delivery are carried out by the Kosovo National Audit Office. NAO carries out such evaluations in form of performance audits, the reports of which are published on NAO's website. This coverage of organisations audited is below 25% of all budget organisations.

General description of the characteristics of the indicator within the scope covered

This indicator examines service delivery information contained in the executive's budget proposal or its supporting documentation, and in year-end reports or performance audits or evaluations, next to the extent to which such information is evaluated independently. It focuses on the availability, coverage, and timeliness of performance information and on the extent to which such information is likely to promote improvements in the effectiveness and operational efficiency of those services. It is also important for the legislature, government officials, and the general public to know whether budget resources reach service delivery units as planned. It contains four dimensions and uses the M2 (AV) method for aggregating the dimension scores. Coverage is the central government; however, this has been extended to the municipal level which is where a significant amount of service delivery occurs¹¹.

In Kosovo, performance information about service delivery by frontline units is scattered across different documents. Parts of information are available in documents that budget organisations submit to MoFLT (Public Investment Projects forms and budget organisations' submissions in response to Budget Circular No. 2). The Medium-Term Expenditure Framework document summarises some of that information in its third chapter (Sectorial Expenditures Framework – Central Government). The Strategic Planning Office with the Office of the Prime Ministers coordinates with different budget organisations in the preparation of the Government's Annual

¹¹ According to the 2016 PEFA Framework (Field guide p.61) "Services managed and finance by other tiers of government should be included if the central government significantly finances such services through reimbursement or earmarked grants or uses other tiers of government as implementing agents".

Workplan. This document focuses on ministries and does not cover smaller organisations represented in the budget. Some information may be found in internal documents, sectoral analyses, and programmes. The annual budget contains no performance indicators.

8.1. Performance plans for service delivery

Performance level and evidence for scoring the dimension

As the following table demonstrates, there is no one budget-related document of the Government that contains all information used in this dimension and neither is it possible to consult different sources/ budget-related documents to get complete information. Very few published documents contain performance indicators (only the MTEF and the Government Workplan). However, the former contains very little information (only on policy objectives, at the level of the Government function), while the Government Workplan contains more information (policy objectives, activities, and KPIs) but for selected budget organisations only (ministries). It is unclear if these gaps are filled by internal documents produced by budget organisations as no such documents have been provided.

Across these documents, information is published annually and for all government ministries on policy and sector objectives, activities, and key performance indicators. However, no information is available about planned measurable outputs and outcomes. Hence, the score for the present dimension is C.

Table 8.1: Availability of information on planned performance in different budget documents

	Prepared annually	Published	Performance information contained					Coverage	by programme/function
			Policy or programme objective	Activities	KPIs	Planned outputs	Planned outcomes		
Budget Circular No. 1 BO submissions	Y	N	Y	Y	Y	N	N	all BOs	Y
PIP forms	Y	N	Y	Y	Y	N	N	all BOs	Y
MTEF	Y	Y	Y	N	N	N	N	all sectors	Y
Government workplan	Y	Y	Y	Y	Y	N	N	ministries	N
Annual budget	Y	Y	N	N	N	N	N	all BOs	Y
Budget execution	Y	Y	N	N	N	N	N	all BOs	N
Internal documents of BOs	?	?	?	?	?	?	?	?	?

8.2. Performance achieved for service delivery

Performance level and evidence for scoring the dimension

Achievements of the Government are, primarily contained in a document called Work Report of the Government of the Republic of Kosovo. This document is published semi-annually, and reports against the plans in the Government Workplan. Achievements are grouped into twelve policy areas and are presented using performance measures (mix of outputs and outcomes), expressed typically quantitatively. Unlike the Government Workplan, the Work Report of the Government contains measurable information about performance. However, it contains only information about performance achieved – information about performance plans cannot be found in this or other documents, as indicated under PI-8.1. Information about

performance achieved is provided for all ministries (which would qualify for an A score); however, this information is not comprehensive, and the focus and structure applied by different ministries are not unified. Also, the performance information provided is not disaggregated by programme or function (also a requirement for an A score). Therefore, the score for the present dimension is B.

8.3. Resources received by service delivery units

Performance level and evidence for scoring the dimension

The majority of frontline service delivery units in education and health sectors - pre-primary, primary and secondary schools and primary healthcare centres and clinics (in Kosovo called Main Family Medicine Centres and Family Medicine Ambulant) - is managed by the sub-national level (exceptions are universities and regional secondary healthcare centres and hospitals, which are cost centres under the central government). Funds for their financing are appropriated from the Kosovo Consolidated Fund through intergovernmental transfers (see PI-7).

All information about sub-national education and health finances is administered by municipalities. They have access to BDMS and the KFMIS, just like central government budget organisations. Accordingly, municipal budget staff plan expenditures of sub-national education and health institutions and enter them in the BDMS (they are debited against the municipal budget). With education sector pre-university institutions, municipalities enter data at the level of each school (each school is a separate cost centre, which is linked to the corresponding programme and municipality). Primary healthcare clinics and centres, on the other hand, are entered jointly for each municipality, as one primary healthcare cost centre of each municipality.

While the Annual Financial Report of the Government does not include information disaggregated at the level of frontline service delivery unit or even programme, information can be extracted from the KFMIS reflecting expenditures of each school (or all schools) or all primary health care institutions in a specific municipality, disaggregated by source of funds. Budget plans of the following years do not contain that information, as their sections on municipal finances do not report actual/ past spending. How often information is extracted from KFMIS and for what purpose (to inform new policies, evaluate existing policies, etc.), is unknown. Also, no evidence was provided corroborating that individual municipalities keep internally separate financial records for individual primary healthcare clinics and centres.

How often such information is extracted from KFMIS and for what purpose (to inform new policies, evaluate existing policies, etc.), is unknown. Also, no evidence was provided corroborating that individual municipalities keep internally separate financial records for individual primary healthcare clinics and centres.

Information on resources received by frontline service delivery units is collected and recorded in the KFMIS for two of the largest ministries (Ministry of Education and Ministry of Health), disaggregated by sources of funds, and reports can be extracted from the system at any time. However, there is no evidence demonstrating that such information has been extracted from the KFMIS in the last three years and for what purpose (to inform new policies, evaluate existing policies, etc.). Also, no evidence was provided corroborating that individual municipalities keep internally separate financial records for individual primary healthcare clinics and centres. Accordingly, this dimension scores D.

8.4. Performance evaluation for service delivery

Performance level and evidence for scoring the dimension

Independent evaluations of the efficiency and/or the effectiveness of service delivery are done by the Kosovo National Audit Office. No other bodies (e.g., the MoFLT or a Ministry of Planning) have been doing similar evaluations during the period reviewed (2018-2020). NAO does these evaluations in the form of performance

audits, the reports of which are published on NAO’s website. Since the coverage of organisations audited is rather immaterial (below 25% of all budget organisations), score D applies.

Performance change since the previous assessment, where applicable

Three of the four dimensions in this indicator are new. Elements of dimension 8.3 were present in the previous PEFA framework, as part of indicator PI-23 (i). However, the scoring requirements for these two differ to such extent that the two dimensions become incomparable.

Recent or ongoing reform activities

During the last three completed years, the MoFLT instructed budget organisations to submit different kinds of performance information in their Budget Circulars. Both the form the information was presented in as well as information contained have changed. While there is assurance from the MoFLT that it will continue demanding performance information from budget organisations, there is no certainty how that information would be utilised once received.

PI-9. Public access to fiscal information

Summary of scores and performance table

Indicator/Dimension	Score	Brief justification for score
PI-9. Public access to fiscal information	B	This is an M2 (AV) indicator.
9.1 Public access to fiscal information	B	Supporting evidence has been provided to validate those seven elements, including all five basic elements, are published in accordance with the specified time frame.

General description of the characteristics of the indicator within the scope covered

This indicator assesses the comprehensiveness of fiscal information available to the public based on specified elements of information to which public access is considered critical. Public access is defined as availability without restriction, within a reasonable time, without a requirement to register, and free of charge (unless otherwise justified). This indicator has only one dimension.

Publication of public documents in Kosovo is regulated by the Law on Access to Public Documents (2019). It is overseen by the Information and Privacy Agency of Kosovo, dealing with the content aspects of webpages of public authorities, while hosting/technical aspects are dealt with by the Agency for Information Society of Kosovo (Law on Access of Public Documents, Article 5). Every person has the right to access public documents (acts, facts or information stored in electronic form or on sound, in print, in visual or audio-visual recordings produced or maintained) of public institutions (i.e., the executive and the legislature at central or local level). “Publication” should be interpreted as making it available in a form accessible to the public, which includes print, broadcast, and electronic forms (Article 3), through proactive publication or upon a person’s request (Article 4). Documents are required to be proactively published as soon as made available for publication, but no later than 15 days from the moment rendered accessible (Article 6). Limitation of the right of access shall be exercised only for the protection of specific situations such as state economic, monetary and exchange policies, except documents related to public money expenditures, to which access must always be granted (Article 17). Silence or failure by the public authority to reply within the aforementioned time limit is considered as a negative reply and entitles the applicant to initiate an administrative appeal and court proceedings (Article 19).

9.1. Public access to fiscal information

Performance level and evidence for scoring the dimension

Relevant public expenditure documents are published in Kosovo as demonstrated in the table below. In addition to publication, the table assesses if the document was published within the deadline defined by the PEFA methodology.

Table 9.1: Public access to elements of budget documentation within a prescribed deadline

Element/ Requirements	Met (Y/N)	Evidence used/Comments
Basic elements		
1. Annual executive budget proposal documentation. A complete set of executive budget proposal documents is available to the public within one week of their submission by the executive to the legislature.	Y	As discussed under PI-5, the budget proposal documentation forwarded by the executive to the legislature is incomplete in the sense of this methodology. However, what is prepared is also published on the website of the MoFLT, within three days of its finalisation (for 2021 budget: Government decision No. 01/06 from March 13, 2020, published on the same day). Evidence: "Draft Law on the Budget Appropriations" from March 12, 2020, https://mf.rks-gov.net/page.aspx?id=2,16
2. Enacted budget. The annual budget law approved by the legislature is publicized within two weeks of passage of the law.	Y	The 2021 annual budget law approved by the legislature was finalised on March 15, 2020, and published on the MoFLT website four days later (in addition to publication in the Official Gazette) Evidence: "Law No. 07L-001 Law on the Budget Appropriations" from March 19, 2020, https://mf.rks-gov.net/desk/inc/media/EA0446D5-97E0-4540-A9CB-73521FD245A9.pdf
3. In-year budget execution reports. The reports are routinely made available to the public within one month of their issuance.	Y	Budget execution reports completed in 2020 were published within less than ten days of their issuance. Evidence: Quarterly: Completed April 30, 2020, published on May 4, 2020 Six-Monthly: Completed July 30, 2020, published on July 30, 2020 Nine-Monthly: Completed October 31, 2020, published on November 9, 2020 https://mf.rks-gov.net/page.aspx?id=2,29
4. Annual budget execution report. The report is made available to the public within six months of the fiscal year's end.	Y	The Annual Financial Report, presenting budget execution, was published within one month of its issuance. Evidence: https://mf.rks-gov.net/page.aspx?id=2,29
5. Audited annual financial report, incorporating or accompanied by the external auditor's report. The reports are made available to the public within twelve months of the fiscal year's end.	Y	The Annual Audit Report for Year 2019, representing the external auditor's (NAO's) report of Government's financial statements, was published in September 2020, which was after nine months of the fiscal year's end. Evidence: https://www.zka-rks.org/wp-content/uploads/2020/09/RaportiVjetor_ENG_PRESS_01.pdf
Additional elements		
6. Pre-budget statement. The broad parameters for the executive budget proposal (expenditure, planned revenue and debt) are made available to	Y	This information is contained in the Medium-Term Fiscal Strategy, which is part of the Medium-Term Expenditure Framework. The initial 2021-2023 MTEF was published on May 13, 2020, which is six months before the start of the fiscal year. Four months later, the MoFLT revised and issued a new version.

the public at least four months before the start of the fiscal year.		Evidence: https://mf.rks-gov.net/page.aspx?id=2,27
7. Other external audit reports. All non-confidential reports on central government consolidated operations are made available to the public within six months of submission.	Y	The Kosovo National Audit Office prepared one other audit report that dealt with operations of several central government institutions. It was published the same month it was completed. Evidence: Assessment Report on Implementation of the Recommendations for the 2017 Performance Audits: Completed December 2020, published on December 16, 2020 https://www.zka-rks.org/wp-content/uploads/2020/12/RAP_VleresimiiZbatimitteRekomandimeve_2020-Eng.pdf
8. Summary of the budget proposal. A “citizen’s budget”, and where appropriate translated into the most commonly spoken local language, is publicly available within two weeks of the executive budget proposal’s submission to the legislature and within one month of the budget’s approval.	N	MoFLT prepared and published a summary of the budget proposal called Informational Booklet for Citizens – Budget of Republic of Kosovo 2020 – Revised. It is available in Albanian (the most commonly spoken local language in Kosovo) as well as in English. Evidence: https://mf.rks-gov.net/desk/inc/media/990ED02D-D5E5-4075-B961-544E95E9970E.pdf (Albanian) https://mf.rks-gov.net/desk/inc/media/EE1C67D3-FC0D-423F-8577-64D6D77168B8.pdf (English) The Albanian version of the citizen budget was published on MoFLT’s website on November 26, 2020, and the English on December 16 of the same year. The revised 2020 budget was approved by the legislature on August 7, 2020. Therefore, neither one meets the deadline of being published no later than one month of the budget’s approval. MoFLT
9. Macroeconomic forecasts. The forecasts, as assessed in PI-14.1, are available within one week of their endorsement.	N	This information is contained in the 2021-2023 Medium-Term Expenditure Framework. That document was finalised in September 2020 and was published on September 18, 2021. Since no information has been provided about the date of the endorsement, no opinion can be formed about its timeliness.

Supporting evidence has been provided to validate those seven elements, including all five basic elements, are published following the specified time frame. For the remaining two elements, no opinion can be formed. Based on the analysis and supporting evidence, the score for the present dimension is B. If there were evidence proving that the two elements were published timely, the score would be A.

Performance change since the previous assessment, where applicable

The last assessment did not distinguish between basic and additional elements and focused on the total number of elements. Also, the methodology used for the previous assessment considered six instead of nine elements. Consequently, the score awarded was A.

Recent or ongoing reform activities

No evidence or claims have been presented indicating that there were any activities implemented or underway to reform budget documentation.

PILLAR THREE: Management of assets and liabilities

PI-10. Fiscal risk reporting

Summary of scores and performance table

Indicator/Dimension	Score	Brief justification for score
PI-10. Fiscal risk reporting	C+	M2 (AV) method
10.1 Monitoring of public corporations	C	Information on the financial performance of public corporations is monitored by the MoED but the respective audited annual financial statement is not captured in the annual budget report of the Government, nor were they found published for FY 2020. MoED publishes a consolidated report on the financial performance of the public corporation sector annually covering all audited financial statements of PoE.
10.2 Monitoring of subnational governments	A	Audited annual financial statements for all subnational governments are published within nine months of the end of the fiscal year. A consolidated report on the financial position of all subnational governments is published at least annually as part of the annual budget execution report.
10.3 Contingent liabilities and other fiscal risks	D	The contingent liabilities of the CG are included in the annual report (Annex 13) that is published. It presents the data by BO and it is not quantified by type. The report does not show details of liabilities by category and hence it is not possible to quantify the data.

General description of the characteristics of the indicator within the scope covered

This indicator measures the extent to which fiscal risks to central government are reported. Fiscal risks can arise from adverse macroeconomic situations, financial positions of subnational governments or public corporations, and contingent liabilities from the central government's own programs and activities. They can also arise from other implicit and external risks such as market failure and natural disasters. It covers central government, and the time period is last completed fiscal year 2020.

Law on Publicly Owned Enterprises (No. 03/L-087) stipulates 'the corporate governance of publicly owned enterprises in accordance with internationally recognized principles of corporate governance'. It also establishes the reporting and accountability arrangements to facilitate appropriate monitoring of their activities. The legal framework relevant to PoEs has not changed since 2008. There is additional law on one of the enterprises, namely Law on Trepca (No.05/L – 120) approved in 2016. This law was made for the rehabilitation of Trepca mines (ore and zinc) as it is an enterprise with a special importance and social function in Northern Kosovo.

10.1. Monitoring of public corporations

Performance level and evidence for scoring the dimension

The Policy and Monitoring Unit of Public Enterprise within the Ministry of Economic Department are responsible to monitor and report on the performance of PoEs to the Commission for Public Finances Monitoring in the Parliament. The reports of the Unit are available to the public on its website. One of the responsibilities of the Unit is to submit an annual summary report on the operational and financial performance of PoEs to the Commission. The report should include the opinion of the auditors on annual financial statements of all PoEs.

The publicly owned enterprises of Kosovo that are controlled by the Government are listed in table 10.1 by sector. They are 18, one being not active, namely Kosovo New Energy Enterprise – NKEC (under no. 4 in the table 10.1 below). They all constitute 13% of the total budget expenditure for FY 2020. All companies have a i) Board of Directors monitoring the work of management, and ii) Audit Committees monitoring the internal control system. All PoEs have a social function in society. They can borrow only through the Government that would provide any loan guarantees required.

The audited financial statement of the PoEs is to be submitted to the Ministry of Economic Development by end May and then they are usually published on the website of the Ministry. The audited financial statements are published for FY 2019 but for FY2020, they have been disclosed as at end June only for three companies (no. 2, 3, 15).

Table 10.1: Financial reports of public corporations [Recommended table]

<i>Sector</i>	<i>Public corporations</i>	<i>Audited financial statements for FY 2020 published</i>	<i>Total expenditure</i>	<i>As a % of total expenditure of public corporations</i>	<i>Are contingent liabilities of the public corporation disclosed in the financial report? (Y/N)</i>
<i>Communication</i>	1. Telecom of Kosovo	N	59,588	2.55%	N
	2. Post Office of Kosovo	Y	12,424	0.53%	Y
<i>Energy</i>	3. Kosovo Energy Corporation	Y	162,550	6.96%	Y
	4. Kosovo New Energy Enterprise" NKEC	N	0		N
<i>Transport</i>	5. Trepça	N	4,673	0.20%	N
	6. Kosovo Railways Infrastructure	N	3,085	0.13%	-N
	7. Train Operations Kosovo Railways "TrainKos"	N	3,486	0.15%	N
<i>Landfill</i>	8. Kosovo Landfill Management Company (KMDK)	N	1,460	0.06%	N
<i>Water Supply</i>	9. Regional Water Company "Prishtina"	N	17,274	0.74%	N
	10. Regional Water Company "Gjakova"	N	5,633	0.24%	N
	11. Regional Water Company "Hidromorava"	N	2,552	0.11%	N
	12. Regional Water Company "Hidroregjioni Jugor"	N	5,633	0.24%	N
	13. Regional Water Company "Hidrodrini"	N	4,663	0.20%	N
	14. Regional Water Company "Mitrovica"	N	6,480	0.28%	N
	15. Regional Water Company "Bifurkacioni"	Y	2,429	0.10%	Y
<i>Irrigation</i>	16. Regional Irrigation Company "Drini i Bardhë"	N	394	0.02%	N

	17 Regional Irrigation Company "Radoniqi"	N	824	0.04%	N
<i>Multisectoral</i>	18. Hydro-Economic Enterprise "Ibër Lepenc"	N	8,703	0.37%	N
			301,851	13%	

Source: MED and author's calculation

The Ministry of Economic Development consolidates the annual performance of all PoEs covering their financial performance and disclosing any contingent liabilities they may have incurred. The Annual Performance Reports of all PoEs for FY 2018 and FY 2019 were provided. The FY 2020 report has not been prepared, at the time of field work. This report is normally issued and published in October as has been the case for the two previous reports. The financial statements of all PoE are attached as annexes to the Annual Performance Report. The Report provides analysis of operational performance by sector and company. It also covers analysis of various risks the companies are exposed to. The FY2019 Annual Performance Report, which is published by September on the following year, presents the financial statements of 16 PoEs (88%). This represents the financial result for most PoEs. Therefore, the score is C. The score could have been higher if the financial performance of at least 75% of the PoE was published within six months of the end of the fiscal year.

Based on the analysis and supporting evidence, the score for the present dimension is C. A higher score would require the audited annual financial statements of the PoEs to be published within six months of the end of the fiscal year.

10.2. Monitoring of subnational governments

The line ministries apply administrative instruction on how they allocate budget funds. The performance and functions of the sub-national governments are stipulated by the i) the Local Government Finance Law, and ii) Law self-government which specifies their competences.

Performance level and evidence for scoring the dimension

The central government publishes a consolidated report on the financial performance of the subnational government sector annually not as a standalone document but as part of the annual budget execution report.

There are 38 subnational governments in Kosovo, they all submit information on their financial performance to the Treasury on regular basis in the KFMIS. All municipalities channel their funds through the Single Treasury Account thus facilitating the financial reporting. The annual financial statement of all subnational governments is provided latest by end of February to Central Treasury, they are audited by end of August, and they are published in September. This is a recurrent process from year to year and while the audited Annual Report of FY2020 was not prepared by the time of assessment, the data for the assessment is based on the audited report of FY2019. Hence the score of this dimension is A.

10.3. Contingent liabilities and other fiscal risks

The definition on "Contingent liability" is specified in the LPFMA 03/048 (2013) Article 29 as 'potential obligation that will materialize only if certain events occur in the future'. There is a specific code for each BO on contingent liabilities and in particular court decision allocations (under 11900). Treasury monitors this particular type of liabilities as they are entitled to make payment if the BO would not pay within 60 days.

The contingent liabilities (only from lawsuits) of the CG for FY 2020, as reported in the AFS, is Euro 131,121,939 (Annex 12 in AFS) which is a 10% increase from the previous year. The Supplementary Budget of FY 2020 quantifies specific risks of contingent liabilities arising from credit guarantees and on-borrowed loans, 'the potential source of this risk is posed by public sector guaranteed loans and international on-borrowed loans

by the MoFLT to companies providing essential public services' (e.g., Trafiku Urban' – public transport). The Government of Kosovo has taken a number of measures to limit the impact of contingent liabilities and they are: i) monitoring of the financial position; ii) initial assessment of the possible occurrence of the existing contingent liabilities.

Significant contingent liabilities are presented in the Annual Report of the NAO. The FY 2019 audit report specifies the outstanding liabilities of budget organizations to suppliers of over €110 million (€87 million of central level and €23 million of municipalities). There are also liabilities associated with the land expropriations (land expropriation is resorted to for the purpose of big infrastructure development projects) by Government decisions at around €232 million, as well as subsidies and transfers of Ministry of Agriculture, Forestry and Rural Development at €18 million. The total amount of all these liabilities is about €360 million. Compared to FY 2018, the amount of outstanding liabilities has increased by around €102 million or 39%. The data provided and covered in the annual financial report shows mostly court litigation contingent liabilities and the expropriation liabilities are not covered. The share of contingent liabilities of central government, as reported in the annual financial report for both FY2019 and FY2020 constitutes 6% of the annual budget expenditure and hence are regarded as significant.

All contingent liabilities are reported in the Annual Financial Report they are presented by budget organisation in ANNEX No.12 'Report on contingent liabilities by budget organizations'. The Annual Financial Report does not show details of the liabilities by category and hence it is not possible to quantify the data. Therefore, the score is D.

Based on the information presented above and the supporting evidence, the score for the present dimension is D. A higher score would require quantification and consolidation of all significant contingent liabilities that are reported by type.

Recent or ongoing reform activities: NA

PI-11. Public investment management

Summary of scores and performance table

Indicator/Dimension	Score	Brief justification for score
PI-11. Public investment management	C+	M2 (AV) method.
11.1 Economic analysis of investment projects	C	Economic analysis is conducted for all capital investment projects and a few of the results are published. The analyses of not all proposed projects are reviewed by the Budget Department at MoFLT any other entity than the one proposing the capital project, let say by the MoFLT. There are unified guidelines for preparation, review, and monitoring of investment projects.
11.2 Investment project selection	A	Prior to their inclusion in the budget, all major investment projects are prioritized by the Budget Department at MoFLT on the basis of standard and published criteria for project selection.
11.3 Investment project costing	C	Projections of the total capital cost of major investment projects, together with the capital costs for the forthcoming budget year, are included in the budget documents.

11.4 Investment project monitoring	C	The total cost and physical progress of major investment projects are monitored by the implementing budget organization in PIP system. Information on implementation of major investment projects is prepared annually but is not published.
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General description of the characteristics of the indicator within the scope covered

This indicator assesses the economic appraisal, selection, costing, and monitoring of public investment projects by the government, with emphasis on the largest and most significant projects. It covers central government and the last completed fiscal year, 2020.

The investment projects and their definition are governed by an Administrative Instruction No.4/2019 PIP on capital projects definition and classification of capital projects expenditures. It groups the investment in five types: i) capital projects; ii) capital expenditure of capital projects; iii) current expenditure of capital projects; iv) assets and v) asset capitalization. The public investment process is facilitated through a system known as Public Investment Programme (PIP). The PIP processes and procedures have been designed to assist the government in selecting capital investment projects that are of priority and benefit to the public. The PIP procedures facilitate identification, selection, monitoring and managing of projects. It is linked with budget execution to ensure that funds are available for specific projects. The PIP system would cover all data relevant to public investment from project proposal to its full implementation identifying weaknesses as well as gender impact.

Table 11: List of major investment projects

#	Project description	Project cost	% of 2020 budget expenditure	Economic analysis published Yes/No
1	Rehabilitation and expansion of the road Prishtina-Mitrovica	19,929,851	0.85%	Yes
2	Construction of the road Prishtina- Gjilan- Konqul (Highway)	14,522,995	0.62%	Yes
3	Renovation of the stadium Adem Jashari- Mitrovica	4,112,317	0.18%	No
4	Project for communities 6+ (improvement of housing and infrastructure)	1,950,00	0.08%	Yes
5	Implementation of Energy Efficiency measures in public buildings	6,200,000	0.27%	No
6	Land expropriation	22,392,548	0.96%	No
7	Construction of new police facilities	1,488,278	0.06%	No
8	Construction and design of two faculties in Mitrovica	2,100,000	0.06%	No
9	Building a centre for mothers and other construction work	32,500	0.00%	Yes
10	Construction of a maternity ward for Prizren Hospital	400,000	0.02%	Yes

Sources: Budget Department, MoFLT and authors' calculation

The list of projects is selected among the largest 10 projects by total investment cost for the central government. The total investment cost of all 10 projects included in the table above amount of less than 1 percent of total annual budget expenditure for FY 2020. It is not known if the economic analyses of the above major investment projects, or at least a summary of key findings, are published.

11.1. Economic analysis of investment projects

Performance level and evidence for scoring the dimension

Since FY 2020 all public investment projects are planned, implemented, monitored and reported in the PIP system. All budget organisations have access to the PIP through username and individual password. An analyst in the Budget Department reviews the project proposals submitted in the PIP. They review the proposal to provide an opinion of the request, to recommend changes and to support the budget organization in preparing better-justified project proposals. The economic analysis covers social and economic costs. Both the Administrative Instruction and the PIP Manual constitute the national guidelines for doing the economic analyses ensuring a standard approach for the project preparation and appraisal phases. The guidelines are in place and, since 2020, are mandatory. They are used systematically across major investment projects. PIP Manual does not include a requirement for the publication of the results of the appraisal process for major investment projects; hence, transparency and objectivity may not be ensured.

There are established guidelines for doing economic analysis of all proposed public investment projects. They are reviewed by a different entity from the proposing one but there is no requirement for the publication of the results of these assessments with key finding and focus on economic and social benefit. While all investment projects are subject to economic analysis, Table 11 shows that five out of 10 (50%), major investment projects have their economic analysis published. This means, as a minimum, the majority investment projects are subject to economic analysis required by the national guidelines. Hence, the score of this dimension is C.

A higher score would require that there are national guidelines to do economic analysis that are published, and the economic analysis of the investment projects is reviewed by another entity different from the sponsoring one.

11.2. Investment project selection

Performance level and evidence for scoring the dimension

The Administrative Instruction No. 06/2019 on selection criteria and prioritization of capital projects outlines the review and the assessment procedures for selection and the formalised criteria and principles for defining priorities. The criteria cover: i) strategic importance; ii) economic viability, iii) maturity. The implementation of the Administrative Instruction with the preparation of the 2020 budget. The project selection used minimal criteria such as strategic relevance, realistic cost, consideration of expropriation issues etc. The standard criteria for project selection will be strengthened over time.

The selection of the proposed investment projects is done by the Budget Department of MoFLT that is also participates in a centralised review of all major investment project appraisals prior to inclusion in the budget proposal submitted to the legislature. The priority and selection procedure are embedded in the PIP. The decision to include projects in the budget is the decision of the BO. The role of BD is to ensure that the minimal standard criteria of project selection are applied. Projects that did not meet the minimum criteria are put in reserve of the BO and can only be included in the budget when they meet the minimum criteria.

All proposed projects are subject to the selection and priority process. Being part of the legal framework, the selection and priority guidelines are published and adhered to. The application of the standard criteria for project selection was demonstrated in the PIP system. Hence, the score for the present dimension is A.

11.3. Investment project costing

Performance level and evidence for scoring the dimension

The criteria for a cost benefit analysis to be done is as follows: i) for projects of more than 1 million Euro for the central level, and ii) more than 250,000 Euro for municipal project proposals. The projections cover the total life-cycle cost: the proposed project of capital and recurrent cost on a year-by-year basis. However, the budget documentation shows only the next year cost projection. All selected projects cover cost-benefit analysis with projections of recurrent cost implications.

The budget documentation includes medium-term projections of investment projects on a full-cost basis and the budget process for capital and recurrent spending is integrated only for the next budget year. Hence, the score for the present dimension is C.

In order to score higher, the projections included in the budget documentation should cover the costs of the next three years.

11.4. Investment project monitoring

Performance level and evidence for scoring the dimension

The PIP system has a project monitoring module. Three main areas of progress are reported and monitored, : i) implementation progress with percentage of physical completion; ii) explanations for delays or pre-schedule completed milestone, monthly cash flow is to be provided with comparison to actual payments; iii) gaps of work completed versus plan with percentage of total project cost already spent. Reporting on progress is quarterly for each project that is budgeted for the current financial year.

The monitoring system in place maintain records on both physical and financial progress and produce periodic project-monitoring reports. There is no automatic link between PIP, KFMIS and e-procurement. The system allows payments to be linked to evidence of physical progress and monitors deviations from plans. All this information is generated for the management purpose of the Government, and it is not known if information on implementation of major investment projects is published on a timely basis. Hence, the score for the present dimension is C.

In order to score higher information on implementation of major investment projects should be published annually.

Performance change since the previous assessment

This is a new PI in PEFA Framework 2016.

Recent or ongoing reform activities

Not reported

PI-12. Public asset management

Summary of scores and performance table

Indicator/Dimension	Score	Brief justification for score
PI-12. Public asset management	C+	M2 (AV) method
12.1 Financial asset monitoring	A	The government maintains a record of its holdings in all categories of financial assets, which are recognized at fair or market value, in line with international accounting standards. Information on the performance of the portfolio of financial assets is published annually.
12.2 Nonfinancial asset monitoring	C	The government maintains a register of its holdings of fixed and collects partial information on their usage and age.
12.3 Transparency of asset disposal	D	Procedures and rules for the transfer or disposal of nonfinancial assets are established, however information on transfers and disposals is NOT included in budget documents, financial reports, or other reports.

General description of the characteristics of the indicator within the scope covered

This indicator assesses the management and monitoring of government assets and the transparency of asset disposal. It contains three dimensions and covers data of the last completed fiscal year.

12.1. Financial asset monitoring

Performance level and evidence for scoring the dimension

The government maintains a record of all categories of financial assets, which are recognized at fair or market value, in line with international accounting standards. Information on the value of the portfolio of financial assets is published annually on the MoFLT website.

The nature of financial asset monitoring is critical to identifying and managing financial risks that can have a fiscal impact. Kosovo's government maintains a record of all categories of financial assets, which is publicly available each year under Financial Report of the Budget of Kosovo¹². The same record follows international accounting standards (GFS 2014, V1.6).

The MoFLT is responsible for maintaining records of all financial assets, including short term financial assets, such as cash and bank deposits.

Based on the analysis and supporting evidence, the score for the present dimension is A.

12.2. Nonfinancial asset monitoring

Performance level and evidence for scoring the dimension

Table 12.1. Categories of nonfinancial assets

Categories	Subcategories	Where captured	Comments
Fixed assets	Buildings and structures	Annual Financial Statement	Published annually
	Machinery and equipment	Annual Financial Statement	Published annually

¹² <https://mf.rks-gov.net/desk/inc/media/B805BE58-DD6E-454E-A730-10922B74DD4A.pdf>

	Other fixed assets	Annual Financial Statement	Published annually
Inventories	—		
Valuables	—		
Non-produced assets	Land	Annual Financial Statement	Published annually
	Mineral and energy resources	Not Captured	
	Other naturally occurring assets	Not Captured	
	Intangible non-produced	Not Captured	

Note: The categories in the table are based on the GFS Manual 2014, but different categories applied by the government may be used.

The government maintains an internal register of its holdings of fixed assets, including information on their usage and age, which is published as an annex in the Annual Financial Statement. A register of land is also maintained but no register of subsoil assets is kept. Furthermore, the information on non-financial assets published under Financial Report is only at the aggregate level, presented by budget organisation, original value, amortisation, and net value.

Based on Regulation on management of non-financial assets, all assets above 1,000 euros are registered. These assets' information on value of the purchase, year of the purchase, amortization, and other information, is sent by the respective government institutions to Treasury. Kosovo's treasury has certified budget organization officers through training, so that they have the right to register and maintain registers. For those assets valued below 1,000 euros, there is a separate system of managing assets, managed by the Ministry of Internal Affairs and Administration.

It is worth noting that besides fixed assets the Treasury holds registers of land. Information on mineral resources, energy resources, other naturally occurring assets, and intangible non-produced assets, is not recorded or published by the MoFLT.

Based on the analysis and supporting evidence, the score for this dimension is C. To qualify for a higher score, Kosovo needs to maintain a register of its subsoil assets.

12.3. Transparency of asset disposal

Performance level and evidence for scoring the dimension

The management of asset disposal is regulated by Government Regulation 02/2013. Therefore, procedures and rules for the transfer or disposal of nonfinancial assets are established. However, the government did not provide evidence of published reports on transfers and disposals of these assets in financial reports, or other reports.

Based on the analysis and supporting evidence, the score for this dimension is D. To qualify for a higher score, the institutions need to publish their reports on transfers and disposals of assets.

PI-13. Debt management

Summary of scores and performance table

Indicator/Dimension	Score	Brief justification for score
PI-13. Debt management	A	M2 (AV) method
13.1 Recording and reporting of debt and guarantees	A	Domestic and foreign debt and guaranteed debt records are complete, accurate, updated, and reconciled monthly. Comprehensive management and statistical reports covering debt service, stock, and operations are produced at least quarterly
13.2 Approval of debt and guarantees	A	Primary legislation grants authorization to borrow, issue new debt, and issue loan guarantees on behalf of the central government to a single responsible debt management entity. Documented policies and procedures provide guidance to borrow, issue new debt and undertake debt-related transactions, issue loan guarantees, and monitor debt
13.3 Debt management strategy	A	A current medium-term debt management strategy covering existing and projected government debt, with a horizon of at least three years, is publicly reported. The strategy includes target ranges for indicators such as interest rates, refinancing, and foreign currency risks. Annual reporting against debt management objectives is provided to the legislature. The government's annual plan for borrowing is consistent with the approved strategy.

General description of the characteristics of the indicator within the scope covered

This indicator assesses the management of domestic and foreign debt and guarantees. It seeks to identify whether satisfactory management practices, records, and controls are in place to ensure efficient and effective arrangements. It has three dimensions and the time period covered is as follows: (i) 13.1: at time of assessment; (ii) 13.2: FY2020; (iii) 13.3: at time of assessment with reference to last three completed years.

13.1. Recording and reporting of debt and guarantees

Performance level and evidence for scoring the dimension

This dimension assesses the recording and reporting of domestic, foreign, and guaranteed debt. Kosovo has a system that monitors and reports regularly on the main features of the debt portfolio. Therefore, the structure ensures data integrity and effective management, such as accurate debt service budgeting, making timely debt service payments, and ensuring well-planned debt rollovers. This regular reporting enables the government to monitor the implementation of its debt management strategy and address any deviations. Debt records are reconciled and updated on a monthly basis and debt reports which include detailed information on domestic debt, foreign debt, and guarantees is published quarterly.

Furthermore, an updated Debt Sustainability Analysis is developed each year by the Macroeconomic Unit as part of the National Economic Reform Programme.

Based on the analysis and supporting evidence, the score for the present dimension is A.

13.2. Approval of debt and guarantees

Performance level and evidence for scoring the dimension

The Law on Public Debt is the primary legislation which authorises borrowing, issue new debt, and issue loan guarantees on behalf of the central government to the Minister of Finance and grants authority to the debt management function in the Treasury to manage this debt. Borrowing must be approved by the government and the legislature.

A state debt program has to be sent to the government annually for approval, and to the assembly for information. Additionally, budgetary appropriation for debt service payments and annual debt must be in the annual budget. If the amount appropriated is insufficient to meet the debt service obligations (such as may be, but not limited to such, an increase in market rates or a need to borrow more than initially envisaged in the budget), the Ministry has the right to approve additional debt service-related payments subject to a full report to be submitted to the Assembly.

The approval of loans and guarantees is done against adequate and transparent criteria as established in the law on Public Debt. In addition, there is a Regulation on Procedures for Issuance and Management of State Debts, State Guarantees and Municipal Debts that regulates all public debt related matters.

Based on the analysis and supporting evidence, the score for the present dimension is A.

13.3. Debt management strategy

Performance level and evidence for scoring the dimension

Kosovo has a medium- term debt management strategy that is updated annually, covering current and projected public debt. This strategy is published every year. The strategy includes characteristics of Kosovo's state debt portfolio, macroeconomic risks, risk of currency exchange, interest rate risks, refinancing risks, operational risk, and contingent liabilities risk. Based on additional evidence provided by authorities, there is an annual reporting against debt management objectives provided to the legislature. Before the year 2020, the report was sent as a separate document together with the debt management strategy on an annual basis. Currently, this report is included as a section within the Debt Strategy which analyses and reports against the previous year's debt management objectives.

Based on the analysis and supporting evidence, the score for the present dimension is A.

Performance change since the previous assessment, where applicable

There has been no change from the previous assessment

Recent or ongoing reform activities

Currently, the debt law is under revision. The new revised law will address the following matters: authorization to issue Eurobonds, authorization to enter into derivative financial agreements or other standardized financial instruments, regulation of debt incurrence by other public institutions, requests for financing through financial or international agreements (criteria and review procedures are determined by sub-legal act by the Minister), procedures for amending a financial agreement, procedures for restructuring a financial agreement, reporting on state debt and state guarantees, and municipal debt.

PILLAR FOUR: Policy based fiscal strategy and budgeting

PI-14. Macroeconomic and fiscal forecasting

Summary of scores and performance table

Indicator/Dimension	Score	Brief justification for score
PI-14. Macroeconomic and fiscal forecasting	B	M2 (AV) method
14.1 Macroeconomic forecasts	C	The government prepares forecasts of key macroeconomic indicators, which, together with the underlying assumptions, are included in budget documentation submitted to the legislature. These forecasts cover the budget year and the two following fiscal years.
14.2 Fiscal forecasts	B	The government prepares forecasts of the main fiscal indicators, including revenues (by type), aggregate expenditure, and the budget balance, for the budget year and two following fiscal years. These forecasts, together with the underlying assumptions, are included in budget documentation submitted to the legislature.
14.3 Macro-fiscal sensitivity analysis	B	The government prepares for internal use—a range of fiscal forecast scenarios based on alternative macroeconomic assumptions. The budget documents include discussion of forecast sensitivities.

General description of the characteristics of the indicator within the scope covered

This indicator measures the ability of a country to develop robust macroeconomic and fiscal forecasts, which are crucial to developing a sustainable fiscal strategy and ensuring greater predictability of budget allocations. It also assesses the government's capacity to estimate the fiscal impact of potential changes in economic circumstances. It contains three dimensions, and the time period of assessment is the last fiscal year.

14.1. Macroeconomic forecasts

Performance level and evidence for scoring the dimension

Kosovo publishes its medium-term macroeconomic forecasts in three documents: the Annual Budget law, the Medium-Term Expenditure Framework, and the Economic Reform Program. The macroeconomic forecasts are updated twice a year, once in the MTEF (April) and once in the Budget Law (October). The medium-term macroeconomic indicators cover the budget year and the next two fiscal years. All the assumptions behind projections are made publicly available and submitted to the legislature. Furthermore, when the government adopts the annual budget law and sends it to the Assembly, the budget law includes the Macro Fiscal Framework. This Framework together with the budget tables are further reviewed by the Committee on Budget and Finance (one of the four committees that review laws before they are sent for plenary sessions at the Assembly). However, there is currently no independent entity that reviews macroeconomic forecasts.

Based on the analysis and supporting evidence, the score for this dimension is C, because there is no independent fiscal institution and some of the key macroeconomic indicators such as interest rates are not published in the medium-term documents.

14.2. Fiscal forecast

Performance level and evidence for scoring the dimension

Kosovo's Government prepares forecasts of main fiscal indicators, including revenues (by type), aggregate expenditure, and the budget balance, for the budget year and the next two fiscal years. These forecasts, together with the underlying assumptions, are included in the macro-fiscal framework as part of the annual budget submitted to the legislature. Revenue projections are integrated in the budget process and form the basis for expenditure across government priorities.

Currently, Kosovo does not present or explain the deviations between approved current year fiscal forecasts and the projections in the previous year's approved budget. A comparison is done for the MTEF and the actual performance of fiscal indicators per year. Each budget law provides the two main fiscal tables that include revenue projections per category, net lending, foreign investment, types of financing and details on the financing of deficit.

Based on the analysis and supporting evidence, the score for this dimension is B.

14.3. Macro-Fiscal sensitivity analysis

Performance level and evidence for scoring the dimension

The Government prepares an internal document showing a range of fiscal forecast scenarios based on alternative macroeconomic assumptions. These scenarios are not published in the budget law.

Nonetheless, the budget documents include a discussion of forecast sensitivities and alternative scenarios. The section includes alternative GDP baselines but then further discusses all downside risks to macroeconomic and fiscal projections. Further, the analysis includes potential risks as well as a description on how they could affect both macro and fiscal baseline projections.

Based on the analysis and supporting evidence, the score for this dimension is B.

PI-15. Fiscal strategy

Summary of scores and performance table

Indicator/Dimension	Score	Brief justification for score
PI-15. Fiscal strategy	B	M2 (AV) method
15.1 Fiscal impact of policy proposals	C	MoFLT prepares estimates of the fiscal impact of all proposed changes in the revenue and expenditures, but not for the medium term.
15.2 Fiscal strategy adoption	A	The government has adopted, submitted to the legislature, and published a current fiscal strategy that includes explicit time-based quantitative fiscal goals and targets together with qualitative objectives for at least the budget year and the following two fiscal years.
15.3 Reporting on fiscal outcomes	C	The government prepares an internal report on the progress made against its fiscal strategy. Such a report has been prepared for at least the last completed fiscal year

General description of the characteristics of the indicator within the scope covered

This indicator provides an analysis of the capacity to develop and implement a clear fiscal strategy. It also measures the ability to develop and assess the fiscal impact of revenue and expenditure policy proposals that support the achievement of the government's fiscal goals. It contains three dimensions and covers the last three completed years.

15.1. Fiscal impact of policy proposals

Performance level and evidence for scoring the dimension

The MoFLT Department of Fiscal Policy, prepares estimates of fiscal impact of proposals with significant and direct impact on revenues, including for example, changes to the rates and coverage of corporate income tax, VAT, PIT, customs and excise tax and taxes on natural resources. However, these estimates are not explicitly shown in the budget documentation. These estimates are considered as a part of the macro-fiscal assumptions and inform the projections.

On the revenue side, MoFLT analyses of tax reform and estimates the impact of potential tax exemptions. In addition, they also do analyses for widening the tax base to raise domestic revenues and increase budget revenues. Based on the evidence provided, such analyses are done only for the next budget year.

On the expenditure side, as explained under the PI 16.3, in line with the requirements set forth in the Administrative Instruction No. 03/2015 on Budget Impact Assessment, each Budget Organization is responsible to estimate budget impact of any new policy proposal, for the budget year and the next two fiscal years. The estimates provided by line ministries, prior to their approval by the Cabinet, are reviewed by the Budget Department MoFLT, for their accuracy and consistency with the medium-term expenditure plan.

In summary, the MoFLT prepares estimates of the fiscal impact of all proposed changes in the revenues and expenditures, but revenue impact assessment based on the evidence is done only for the next fiscal year and not the medium term. In practice, however, sometimes in-year policy changes or are initiated directly from the Assembly are not always assessed for fiscal impact.

Based on the analysis and supporting evidence, the score for this dimension is C.

15.2. Fiscal strategy adoption

Performance level and evidence for scoring the dimension

Fiscal strategy is an integral part of the Medium-Term Expenditure Framework. The Government of Kosovo follows a fiscal strategy through applying the following fiscal rules: i) Budget reviews with neutral impact on the deficit; ii) Limitation of the Budget Deficit to 2% of GDP; iii) Limitation of the increase of the wage bill with the previous year's nominal GDP growth; iv) Limitation of public debt to 40% of GDP, i.e., 30 % for capital investments from the "investment clause" that are exempt from the deficit rule.

The MTEF for 2021-2023 contains detailed fiscal objectives that drive the budget process. The fiscal objectives are quantified in terms of targets for the level of fiscal deficit, sources of financing, central government expenditures and revenues and changes in the stock of financial assets and liabilities, for the budget year and the next two years. The MTEF is approved in the Government and is submitted in the Parliament for information only. In addition, the MoFLT prepares a Debt Sustainability Analysis (DSA), which is published annually in the Economic Reform Program.

Based on the analysis and supporting evidence, the score for this dimension is A.

15.3. Reporting on fiscal outcomes

Performance level and evidence for scoring the dimension

The annual budget of the last completed fiscal year (2020) does not contain any specific report that describes progress made against its fiscal strategy and provides an explanation of the reasons for any deviation from the objectives and targets sets. However, section 2.4 under Macro-fiscal Framework of the Budget, provides information on the progress made against its fiscal targets.

In addition, evidence presented by the MoFLT, suggests that an internal report that is produced on a monthly basis describes fiscal outcomes and their progress against the strategy. The report includes information about the progress of each type of revenue and expenditure and progress related to initial budget projections. It also assesses the fiscal rules and the continuous performance of fiscal indicators against these rules, including explanations if there are deviations. However, this report is not published, therefore the score for this dimension is C.

Performance change since the previous assessment, where applicable: NA

Recent or ongoing reform activities

The Ministry of Finance Labour and Transfers is currently exploring possible tax reviews and the main tax laws are being revised based on recommendations from a 2021 IMF mission and recommendations from the EU. There are currently working groups on each tax law and a main working group on drafting a memo with all the recommended changes. Together with the World Bank, a team at the MoFLT is working on estimating the Tax Gap Analysis, which will make it easier for authorities to estimate the fiscal impact of policies and foregone revenue.

PI-16. Medium-term perspective in expenditure budgeting

Summary of scores and performance table

Indicator/Dimension	Score	Brief justification for score
PI-16. Medium-term perspective in expenditure budgeting	B+	M2 (AV) method
16.1. Medium-term expenditure estimates	A	The annual budget presents estimate of expenditure for the budget year and the two following fiscal years allocated by administrative, economic, and program (or functional) classification
16.2 Medium-term expenditure ceilings	A	Aggregate and ministry-level expenditure ceilings for the budget year and the two following fiscal years are approved by government before the first budget circular is issued.
16.3 Alignment of strategic plans and medium-term budgets	A	Medium-term strategic plans are prepared and costed for most of ministries. Most of expenditure policy proposals in the approved medium-term budget estimates align with the strategic plans.
16.4 Consistency of budgets with previous year's estimates	D	The budget documents do not provide an explanation of the changes to expenditure estimates between the second year of the last medium-term budget and the first year of the current medium-term budget at the aggregate level.

General description of the characteristics of the indicator within the scope covered

This indicator examines the extent to which expenditure budgets are developed for the medium term within explicit medium-term budget expenditure ceilings. It also examines the extent to which annual budgets are

derived from medium-term estimates and the degree of alignment between medium-term budget estimates and strategic plans. It contains four dimensions, and the time period covers is as follows: 16.1, 16.2 and 16.3: last budget submitted to the legislature and 16.4 the last medium-term budget.

Administrative instruction No: 07/2018 on Planning and Drafting Strategic Documents and Actions Plans, defines a set of criteria and uniform procedures for the preparation and approval of strategic documents. Among other criteria's, Article 1.7 specifies that each action plan should be costed by each economic classification of expenditures.

In addition, Administrative Instruction No. 03/2015 on Budget Impact Assessment for new Government Initiatives, defines methodology, criteria, and the procedure for assessing potential budget impact of new initiatives proposed by Budget Organization's for approval before the Government Meeting.

Following approval of these Administrative Instruction, no strategies are accepted for further analysis by Strategic Planning Office without cost estimates being provided by MoFLT.

16.1. Medium-term expenditure estimates

Performance level and evidence for scoring the dimension

For the 2021 Budget, the annual budget presents expenditure estimates for the budget year 2021 and the following two fiscal years 2022 and 2023, allocated by administrative, economic and program (departments). Based on the evidence provided, by MoFLT, medium term expenditure estimates are updated at least twice a year: 1) during the Medium-Term Expenditure Framework drafting process (April of the fiscal year) and 2) during the Annual Budget Law Drafting Process. Hence, the score for this dimension is A.

16.2. Medium-term expenditure ceilings

Performance level and evidence for scoring the dimension

Based on the evidence provided, on 30th April 2020 the Government approved the 2021-2023 Medium Term Expenditure Framework that contains aggregate and ministry budget ceilings for the Budget of 2021 and two following years.

In line with the ceilings set in the approved MTEF, on 15.05.2020 the MoFLT issued the first budget circular to all Budget Organizations. The first budget circular provides instructions on the preparation of Kosovo Budget for the fiscal year 2021, budget ceilings for 2022 and 2023 for each BO and the timetable for drafting the budget. For the year 2020, for each BO budget, ceilings are disaggregated by each economic category while for the two following fiscal years they are disaggregated at the level of operational and capital expenditures.

Based on the analysis and supporting evidence, the score for the present dimension is A.

16.3. Alignment of strategic plans and medium-term budgets

Performance level and evidence for scoring the dimension

Strategic documents are required to be submitted to the Budget Department, MoFLT for an assessment of budget impact. Strategic plans should be consistent with Government of Kosovo priorities, but the costs need to be fiscally realistic. Once the budget impact assessment is issued by MoFLT, Strategic Documents are submitted to the Strategic Planning Office (SPO), for checking their compliance with the priorities set in the MTEF and other relevant strategic documents

Based on the analysis and supporting evidence, provided by Strategic Planning Office, there were six strategies approved during 2019 and 2020. For all six strategies, a budget opinion was issued by the Budget Department,

MoFLT that confirms compliance with budget allocations for activities planned under those strategic documents. The evidence provided, shows that forward cost estimates for individual strategic documents identify financial requirements disaggregated by each economic category and funding source against projected costs included in the MTEF.

Furthermore, for the period covered, most ministries had in place strategic plans including sectorial strategies.

The Strategic Planning Office (OPM) is responsible for drafting the Declaration of Priorities for each budget document (MTEF, ERP, Annual Budget Law), which derive from National Development Strategy 2016 -2021 and other sectoral strategies. Furthermore, the expenditure section by sectors in the MTEF 2021-2023 and the annual budget 2021, refers to the respective sectoral strategies and other relevant strategic documents.

Based on the evidence provided, the value of forward estimated costs for implementation of the strategic plans for most of the ministries¹³ align with the midterm budget estimates. Hence, the score for this dimension is A.

16.4. Consistency of budgets with previous year's estimates

Performance level and evidence for scoring the dimension

The 2021 Budget document contains information on the outturn of 2019 and 2020 and presents medium term fiscal envelope for 2022 and 2023. However, the budget document does not provide any explanation of the changes to expenditure estimates between the second year of the last medium- term budget and the first year of the current medium-term budget at the aggregate level. Hence, the score for this dimension is D.

PI-17. Budget preparation process

Summary of scores and performance table

Indicator/Dimension	Score	Brief justification for score
PI-17. Budget preparation process	B+	M2 (AV) method
17.1 Budget calendar	A	A clear annual budget calendar exists, is generally adhered to, and allows all budgetary units at least six weeks from receipt of the budget circular to meaningfully complete their detailed estimates on time
17.2 Guidance on budget preparation	A	A comprehensive and clear budget circular or circulars are issued to budgetary units, covering total budget expenditure for the full fiscal year. The budget reflects ministry ceilings submitted to the cabinet (or equivalent). The approval of ceilings by the cabinet may take place after the circular's distribution to budgetary units but before budgetary units have completed their submission
17.3 Budget submission to the legislature	C	The executive has submitted the annual budget proposal to the legislature at least one month before the start of the fiscal year.

¹³ Strategy against organized crime – Ministry of Internal Affairs, Strategy for Fighting the informal economy- Ministry of Finance, Labor, and Transfers, Strategy for children's rights- Office of the Prime Minister, Strategy for innovation and entrepreneurship- Former Ministry of Innovation, Strategy for cooperation with civil society- Office of the Prime Minister. There were no other strategies approved in 2019 and 2020.

General description of the characteristics of the indicator within the scope covered

This indicator measures the effectiveness of participation by relevant stakeholders in the budget preparation process, including political leadership, and whether that participation is orderly and timely. It contains three dimensions, and the time period of assessment is last budget submitted to legislature for 17.1 and 17.2 and last completed fiscal year for 17.3.

The LPFMA and the Annual Budget Law establishes the legal framework for preparation of the annual budget including the procedures for issuance of the budget circulars.

17.1. Budget calendar

Performance level and evidence for scoring the dimension

A clear fixed budget calendar exists, and it is set out in Article 20 of LPFMA. A defined budget calendar is established at the start of the budget process, which is communicated to BOs through the first budget call circular. The calendar is reproduced in the Table below.

The 2021-2023 MTEF was approved by GoK on 30th April 2020 and submitted the same day to the Assembly for information purposes only. Accordingly, the first budget circular was issued on 15th May 2020, the second circular on 16th September 2020, following revision of the MTEF 2021-2023 due to recent developments from the impact of the COVID-19 pandemic.

The budget law for 2020 was submitted with a delay, which was not anticipated when the circular was issued. The reason for the delay was that the caretaker government was not legally allowed to submit laws to the Assembly until the new government was formed. The formation of the new government took longer than anticipated, even though the elections took place in October 2019.

Table 17.1 Budget calendar for the last budget submitted to the legislature

Activity	Planned date	Actual date
Approval of Mid-term Expenditure Framework 2021-2023 by Government and the delivery of MTEF to the Assembly of Republic of Kosovo	30 April	30 April
Issuance of first budget circular 2021/01. This circular contains instructions for budget process, budget ceilings and budget schedule	15 May	15 May
Budget organizations to submit to the MFT the budget requirements according to the respective documentation, according to the programs and economic categories. Budget requirements must be fully justified through the use of BDMS and PIP systems	25 June	25 June
Macroeconomic Division presents new macro-fiscal framework	25 June	25 June
Budget circular to be issued according to the need and will address only new specific issues which have resulted after issuance of first budget circular	10 July	10 July
If additional information is required under the Second Budget Circular then, this information must be submitted by the Budget Organizations to the Ministry of Finance, Labour and Transfers- Budget Departments by this date	24 July	24 July
Budget hearings (after receiving of materials for budget organizations). Participants in the hearings will be officials of budget organizations, MFT staff, Office of the Prime Minister of the Republic of Kosovo, representatives of the Parliamentary Committee on Budget and Finance. The schedule of budget hearings will be attached to the Budget Circular 2021/02. If it is possible in these hearings, the possibility of reaching an agreement on the total budget amounts of your organization for 2021 will be considered	20 August-28 August	20 August- 28 August
Macroeconomic Division presents latest assessment for macro-economic indicators, especially indicators related to budget process 2020-2022	10 September	10 September

Consultations at the Government on setting of final budget ceilings	16 September- 20 September	16 September- 20 September
Issuance of third budget circular with final budget ceilings, which may change from previous circular	25 September	25 September
Complaints by budget organizations	28 September- 2 October	28 September- 2 October
Government meetings on reviewing of complaints from budget organizations	7 October – 8 October	7 October- 8 October
First draft of budget at MFT and submission of this draft to the Government	15 October	15 October
Final approval of draft budget at the Government	16 October- 26 October	30 October
Submission of draft budget 2021 to the Assembly of Republic of Kosovo	29 October	30 October

Based on the analysis and supporting evidence, the score for this dimension is A.

17.2. Guidance on budget preparation

Performance level and evidence for scoring the dimension

A comprehensive and clear budget circular is issued to budgetary units, covering total budget expenditure for the full fiscal year. The budget reflects ministry ceilings. The approval of ceilings is done with the MTEF prior to the submission of the circulars. The calendar presented under PI 17.1 includes the process and dates for the budget process.

The circulars issued to budgetary units are comprehensive and clear. These circulars are in three languages to be better understood by the respective budget organizations. The budget circular defines all concepts necessary and outlines what costs need to be categorized under each economic category.

Based on the supporting evidence, the score for this dimension is A.

17.3. Budget submission to the legislature

Performance level and evidence for scoring the dimension

The executive has submitted the annual budget proposal to the legislature at least two months before the start of the fiscal year in two of the last three years and submitted it before the start of the fiscal year in the third year. Based on the legal provisions and the budget process calendar, the executive needs to submit the budget law to the assembly at least two months before the end of the year.

In 2020, this was not the case. The reason behind the delay, was that there was no government at the time and the caretaker government was not legally entitled to submit laws to the Assembly. As such, the draft law was not submitted until after elections, when a new executive was established.

Therefore, the score for this dimension is C, as in one of the fiscal years, the budget was submitted after the end of the year. To be considered for an A score, the budget needs to be submitted at least two months before the end of the year, which was not the case in year 2020. To be considered for a score of B, the one year that is not submitted two months before the end of the year, has to be submitted at least before the end of the fiscal year.

Table 17.3: Actual dates of budget submission for the last three completed fiscal years

Fiscal year	Actual date of submission
Fiscal Year 2018	31.10.2017
Fiscal Year 2019	26.10.2018
Fiscal Year 2020	10.03.2020

PI-18. Legislative scrutiny of budgets

Summary of scores and performance table

Indicator/Dimension	Score	Brief justification for score
PI-18. Legislative scrutiny of budgets	D+	M1 (WL) method
18.1 Scope of budget scrutiny	A	The legislature's review covers fiscal policies, medium-term fiscal forecasts, and medium-term priorities as well as details of expenditure and revenue
18.2 Legislative procedures for budget scrutiny	B	The legislature's procedures to review budget proposals are approved by the legislature in advance of budget hearings and are adhered to. The procedures include internal organizational arrangements such as specialized review committees, technical support, and negotiation procedures
18.3 Timing of budget approval	D	The legislature has NOT approved the annual budget within one month of the start of the year in two or more of the last three fiscal years.
18.4 Rules for budget adjustments by the executive	A	Clear rules exist for in-year budget adjustments by the executive. The rules set strict limits on the extent and nature of amendments and are adhered to in all instances.

General description of the characteristics of the indicator within the scope covered

This indicator assesses the nature and extent of legislative scrutiny of the annual budget. It considers the extent to which the legislature scrutinizes, debates, and approves the annual budget, including the extent to which the legislature's procedures for scrutiny are well established and adhered to. The indicator also assesses the existence of rules for in-year amendments to the budget without ex-ante approval by the legislature. The indicator contains four dimensions, and the time period of assessment is last completed year for 18.1, 18.2 and 18.4 and last three completed years for 18.3.

The Law on Public Finance Management and Accountability provides a clear role for the legislature to review the budget document submitted by the Government. The Rules of Procedure of the Assembly delegate the responsibility of such review to the Committee of Budget and Finance (CoBF) and three other committees. The current legislature the name of this committee was changed to the Committee of Budget, Labour, and Transfers (CoBLT).

18.1. Scope of budget scrutiny

Performance level and evidence for scoring the dimension

In line with the Rules of Procedures for the Assembly, the CoBLT, is responsible for reviewing and discussing, budgetary and financial issues, examining the impact of the budget draft laws in the first year and subsequent years, and reviewing the expenditures of independent organisations that report directly to Parliament.

In addition, the CoBLT has also reviewed the MTEF presented to the Assembly in April each year at the beginning of the budget preparation process. The MTEF for 2021-23 (published in April 2020), in addition to presenting GoK's strategic priorities also contains a medium term macro-fiscal framework which outlines fiscal objectives as discussed under PI-15.

In summary, based on the evidence provided by the CoBLT, the legislature's review covers fiscal policies and aggregates for the coming year as well as detailed estimates and revenues. Based on the evidence, the score for this dimension is A.

18.2. Legislative procedures for budget scrutiny

Performance level and evidence for scoring the dimension

The scope of responsibilities of CoBLT, is defined by the Rules of Procedure of the Assembly. The procedures foresee the establishment of four permanent parliamentary Commissions, and twelve others functional commissions. The four permanent commissions are:

1. Committee on Budget and Finance,
2. Committee on the Rights, Interests of Communities and Returns,
3. Committee on Legislation and Judiciary,
4. Commission for European Integration.

The procedures for Budget review follow the same procedures as that for reviewing any other law by the legislature. As such, the budget scrutiny foresees involvement of other Assembly Committees, MoFLT, Government and other civil society organizations. Between two readings of the Annual Budget Law, the Budget Committee can recommend or negotiate amendments to the budget. The review of 2020 Annual Budget recommended 17 Amendments. Amendments are then presented to a plenary session for approval.

In principle meetings of each committee are open to the public, except when discussing national security. Article 65 of Rules of Procedure of the Assembly that defines supplementary provisions for commissions states that:

- (i) The Commission may invite representatives of institutions and civil society to a meeting to present evidence or provide relevant documents.
- (ii) The commission may hold joint meetings with other commissions.

In addition, consistent with the Regulation on order and access to the media, representatives of citizens' associations and representatives of organizations non-governmental organizations may follow, as observers, the plenary session of the Assembly. In line with this regulation, all plenary sessions are broadcasted live on public television.

In summary, the Legislature's procedures for budget review are established and adhered to. These include internal organizational arrangements such as specialized review committees, technical support, and negotiation procedure. Therefore, based on the evidence provided, the score for this dimension is B.

18.3. Timing of budget approval

Performance level and evidence for scoring the dimension

According to the LPMFA, the budget must be submitted to the Assembly at least 2 months before the start of the new fiscal year, i.e., before 31 October. Due to political developments and lack of an Executive Body, the Annual Budget for 2020 was approved on 10th of March 2020 after the new government was formed.

Table 18.3: Actual dates of budget approval for the last three completed fiscal years

Fiscal year	Actual date of approval
2018	22/12/2017
2019	03/02/2019
2020	15/03/2020

In two out of three fiscal years, the annual budget was not approved within one month of the start of the year. Based on the analysis and supporting evidence, the performance is less than required for a C score, hence a D score is applied. This is because in two years, 2019 and 2020, the budget was not approved before the beginning of the year (to qualify for a score A) or within one month of the beginning of the year, in one of the years (to qualify for a score B), or within one month of the beginning of the year, in two of the years (to qualify for a score C).

18.4. Rules for budget adjustments by the executive

Performance level and evidence for scoring the dimension

All changes in the original budget appropriations and subsequent allocation of funds are made in accordance with the procedures set out by the LPFMA, which clearly defines mechanisms for the approval of such adjustments and their prioritization.

A mid-year budget review may take place in circumstances when there are changes in the economic situation of the country, resulting in revenue and/or expenditure performance being different than projected. BOs submit their requests for adjustments to MoFLT. When MoFLT agrees to these requests an adjusted budget law is prepared by MoFLT and sent to the Assembly for approval.

Based on the LPFMA, a budget organization may transfer up to five percent (5%) of one appropriation of that budget organization to another appropriation of that budget organization during any fiscal year; provided, however, that no such transfer may be made into the wages and salaries appropriation without the approval of the Minister and, if applicable, the Government or Assembly as provided in the law. Further, the Minister of Finance may authorize the transfer of part of one appropriation of that budget organization to another appropriation provided that the part so transferred shall not exceed fifteen percent (15%) of the negatively affected appropriation. Any change above 15% up to 25% has to be done with Government approval, while any changes above 25% have to be done with Assembly approval.

In summary, clear rules exist for in-year budget amendments by the executive. The rules set strict limits on the extent and nature of amendments and are adhered to in all instances. Based on the evidence provided, the scoring for this dimension is A.

PILLAR FIVE: Predictability and control in budget execution

PI-19. Revenue administration

Summary of scores and performance table

Indicator/Dimension	Score	Brief justification for score
PI-19. Revenue administration	B+	M2 (AV) method
19.1 Rights and obligations for revenue measures	A	Both Tax and Customs entities collect most government revenues and use multiple channels to provide payers with easy access to up-to-date information on the main revenue obligation, there are redress processes and procedures.
19.2 Revenue risk management	A	Both revenue collecting entities use comprehensive, structured, and systematic approach for prioritizing compliance risk for all categories of revenue.
19.3 Revenue audit and investigation	A	Both entities undertake audit (control activities) and report according to their compliance improvement plans (e.g., Tax=projects, Customs=Strategic plans) and completed 90% of planned activities in FY2020.
19.4 Revenue arrears monitoring	C	The stock of revenue arrears at the end of the last completed fiscal year is below 40 (26%) percent of the total revenue collection of the year. The revenue arrears are nearly all collected during the year and those older than 12 months are insignificant.

General description of the characteristics of the indicator within the scope covered

"This indicator covers the administration of all types of tax and non-tax revenue for central government. It assesses the procedures used to collect and monitor central government revenues. It contains four dimensions, and the time period of assessment is at time of assessment for 19.1 and 19.2 and last completed fiscal year for 19.3 and 19.4.

The main tax laws, that govern the revenue administration function, have been updated since the 2015 PEFA assessment: the Personal Income Tax Law (No. 05/L-28, Sept. 2015), the Corporate Income Tax Law (No. 06/L-105, Sept. 2019), the VAT Law (Law No. 05/L-37, Sept. 2015). A number of Administrative Instructions have been adopted and amended for specific processes such as use of fiscal electronic devices (e.g., cash register), application of VAT Law, visits to taxpayers, etc. There is a separate law on each specific tax area. The Tax Administration & Procedures Law (TAPL: Law No. 03/L-222) has not changed since August 2010.

The legal framework for Kosovo Customs is primarily in the Kosovo Customs and Excise Code (03/L-109, 2014) and the Administrative Instructions on Customs and Excise Code No.11/2009. Little has changed since the 2015 PEFA assessment. The main changes have been in secondary legislation. The current focus is on approximation of customs legislation to the EU Acquis Communautaire, which is planned to be finalized by 2022.

19.1. Rights and obligations for revenue measures

Performance level and evidence for scoring the dimension

The Tax Administration of Kosovo (TAK) and Kosovo Customs are the revenue collecting entities of Kosovo. They are executive agencies under the Ministry of Finance, Labour, and Transfers. Their responsibilities and functions have not changed since last PEFA assessment in 2015. TAK collects 30% of revenue and implements all types of tax legislation and collecting all central government taxes: i) VAT, ii) Personal Income Tax, iii) Corporate Income Tax, iv) Withholding Tax; v) pension contributions. Kosovo Customs collects 70% of total government revenue.

They both apply their Strategic Plans in attaining set goals and implementing activities of performance enhancement. Both entities use all possible media channels in order to reach the tax and customs clients and to inform them about their obligations and rights. They publish information on their websites, portal, Facebook, chat box service, brochures, open line in National Border Centre. There are two applications for smart phones to report on irregularities. There is a Call Centre providing online help within working hours.

Table 19.1 Share of revenue collection for FY 2019 and FY 2020 (in Euro)

	Total revenue collection TAK and Customs	% collection
For FY2019	1,683,867,898	
Tax	504,281,866	30%
Customs	1,179,586,032	70%
For FY 2020	1,519,565,096	
Tax	467,039,833	31%
Customs	1,052,525,263	69%

Source: data from Tax and Customs Annual Reports for 2019 and 2020

The Tax Registration and Service Department of TAK provides full information on all tax procedures and obligations. The four international tax obligations are recognized in Kosovo, i.e.: registration, timely filing of declaration, tax payment and accurate reporting and redress system. TAK continue to provide outreach services such as face to face meetings, with taxpayers, visiting business offices, organize group meetings in the Chambers of Commerce and maintain a social network. The electronic services are accessible in the portal of TAK known as EDI. EDI is an Electronic Tax System facilitating the declaration and payment of taxes. Nearly 100% of the tax declarations are submitted via EDI. The redress mechanism is regulated in Article 77 of the Supplementary Law 04 / L-102 and 04 / L. -223) and enforced by the Complaints Department of TAK.

Customs being the main contributor of revenue to the budget of Kosovo, also has a transparent approach to information for individuals and businesses applying various facilitation mechanisms to explain and communicate the obligations on duties and tariffs. For any wrongful treatment or error, reinstatement and correction are envisaged.

Both revenue administration entities issue annual performance reports with information and data on collection, activity analysis, new legal implications on individuals and businesses, targeted achievement, and statistics.

These performance reports are published in their websites. Taxpayers and interested parties have easy access to information on redress process and procedures in both the websites and via the Call Centres of both revenue collecting entities. The Tax Administration electronic system also provides templates of redress application.

There was an Independent Review Body at the time of previous assessment, which was consequently replaced by a Fiscal Division within the Department for Administrative Issues. It falls under the Basic Court of Pristina (under the Law on Courts). Refund Claims are filed in EDI electronic system that is equipped with a refund management module. The module manages refund claims for Value Added Tax, Personal Income Tax and Corporate Income Tax and it is submitted electronically together with the taxpayer's tax statement. It generates reports for each refund request. Based on the publicly available information and the supporting evidence, the score for this dimension is A.

19.2. Revenue risk management

Performance level and evidence for scoring the dimension

Both entities do risk assessments identifying the main categories of non-compliances and apply risk management process in registration, filing of declaration, payment, and refunds of tax/duties. The mitigation measures in place in both entities are audits and investigations.

TAK is implementing several projects, based on IMF recommendations, focusing on specific clusters of taxpayers. These that are of high risk are the undeclared employment in construction sector and the food catering services.

Initiatives on taxpayer education (informative campaigns) are also used to encourage voluntary compliance of taxpayers. Such measures are supported by IMF tax experts. The risks are identified and listed, priorities are assigned, and specific projects (or actions) are designed for implementation covering all taxpayers and all related tax obligations. With risk assessment of probability and impact, all groups of taxpayers are covered. Based on the result of the risk management approach, a strategy (compliance improvement plan) with annual plan of actions on specific tax areas is prepared targeting improvement on taxpayer compliance. The previous and the current Compliance Strategy Plan (2021-2025) is prepared with the support of the IMF.

Kosovo Customs uses risk management and apply risk procedures in two operational units: i) Risk Management Committee, and ii) Risk Analysis Section. They both work on mitigating risks by following risk assessment procedures that are aligned to the international standards in specific customs areas (Kyoto Revised Standards). All related risk management information is embedded in a tool known as Enterprise Content Management that is integrated in the Customs web portal. A Strategic Plan is prepared for a period of three to four years with risk mitigation measures.

Both entities use a comprehensive, structured and systematic approach in handling compliance risks. There are clearly documented procedures for risk management, which are applied, and the process of risk assessment and risk mitigation is regularly repeated by having a designated operational team following a documented strategy. There is efficient risk management process with both TAK and Kosovo Customs which contributes to minimize evasion and irregularities in revenue administration.

Based on the information and supporting evidence provided, the score for this dimension is A.

19.3. Revenue audit and investigation

Performance level and evidence for scoring the dimension

Both of revenue collecting entities have activities (physical and remote) to implement the actions in the documented compliance improvement plan. The completion rate of audit for FY 2020 is reported in their Annual Performance Plan. The audit plans are based on the compliance improvement document that identifies the typical causes of non-compliance.

The Department of Control supported by the Investigation and Intelligence Department of TAK does planned and ad hoc audits and investigations. The audit report is provided to the taxpayer and they have five days to object to the findings. There is a separate section on tax intelligence and investigation in the Annual Tax Report with statistical details on activities done, court cases, penalties, etc.

The Sector for Post-Importation Control of Kosovo Customs does the post clearance audit. They audit transactions of the companies that are selected through the blue and green channel during the process of customs clearance. These audits follow an annual plan on controls and as of the time of assessment from

January to June 2021, there were 110 such control campaigns (110 controlled companies). The revenue collected from post importation controls is approximately Euro 2 million annually.

In the period 2018-2020 there were 1014 tax audits done, resulting in additional revenue of EUR 34.1 million. There were 90 audits planned in FY2020 of which 99 were delivered. This data is in the Annual Performance Report of TAK for FY2020.

Both TAK and Kosovo Customs follow their compliance improvement plans in order to mitigate instances of revenue obligation non-compliance. They are implemented as planned. Information on implementation of planned audits and investigations is in the Annual Activity Report and is easily accessible to the government or the public

Based on the information and evidence provided, the score for this dimension is A.

19.4. Revenue arrears monitoring

Performance level and evidence for scoring the dimension

Revenue arrears are monitored by type and are considered collectable up to six years. This applies mainly to TAK as Customs is less exposed to arrears due to the nature of the collection of duty as revenue. The Customs Code requires that import taxes must be paid before goods are cleared from Customs. Customs arrears consist mostly of unpaid fines that are levied on importers, and these are not significant volumes. The rules and procedures for the management of revenue arrears are prescribed in the respective codes providing for a separate department for collection of arrears and administrative instruction on mandatory collection.

The current practice on revenue arrears monitoring is comprehensive and ensure that the collection and transfer system functions as intended and that the level of arrears are well monitored and minimised. This is confirmed in the annual performance reports of both entities where the volumes of estimated and collected arrears are presented. TAK monitors the payment of liabilities and records arrears categorizing them into more than one year and less than one year.

Table 19.4 Revenue Arrears of both Tax and Customs of Kosovo for FY2020

	Total revenue collection	Arrears beginning of year	% Arrears	Arrears collection by year end	Arrears older than 12 months
for FY 2020	1,519,565,096	402,436,552	26%	457,798,169	4%
Tax	467,039,833	357,594,253		415,029,124	
Customs	1,052,525,263	44,842,299		42,769,045	

Source: data provided by TAK and Customs by request of assessment team

Based on the analysis and supporting evidence, the score for this dimension is C.

In order to score higher, the volume of revenue arrears should be below 20% of the total revenue collection in the last completed year.

Performance change since the previous assessment

There are three areas of improvement in the revenue administration practice, and they concern mainly the deployment of electronic EDI module on claims, review, and refund of funds. The second improvement is the full deployment of the system SIGTAS and third the strengthened control in risk assessment approach assessing compliance of revenue payers. The other reform of note is in the area of arrears management, the function is now centralised in one unit and this restructuring is already making a positive impact with a 38% increase of arrears collection.

Recent or ongoing reform activities

The government is currently exploring tax reviews and the main tax laws are being revised based on recommendations from the IMF and the EU. There are currently working groups on each tax law and a main working group on drafting a memo with all the recommended changes. Historically informality in the economy was a contentious issue for Kosovo as it impacted on the forecasting of domestic revenue. However, in 2020, one of the unintended consequences of the Government response to the pandemic was an increase in declarations of both direct taxes and number of employees. Additionally, with the World Bank, a team at the MoFLT is working on estimating the tax gap. It is believed that the reforms in the new PFM Reform Strategy 2022 will help improve future revenue collections.

PI-20. Accounting for revenue

Summary of scores and performance table

Indicator/Dimension	Score	Brief justification for score
PI-20 Accounting for revenue	A	M2 (AV) method
20.1 Information on revenue collections	A	Treasury at MoFLT obtain revenue data daily from both revenue collecting entities
20.2 Transfer of revenue collections	A	Both revenue collecting entities transfer on daily basis the collection directly to TSA
20.3 Revenue accounts reconciliation	A	Both entities reconcile assessments, collections, arrears, and transfers to the Treasury at least monthly

General description of the characteristics of the indicator within the scope covered

This indicator assesses procedures for recording and reporting revenue collections, consolidating revenues collected, and reconciling tax revenue accounts. It covers both tax and nontax revenues collected by the central government. It contains three dimensions and covers period as of time of assessment.

20.1. Information on revenue collections

Performance level and evidence for scoring the dimension

Table 20.1: Information on revenue collection

Collecting entity	Category of revenue	Total amount collected ¹⁴	Frequency of data transfer to the central agency	Transferred data characteristics (Y/N):		
				Broken down by revenue type	Consolidated into a report	Consolidated
TAK	All tax and fee		Daily	Y	N	Y
Kosovo Customs	All duties and fees		Daily	Y	Y	Y

The information on revenue collection is received through a Treasury Single Account on daily basis. The information is broken down by source and revenue category. Hence, the score for this dimension is A.

20.2. Transfer of revenue collections

Performance level and evidence for scoring the dimension

Table 20.2: Transfer of revenue collections

Collecting entity	Category of revenue	Frequency of revenue collections transfer to the Treasury
Tax Administration of Kosovo	All categories of tax and fees	Daily at close of business day
Customs of Kosovo	All categories of duty and fees	Within 24 hours at close of business or by mid next day

Both Tax and Customs revenue collecting agencies transfer the collections to STA within 24 hours. Tax and customs payers make their payments into commercial banks accredited by the Treasury. The payments are then transferred to STA, which is held by the Treasury in Central Bank of Kosovo. The budget organisations pay directly into Central Bank of Kosovo that keeps the Treasury account. The process of transferring revenue collection has not changed since last PEFA assessment. Hence, the score for this dimension is A.

20.3. Revenue accounts reconciliation

Performance level and evidence for scoring the dimension

Table 20.3: Revenue accounts reconciliation

Collecting entity	Category of revenue	Frequency	Timeline	Type of reconciled data (Y/N):			
				Assessments	Collections	Arrears	Transfers to Treasury
TAK	Tax	Monthly	Within 4 weeks	Y	Y	Y	Y
Kosovo Customs	Duty	Monthly	Within 4 weeks	Y	Y	Y	Y

¹⁴ As described under PI-19 to determine the materiality

TAK has a module for reconciling taxes assessed and actually paid. The system automatically identifies taxes paid or due, or tax debt which after 60 days becomes arrear. Total arrears are calculated and disaggregated by category each month.

Due to the specific area of Kosovo Customs, duties are paid with customs clearance in order for the imported good to enter the country. Thus, arrears are insignificant and rarely incurred. There is a daily reconciliation of taxes and customs duties paid into commercial banks and receipts of these into STA held by Treasury in the Central Bank of Kosovo (CBK).

All transfers to STA are done between the revenue collection entities (TAK and Kosovo Customs) and Treasury. The collection and transfer system of revenue functions as intended with monthly reconciliation of assessed and collected amounts and arrears and transfers to Treasury. The level of arrears is monitored. Hence the score for this dimension is A.

Performance change since the previous assessment, where applicable

There is no change in the revenue accounting function since last PEFA assessment.

PI-21. Predictability of in-year resource allocation

Summary of scores and performance table

Indicator/Dimension	Score	Brief justification for score
PI-21 Predictability of in-year resource allocation	A	M2 (AV) method
21.1. Consolidation of cash balances	A	All cash balances are consolidated on a daily basis
21.2 Cash forecasting and monitoring	A	A cash flow plan is prepared by each BO for the fiscal year and is updated monthly considering all actual inflows and outflows
21.3 Information on commitment ceilings	A	Budget organizations can plan and commit expenditure for at least 12 months in advance in accordance with budget appropriations
21.4 Significance of in-year budget adjustments	A	There were no significant in-year adjustments in FY 2020.

General description of the characteristics of the indicator within the scope covered

This indicator assesses the extent to which the central MoFLT is able to forecast cash commitments and requirements and to provide reliable information on the availability of funds to budgetary units for service delivery. It contains four dimensions, and the time period of assessment is for 21.1. at time of assessment and for 21.2, 21.3 and 21.4 last completed fiscal year.

The STA, all central and subnational government accounts which are centralised and reconciled and consolidated by the Treasury at MoFLT on a regular basis. The Treasury department is responsible for the payment of expenditures, budget implementation monitoring and cash management. It monitors revenues and expenditures, makes cash forecasts, manages debt, and ensures the availability of funds for the implementation of the approved budget.

Treasury operations are implemented using the Kosovo Financial Management Information System (KFMIS). In 2015, this system was upgraded to FreeBalance 7.0 and since then, all budget organisations can access KMIS through the internet. Around 2000 staff have currently access to the KFMIS. These include external auditors

and various financial officers with budget organisations and with MoFLT. They have all had training by MoFLT and have been licensed thereafter. Dependent on their role, they may have the right to read only or to also make records.

Using an Administrative Directive, issued at the beginning of each financial year, the funds are allocated to all budget organisations according to Article 34 of LPFMA and the annual budget laws. All budget organizations prepare and submit their cash plans, based on their cash flow forecasts, to the Treasury within 30 days of the adoption of the Law on Budget. The cash forecasts contain monthly planned expenditure commitments, payments, and own-source revenue. The cash flow projections are reviewed by the Treasury who then informs all budget organisations on the planned allocation of funds that are registered in KFMIS. The Treasury prepares monthly and quarterly updates of the cash flow forecasts on the basis of revised expenditure and revenue collection.

21.1. Consolidation of cash balances

Performance level and evidence for scoring the dimension

Cash consists of funds held in the Central Bank of Kosovo, commercial banks, as well as cash in hand with the respective BOs (petty cash and open and unjustified advances held by budget organizations, Note 39) open advances and cash equivalents, diplomatic missions' funds. The government manages the cash funds using the Treasury Single Account. There are also funds which are not in the TSA but appear in the Annual Financial Statements (Note 37 in FS 2020). They are referred as cash in transit and represent money received in commercial banks, which were not transferred to the TSA. The table below shows all cash in TSA and out of TSA for FY 2020. 96% of all cash is in TSA and are consolidated on daily basis. Hence, the score for this dimension is A.

Table 21.1: Consolidation of cash balances

Bank and cash - List of accounts	FY 2020	Frequency of reconciliation
Total cash (financial assets, Note 33 in AFS)	329,950	
<i>Total cash balance in TSA (Note 34, in AFS)</i>	<i>316,897</i>	Daily
Cash in other accounts not part of TSA (Cash in transit, Note 37 in AFS)	4,851	
Cash in hand (petty cash, Note 39 in AFS)	2,744	
Diplomatic missions accounts (Note 38 in AFS)	1,751	
Other	3,707	
Share of TSA cash balance	96%	

Source: Annual Financial Statements for FY2020

21.2. Cash forecasting and monitoring

Performance level and evidence for scoring the dimension

The Treasury is responsible for the payment of expenditures, budget implementation monitoring and cash and debt management. It consolidates and monitors the cash forecasts prepared by all BOs ensuring the availability of funds for budget execution.

There are annual forecasts of cash inflows and outflows that are the basis of the cash flow plans submitted by all BOs to the Treasury. They are recorded and thus linked to budget implementation and the commitment plan of the budget organisations. The cash flows plans are prepared at the beginning of the fiscal year, and they are updated monthly based on actual inflows and outflows. Any revision of the cash flow is requested by the budget organisation and verified by the Treasury. The ongoing reform for cash flow is to establish a monthly limit, thus there will be updated expenditure and the system will generate daily reports on cash flow. Currently, the cash flow allocation is quarterly.

Budgetary organisations' commitments and cash flows are forecast and monitored by the MoFLT. There is effective cash flow planning, monitoring, and management activities by the Treasury that facilitates the predictability of the availability of funds for budgetary units. Evidence of the preparation of cash flow forecasts by a Treasury was provided. Two forecasts are made, one by Treasury and one in Macro Fiscal Department. The cash flow forecast is based on the request of BO and Macro Department make the forecast for fiscal purpose and updates this monthly. Based on the information and supporting evidence provided, the score for this dimension is A.

21.3. Information on commitment ceilings

Performance level and evidence for scoring the dimension

In compliance with the LPMFA, cash plans are implemented within the approved limits of the for-budget obligations. Treasury allows budget organisations to commit funds for expenditures for up to 12 months in advance on the basis of their submitted cash flow plans. The ceilings for expenditure commitment are provided to the budget organizations in advance, one year before the start of the fiscal year. The control in place makes it impossible for the budget organisation to enter into a contract and incur liabilities without authorisation by the Treasury. In the event of cash shortage, Treasury uses a transparent system to prioritise salary and procurement contract payments. There were no cases and decisions to suspend cash payments for the execution of budgetary obligations. Hence, the score for this dimension is A.

21.4. Significance of in-year budget adjustments

Performance level and evidence for scoring the dimension

The Treasury can only introduce changes to budget allocations when they are and requested by BOs based on a formal request and submission of adjustments to their initially approved cash-flow plans. Changes in the approved budget appropriations and subsequent reallocation of funds are made in accordance with the rules and procedures in the LPFMA (Article 30).

The Minister of Finance can initiate budget amendment during the year of budget implementation considering the impact it will have on the overall budget performance. For this purpose, the Budget Department of MoFLT prepares an economic impact statement that provides the likely effects the proposed adjustment may have on the approved budget. The budget is usually revised in June, but the legislation does not specify any limit on the number of in-year adjustments.

Article 30 of LPFM stipulates that any budget organization may reallocate up to 5% of one appropriation to another, excluding salaries and wages, without approval of the Minister. For any adjustments resulting in transferring amounts from 15 to 25%, the budget organization should seek approval through the MoFLT from the Government. Any adjustments of 25% and above would require the approval of the Assembly.

There were no in-year adjustments to the approved budget in FY 2018 and 2019. The adjustments to the 2020 budget allocation were due to changes of the Government and the fiscal reaction to the COVID pandemic. A Supplementary Law (No. 07/L –014) amending the Budget Law No. 07/L-001 was issued in August 2020. The adjustment of the Budget Law 2020 was not significant (below 5%). They covered transfers and reallocations that are not subject to the restrictions of transfers in Article 30 of LMPFA and therefore, did not require legislative approval.

Based on the above and supporting evidence, the score for this dimension is A.

Performance change since the previous assessment

The situation reported above, is the same as reported and assessed in the previous PEFA (Framework 2011) report.

Recent or ongoing reform activities

There have been technical assistance projects to strengthen the cash management function to allow updating information more frequently and allowing management decisions for reallocations on monthly basis. Currently electronic invoicing is being tested for future use for all payments.

PI-22. Expenditure arrears

Summary of scores and performance table

Indicator/Dimension	Score	Brief justification for score
PI-22 Expenditure arrears	A	M2 (AV) method
22.1. Stock of expenditure arrears	A	The stock of expenditure arrears is less than 2% of total expenditure in the last three completed fiscal years.
22.2 Expenditure arrears monitoring	A	Data on stock, age and composition of expenditure arrears is generated monthly within two weeks of the end of each month

General description of the characteristics of the indicator within the scope covered

This indicator measures the extent to which there is a stock of arrears, and the extent to which a systemic problem in this regard is being addressed and brought under control. It contains two dimensions, and the time period of assessment is last three completed fiscal years for 22.1 and at time of assessment for 22.2.

The provisions for arrears payments are in the Treasury Financial Regulation on reporting outstanding obligations of budget organizations. Invoice received by budget organizations must be paid within the period specified in the contracts or within 30 days of invoice receipt. Treasury can intervene by making an immediate payment of any outstanding invoice not paid within 30 days to ensure that arrears are not incurred. Any outstanding overdue payments should be reported by the budget organizations to Treasury monthly. Commitments should be registered daily and reflected in KFMIS within a month. Typically, arrears are for goods and services and transfers of subsidies. There are no arrears reported on salary and pension payments or court decisions.

22.1. Stock of expenditure arrears

Performance level and evidence for scoring the dimension

In principle Treasury does not allow payment arrears. They have records and monitor commitments and payments made by the budget organisations so that they do not accumulate arrears. To manage this, all invoices are recorded immediately upon receipt, so that Treasury can monitor and follow up to ensure payment. The practice in the calculation of payment arrears has been adjusted to the internationally accepted business practices: invoice is checked for technical compliance and registered in KFMIS; payment period starts when a valid payment claim is registered in KFMIS. Any registered invoice remaining unpaid after 30 days is automatically recognized as an outstanding liability. Reports on expenditure arrears (locally referred to as 'outstanding invoices') are generated by the system at the end of each month. The annual financial statement shows the stock and age of expenditure arrears by each budget organization as Annex 12 in AFS. However, the report on outstanding invoices in AFS is not disaggregated by categories. The annex only segregates the arrears by entity and age and does not provide composition of arrears (which is a new feature of PEFA Framework 2016) providing the type of arrears (arrears for goods and services, salary payments, pension

payments, statutory transfers, court judgements etc.). Reports on categories of arrears do exist but are only for internal use.

Table 22.1: Stock of expenditure arrears: breakdown by different categories [amounts in Euro `000]

	Fiscal year 1 (2018)	Fiscal year 2 (2019)	Fiscal year 3 (2020)
Total stock of arrears at the end of the FY (i)	11,835	24,159	20,270
Total actual expenditure for the FY¹⁵ (ii)	1,979,559	2,152,546	2,334,943
Ratio (i)/(ii)	0.60%	1.12%	0.87%

Source: AFS 2020

Based on the above and supporting evidence, the score for this dimension is A. The score is based on the data on arrears presented in the AFS.

22.2. Expenditure arrears monitoring

Performance level and evidence for scoring the dimension

The Government monitors identified expenditure arrears. The age of arrears is strictly controlled so that they do not accumulate. Monitoring is done monthly. This monthly report provides information on the stock of arrears, the age of arrears and the composition of arrears (segregation of arrears by responsible entity and type of arrears). Supporting evidence by source, type and age of arrear was provided for FY 2020 and in May FY 2021. Hence, the score for this dimension is A.

Table 22.2: Expenditure arrears monitoring: breakdown by different categories

Category of arrears	Data generated (Y/N):			Frequency	Timeline
	Stock	Age	Composition		
Category 1: Salaries	Y	Y	Y	Monthly	Two weeks
Category 2: Goods and services	Y	Y	Y	Monthly	Two weeks
Category 3: Transfer and subsidies	Y	Y	Y	Monthly	Two weeks
Category 4: Investment capital	Y	Y	Y	Monthly	Two weeks

The Government reports separately (Annex 20 in AFS) on payments made do to court and executive decisions.

Performance change since the previous assessment

The key performance improvement since the 2015 PEFA assessment is the coverage of age profile in the Annual Financial Report (Annex 12 in AFS). The age profile information is updated monthly and, within two weeks after the end of the month.

¹⁵ As described under PI-1

PI-23. Payroll controls

Summary of scores and performance table

Indicator/Dimension	Score	Brief justification for score
PI-23 Payroll controls	B+	M2 (AV) method
23.1 Integration of payroll and personnel records	B	There is full documentation supporting all changes made in the payroll and the personnel records each month. Data is updated monthly and checked against the previous month's payroll data. Payment, staff hiring, and promotion is controlled by a direct link of the payroll system with the approved budget personnel allocations/staff positions.
23.2 Management of payroll changes	A	Changes in the personnel records and payroll are updated monthly in time for the following month's payment. The retroactive adjustments show correction of less than 1% for both FY2020 and as of the time of assessment.
23.3 Internal control of payroll	B	Authority and basis for changes to personnel records and the payroll are clear and adequate to ensure high integrity of data.
23.4 Payroll audit	A	Payroll is conducted annually for all central government bodies, weaknesses identified are consistently addressed by the Payment Division to implement the audit

General description of the characteristics of the indicator within the scope covered

This indicator is concerned with the payroll for public servants only: how it is managed, how changes are handled, and how consistency with personnel records management is achieved. Wages for casual labour and discretionary allowances that do not form part of the payroll system are included in the assessment of non-salary internal controls, PI-25. This indicator contains four dimensions, and the time period of assessment is as follows: 23.1, 23.2 and 23.3 at time of assessment, for 23.4 last three completed fiscal years.

The payroll function was relocated from the Ministry of Public Administration to MoFLT to enable direct electronic contact between budget organization and payroll system. Payroll Division within Treasury is responsible for processing monthly payrolls for payments in KFMIS. There is a Human Resource Management System managed at MPA where new vacancies are approved. Recruitment is done by the budget organizations within the approved payroll and personnel budgets. All budget organizations have full access to personnel files and payment orders and can electronically report changes in personnel records directly to Treasury.

23.1. Integration of payroll and personnel records

Performance level and evidence for scoring the dimension

The payroll management of the central government of Kosovo is centralised in the Treasury at the MoFLT. All segments of the central government public service are covered in one centralized payroll. The function was originally in the Ministry of Public Administration. In 2015 it was transferred to the Treasury following a government, decision that the payroll function should be linked to the KFMIS in Treasury. This enabled all procedures from allocation to execution to be interlinked in one system. The Payroll Division procedures are currently being updated. This Division is part of the Administration and IT Directorate of Treasury.

There is semi-automatic integration between personnel, payroll, and budget data. The payroll is not automatically linked to the personnel database/staff list of all budget organisation. A list of staff with personnel

data is verified against the approved salary budget allocations. The controls allow the BO to insert updates for staff employment, such as dismissal, promotion, and transfer to another position within the government. This ensures that all changes are made and verified against the approved personnel budget allocations on monthly basis and in time for salary payment. Changes in the personnel database affecting the payroll of an employee are made electronically with human intervention. Hence, the score for this dimension is B. A higher score requires that the link between personnel database and payroll is automatic, i.e., without human intervention.

23.2. Management of payroll changes

Performance level and evidence for scoring the dimension

The payroll database has codes for all BOs as programmes and sub programmes, which correspond to those in the approved salary budget so that the system can track the new employees and leavers.

The payroll system (SQL 7) was established in 2004 on a web-based server. The budget organization submit their personnel changes request to the Payroll Division by e-mail from 1st to 11th each month. All changes requests are manually entered in the system between 11th and 18th day each month. All changes are inserted, processed and the salaries are calculated by 24th each month. The payroll and personnel records are updated monthly in time for salary payment. Procedures for data entry and management of personnel records and changes are clearly defined in and complied with.

Changes that occur after the payroll preparation are considered in the next month. As organizations update payroll lists each month, before preparing the payroll, changes are made in a timely manner and retroactive adjustments are insignificant. The retroactive corrections in FY 2020 were reported as 0.57% of the total gross salary volume. The situation in the first two quarters of FY 2021, when the adjustments in salaries are 0.58%. Hence, and based on the evidence the score for this present is A.

23.3. Internal control of payroll

Performance level and evidence for scoring the dimension

Internal control procedures for changes in personnel data and their incorporation in the payroll have improved since the last 2015 PEFA assessment. This has been primarily through moving the payroll operations from the Ministry of Public Administration to the Treasury at MoFLT.

There are effective internal controls applied to salary calculation, data update and payment. The system restricts the authority to enter changes into the database and calculation and payment of salaries through requiring individual changes requests from each budget organization and verification against the approved budget allocations. The system provides an audit trail through tracking every entry and potential manipulation of the system is strictly controlled. The system generates payroll reports and keeps a history of all changes made with details of the authorizing officers. Therefore, the data is considered to be accurate. Personnel data is managed by a specialised HR management system where changes are authorized by a human resource officer within each budget organization. The HR system provides an audit trail for all changes.

There is automatic linkage between the payroll system, KFMIS and the Central Bank. This has improved budgetary control in the processing of the payroll. As there is still human intervention in the payroll management process, it is considered that there is high but not full integrity of data. However, the data is considered to be accurate

The procedures and practices generate a full audit trail between the systems. This has reduced the possibility of errors. After each payroll payment, a report is generated by both KFMIS and the Central Bank, which allows control and eliminates potential inconstancies. Based on the information and supporting evidence, the score for this dimension is B.

A higher score would require enhancements in the authorisation and audit trail to ensure the accuracy and integrity of data. This is linked to the required automatic link in PI-23.1.

23.4. Payroll audit

Performance level and evidence for scoring the dimension

There is no specific payroll audit done by NAO in the last three years. Payroll is audited as part of the annual budget performance audit of the Treasury. The NAO does not consider payroll to be an area of high risk

Internal control weaknesses have significantly reduced in the payroll processes since the transfer of the payroll management function to Treasury, and the automatic verification against the approved payroll budget.

The latest NAO audit report did not identify any issues in payroll control. Payroll audit is done regularly, weaknesses identified are consistently addressed by the Payment Division to implement the audit recommendations. Hence, the score for this dimension is A.

Performance change since the previous assessment

The integration of payroll and personnel database has been strengthened by applying verification control checks between the HRMS and the approved payroll budget coded in the KFMIS. This theoretically reduces technical errors but assessments in 2015 and 2020 shows high levels of compliance with controls and retroactive adjustments remain consistently under 1%. Full integration of HRMS and KMIS is still partially achieved. The payroll audits are part of the regular financial audit of MoFLT.

Recent or ongoing reform activities

The process of improving the linkage between personnel records of the public administration in Kosovo and the payroll will continue in 2021. Currently the terms of reference are being developed for development partner assistance to achieve fully automatic integration of personnel and payroll databases.

PI-24. Procurement

Summary of scores and performance table

Indicator/Dimension	Score	Brief justification for score
PI-24 Procurement	A	M2 (AV) method
24.1 Procurement monitoring	A	The procurement database covers information and data for all contracts including what has been procured, value, duration, who has been awarded the contract. The data is accurate and complete and subject to annual audit by NAO
24.2 Procurement methods	A	The total value of contracts awarded through competitive methods in the last FY 2020 represent 86% of the total value of procurement contracts
24.3 Public access to procurement information	A	The key procurement information is made available to the public and covers legal framework, procurement plans, bidding opportunities, contract awards, resolution of complaints and annual procurement statistics
24.4 Procurement management complaints	A	There is a Public Procurement Review Body which meets all criteria

General description of the characteristics of the indicator within the scope covered

“This indicator examines key aspects of procurement management. It focuses on transparency of arrangements, emphasis on open and competitive procedures, monitoring of procurement results, and access to appeal and redress arrangements. It contains four dimensions and uses the time period is last completed fiscal year.

The two budget organisations key to the public procurement regulation are the: i) the Public Procurement Regulatory Commission (PPRC) and ii). Public Review Body (PRB). PPRC is the main government institution responsible for regulation of procurement function and implementation of the e-procurement in Kosovo that started in 2016. The implementation of the e-procurement system was supported by a World Bank project, Public Sector Modernization Project. The E-procurement system in Kosovo is a centralized and unified system covering all possible procurement processes from procurement planning to payment. PPRC is responsible for the overall development, operation, and supervision of the public procurement system in Kosovo. The Law also gives to PPRC the mandate to establish and maintain the e-procurement website providing c full access to the public for all information concerning Public Procurement in Kosovo.

The PPB is independent administrative body established by the Law on Public Procurement (Article 96). It has a board of five members, who are selected by the Assembly, one is the chairperson responsible for the management of PRB. There are 25 civil servants’ staff, of which 7 are review experts. Currently, the PRB receives technical assistance from USAID and the British Embassy to develop on-line sessions on appeal proceedings. Additionally, to its responsibilities on reviewing public procurement appeals, the PRB is also responsible for granting concessions for the treatment of complaints in relation with these laws.

The Law on Public Procurement has been amended its original launch in 2008. The Public Procurement Law was issued in 2011 (No. 04/L-042) and amended and supplemented by the Law No. 04/L-237, Law No.05/L-068 and Law No. 05/L-092 aligning the function with EU public directives.

With the latest adoption of the new amendment of the Law on Public Procurement in 2016, the legal framework on procurement has been improved. The main legal change made in 2016 introduced the opportunity to economic operators to complain in the first instance to the contracting authorities and then as a second instance to file appeals with the Public Review Body. This twofold complaint procedure was put introduced to decrease the number of complaints at the PRB.

PPRC is an independent body reporting to the Assembly of Kosovo, consisting of four departments: i). Rules Department, ii). Monitoring Department, iii). Training Department, and iv). IT Department. The PPRC monitors the contracting authorities during the entire procurement process from preparation to publication in real time. They advise on any concern or irregularity.

PPRC is responsible for primary and secondary legislation on public procurement. The e-procurement system was introduced over the last five years. The E- procurement platform was launched in 2016. Thus, the responsibilities were expanded to include maintaining the e-procurement portal. The system covers 185 contracting authorities and 8000 economic operators.

The PPRC produces an Annual Public Procurement Report to the Assembly in the first quarter of the next year. The FY2020 report was issued in March 2021.

PPRC is responsible for the overall development, functioning and supervision of the public procurement system in Kosovo. It is managed by a Board of five members. They are nominated by the Government and appointed by the Assembly of Kosovo. According to the Law on Public Procurement, within the PPRC is established the

Review Panel, which have the competence to review the complaints received by the PPRC, from interested parties on allegations of violations of the LPP.

One of the functions of PPRC is to create and maintain an informative internet page that provides the public unlimited access to all information on public procurement in Kosovo.

The Chamber of Commerce of Kosovo has been consulted on efficiency and clarity of procurement procedures, transparency, and access to information, complaints, and charges. The general view is that the law and practice are comprehensive and function well. There is dissatisfaction with the work of the Procurement Review Body. The business needs more digitalisation of services and, more e-procurement and reporting, and improved effectiveness of the Public Review Body.

24.1. Procurement monitoring

Performance level and evidence for scoring the dimension

The PPRC provides full public procurement information through the following: i) coordinates work and manages the integrated information portal of public procurement, determines requirements for the implementation of public procurement; ii) carries out coordination, oversight, methodological support, conducts analysis to identify the reasons and circumstances that prevent effective organization of public procurement, takes measures to eliminate them; iii). prepares proposals to improve the efficiency of public procurement procedures, ensures their implementation; and iv). keeps electronic register of procurement on goods, works and services providing full access to the integrated information portal of public procurement.

E-Procurement database (developed by the World Bank applying OECD standards for publication of procurement data) registers all procurement activities. The Tender documentation is public. The registers provide information value, volume, price per unit, supplier/contractor, and duration. The electronic database covers all procurement methods. The procurement data is accurate and complete for all procurements. The National Audit Office of Kosovo has permanent access to the electronic database and can select and audit sample in real time remotely. There is regular annual audit of public procurement function. Based on the information and supporting evidence, the score for this dimension is A.

24.2 Procurement methods

Performance level and evidence for scoring the dimension

Table 24.2: Method of Procurement for FY 2018, FY 2019, and FY 2020 (in Euro)

	<i>Method of Procurement</i>	<i>FY 2018</i>	<i>Share</i>	<i>FY 2019</i>	<i>Share</i>	<i>FY 2020</i>	<i>Share</i>
1	Open procedure	559,457,759	89%	690,524,312	88%	430,276,184	86%
2	Restricted	3,835,108	1%	4,917,180	1%	367,591	0%
3	Design Contest	439,267	0%	977,714	0%	630,662	0%
4	Competitive with negotiations (two stage bidding)	0	0%	330,247	0%	0	0%
5	Negotiated procedure without publication of contract notice (Article 35 on annex contracts for up to 10% of unforeseen supplies)	51,658,935	8%	68,443,389	9%	56,807,918	11%
6	Quotation (under Euro 10,000 value)	12,123,642	2%	12,356,309	2%	7,601,746	2%
7	Minimal value	4,107,976	1%	3,846,883	0%	3,627,805	1%

Competitive procurement methods (1+2+3+4+5+6+7)	100%	100%	100.00%
TOTAL	631,622,686	781,396,035	499,311,907

Source: PPRC

The data on all procurements was provided for all three years of assessment. However, for the assessment of this dimension only the data of FY 2020 was assessed. The most recent data is provided only for information and to indicate the consistency in the procurement practice of using the employing competitive method. The evidence of the volume of tenders procured through competitive method for FY 2020 shows that 86% were procured as open bid procedure. Hence, the score for this dimension is A.

24.3. Public access to procurement information

Performance level and evidence for scoring the dimension

Key procurement information made available to the public comprises:

Element/ Requirements	Met (Y/N)	Evidence used/Comments
(1) legal and regulatory framework for procurement	Y	e-procurement portal - https://e-prokurimi.rks-gov.net/
(2) government procurement plans	Y	e-procurement portal – https://e-prokurimi.rks-gov.net/
(3) bidding opportunities	Y	e-procurement portal – https://e-prokurimi.rks-gov.net/
(4) contract awards (purpose, contractor, and value)	Y	e-procurement portal – https://e-prokurimi.rks-gov.net/ Contract awards with details on value and contractor are made public
(5) data on resolution of procurement complaints	Y	e-procurement portal – https://e-prokurimi.rks-gov.net/ All decision on complaints is made public
(6) annual procurement statistics	Y	e-procurement portal https://e-prokurimi.rks-gov.net/ There is Annual Public Procurement Report issued by PPRC on performance, it is issued in the first quarter of the year following the reporting one. The Annual Report for FY 2020 was issued in March 2021.

The access to complete, reliable, and timely procurement information is available on the websites of PPRC and PRB. Public dissemination of information on procurement processes and their outcomes are key elements of transparency. Good information system is available and functioning effectively in generating public access, timely and reliable data on procurement transactions and all related information free of charge.

The requirements are met for all six elements. All procurement related information, data and statistics is publicly accessible on the website of the PPRC. Hence, the score for this dimension is A.

24.4. Procurement complaints management

Performance level and evidence for scoring the dimension

Complaints are reviewed by a body that:

Element/ Requirements	Met (Y/N)	Evidence used/Comments
(1) is not involved in any capacity in procurement transactions or in the process leading to contract award decisions	Y	All members of the Appeal Panel are not involved in the tender evaluation or contracting process.

(2) does not charge fees that prohibit access by concerned parties	Y	There are fees charged when applying for appeal. It is 1% of project value, or minimum Euro 100 and maximum Euro 5000. The fee is charged in order to pay remuneration to external experts, technical and IT experts that are involved in the appeal consideration and in the resolution. The Chamber of Commerce made it clear that the fees would not prevent the business from appealing.
(3) follows processes for submission and resolution of complaints that are clearly defined and publicly available	Y	The process of submission and resolution of complaints is well defined and publicly available on the website of review body (
(4) exercises the authority to suspend the procurement process	Y	The chairperson establishes a review panel for each filed complaint, if all required information is regular and sufficient, suspending the procurement process.
(5) issues decisions within the timeframe specified in the rules/regulations	Y	Decision is issued within 10 days of appeal submission. The complainant has four days to disagree followed by a final session of discussion in live streaming mode. Expertise report is published with the appeal decision.
(6) issues decisions that are binding on every party (without precluding subsequent access to an external higher authority)	Y	The decision of the review panel is final and binding and is to be executed by Contracting Authority. Next degree of review is the court. Court decision may not interfere with the procurement procedures.

There is an independent, administrative complaint resolution mechanism. It can be resorted to as a second instance, the first being the contracting authority. Submission and resolution of complaints is processed in a transparent, independent, and timely manner. The appeal practice permits going to a higher authority in the general court system. It was not verified by businesses if the fees charged for the appeal would prevent them from appealing. The Public Review Body functions separately from the procurement authority and it is not influenced by the contracting authorities. Its governance arrangements and staff and revenue panel member's selection process ensure independence.

The requirements are met for all elements, hence, the score for this dimension is A.

Performance change since the previous assessment

The reforms since the last PEFA assessment are live streaming of appeal panel review sessions, electronic assessment of tenders, unified decisions per type of irregularity, and one Board member is involved for small claims, access to e-portal for information, review, and control purposes.

Recent or ongoing reform activities

Ongoing improvement of practices through development partner assistance.

PI-25. Internal controls on non-salary expenditure

Summary of scores and performance table

Indicator/Dimension	Score	Brief justification for score
PI-25 Internal controls on non-salary expenditure	A	M2 (AV) method
25.1 Segregation of duties	A	There is appropriate segregation of duties prescribed in the rules and procedures for expenditure payment, there are clear responsibilities.

25.2 Effectiveness of expenditure commitment controls	A	The rules and procedures of payment enforce level of controls that limit the expenditure commitments to the projected to appropriated budget allocations
25.3 Compliance with payment rules and procedures	A	All payments are compliant with regular payment procedures. The rejected payments which represent the exception to the payment rules and procedures are about 1% in FY 2020

General description of the characteristics of the indicator within the scope covered

This indicator measures the effectiveness of general internal controls for non - salary expenditures. Specific expenditure controls on public service salaries are considered in PI-23. It contains three dimensions and coverer time period as of time of assessment.

The public finance internal control function is defined in Law on Public Finance Management and Accountability (Law No. 03/L-048), the Treasury Financial Rules and Procedures and the Book of Processes for Management of Public Expenditures (Book of Processes) issued in September 2017. The document has been prepared with the assistance of EU and it covers all budget organizations through providing guidance for financial management focussing on risk and identification of effective control activities. The objective of the guidelines is to enhance levels of accountability, systems and processes controls and strengthened performance and governance. The system of internal control is managed by the Public Internal Financial Control (PIFC) policy monitored by the Central Harmonization Unit for Financial Management and Control (CHU/FMC). The CHU/FMC is to provide oversight and direction in implementing the PIFC policy.

The CHU prepares an annual report consolidating the functioning of PIFC system in the budget organizations covering the performance of FY 2020. It provides analysis using the components of the COSO model. The evidence show that the functioning of the information and communication component is highest followed by the control environment, control activities, monitoring and finally risk management. The risk management component is assessed as the weakest point in the FMC system.

The PIFC policy provides for devolution of functions to the budget organization. They process the payments directly ensuring high level of autonomy and accountability. All controls are done through Kosovo Finance Management Information System (KFMIS), to which all budget organizations are electronically linked. The KFMIS is controlled by the Treasury Department at MoFLT.

25.1. Segregation of duties

Performance level and evidence for scoring the dimension

For all operations done and verified in the Treasury system, there are instructions on segregation of duties that are complied with by all budget entities. These instructions are embedded in the KFMIS limiting the operational access at different levels of authority. All contracts signed by the budget entity are registered in the Treasury system, thus available and allocated funds are checked and verified. When a payment request is being made, there are different persons checking, signing, and approving. For payments, the order is signed by two persons ensuring the four-eye principle. The approving officials are the accountant and the head of the respective budget organisation. Payment of balances, for example for goods delivered, is made only against signing of acceptance by two persons.

The integrity of the KFMIS is ensured by limiting individual access to the system through assigning differing levels of authority. The heads of the budget organisations are responsible for the reliability of the data generated in the automated system, as well as the timely and accurate production of reports.

All budget operations must use the Single Treasury Account managed by the Ministry of Finance. Treasury procedures ensure segregation of functions. Expenditure transactions are authorised by the heads of the budget organisations. Recording and accounting of payments are done by the Treasury function. Public procurement officials monitor progress, acceptance of goods, services and works contracts is certified by different officials of the procuring entity. Audits are done by internal and external audit personnel who are operationally independent.

Based on the information and supporting evidence, the score for this dimension is A.

25.2 Effectiveness of expenditure commitment controls

The government's payment obligations are within the limits of annual budget allocations and projected cash availability. This is verified by the volume of expenditure arrears (PI-22) which are low during all three years of assessment.

There are comprehensive commitment controls integrated in the KFMIS preventing all budget organization from incurring unapproved and unauthorized commitments. The internal control system, in the regulations and procedures (Book of Processes), limits payments only to the pre-commitment arrangements. Cash flows plans are prepared by all budget organisations allocating the spending of funds. BOs can make multi-annual commitments for three years, but the expenditure is fixed only for the current year. Additional controls were introduced in October 2020 due to an attempted break into the system by an employee with the intent of stealing public funds.

When there are insufficient approved funds, it is permitted to transfer funds from underspent categories applying the principles of virement. Often the needs are more than the allocated fund. However, there is a limit of reallocating from one category to another. Funds can be moved within one budget organization and only in the last quarter of the fiscal year. It is at this time that the Government from all budget organisations to report what was spent to date and the balance of that will not be spent. Thereafter adjustments are made, so that there is no outstanding obligation carried forward to the next year. For capital investment projects payments can be spread over a number of FY.

There are no instances when committed expenditure were increased and generated budget review or payment obligations beyond the budget ceilings. All financial controls prescribed in the Treasury Rules and Procedures are integrated in the KFMIS. The budget implementation controls provide for the following: i). control at the level of budget allocation appropriated to each budget organization; ii). cash allocation covered by budget appropriation; iii) expenditure commitment control ensuring that commitments are within the budget allocations and that funds cannot be committed for expenditure if there is no budget allocation; iv). funds are committed prior to commencement of public procurement process; v). Registration of contracts allowing KFMIS to block payment to made through the system if there is no budget allocation for it.

Based on the evidence above, the score for this dimension is A.

25.3. Compliance with payment rules and procedures

Performance level and evidence for scoring the dimension

Treasury rules and procedures (Financial Rule no.2) govern the spending of public money. Budget organizations generally operate in accordance with the established rules and procedures for financial management. The error rates in routine financial transactions are monitored and reports can be generated from the system in real time. These can be subjected to checks by internal and external auditors.

A report was provided with a list of rejected payments for FY2020, showing the volume of non-compliant transactions registered at Treasury totalling Euro 25,578,000 (approximately 1% of budget expenditure).

The Annual Audit Report of NAO for 2019 did not reveal any material incidences of non-compliance with rules, it did find delays in payments to suppliers.

Based on the available evidence, the score for this dimension is A.

Performance change since the previous assessment

Following the adoption of the Book of Processed in 2017, the internal control system has been strengthened and there is improvement in applying s controls and enhancing accountability.

Recent or ongoing reform activities

There is an initiative with the PPRC to introduce digital invoicing system which would allow public procurement commitments for more years and for the duration of the procurement contract.

PI-26. Internal audit

Summary of scores and performance table

Indicator/Dimension	Score	Brief justification for score
PI-26 Internal audit	B+	M2 (AV) method
26.1 Coverage of internal audit	B	Internal audit is operational in 83% of the total planned budget expenditures and 100% of the total planned revenue collections for FY 2020.
26.2 Nature of audits and standards applied	A	International internal audit standards are applied. The internal audit checks the effectiveness of the internal control system, and the practice of quality assurance exists for all 42 units
26.3 Implementation of internal audits and reporting	B	Annual audit plans exist for all internal audit units. Most of the plans are completed, as evidenced by data provided and internal audit reports.
26.4 Response to internal audits	A	There is documentary evidence of management response to internal audit recommendations for all audits performed with two weeks timing of the response.

General description of the characteristics of the indicator within the scope covered

This indicator assesses the standards and procedures applied in internal audit. It contains four dimensions, and the time period of assessment is for 26.1 and 26.2: as time of assessment, for 26.3 last completed fiscal year and for 26.4: last three completed fiscal years.

The legal framework for the internal audit function is in the Law on Internal Audit (Law 03/L-128) that came into effect in September 2009, with focus on audits based on International Standards for the Professional Practice of Internal Auditors. This stand-alone law was abolished and incorporated into the Law on Internal Financial Control and International Internal Auditing Standards (No. 06/21) in 2018 and the Law on PIFC (No. 06/L-021).

The institutional arrangements for internal audit are as follows:

- i) Central Harmonization Unit within MoFLT responsible for internal audit and financial management policies, guidance on the application of the respective methodologies, monitor implementation of internal

control and internal audit, assessing the capacity and the process in place. The Internal Audit Unit within the CHU provides for capacity building of the internal auditors. An annual report is prepared on activity of internal financial control and internal audit. It is submitted to the Government.

- ii) 42 Internal Audit Units in central government budget organizations.

26.1. Coverage of internal audit

Performance level and evidence for scoring the dimension

The internal audit function is established in 42 central government budget organizations accounting for: i). 83% of the total planned budget expenditure for FY 2020; and 100 % of the total planned revenue collection for the same year. There is a detailed annual activity report monitoring the internal audit activities of all 42 budget organizations. There is manual of internal audit procedures, Code of Ethics, Guidelines on preparation of audit findings, International Standards for the Professional Practice of Internal Auditing. All these documents are publicly available. This annual internal audit activity report provides complete data on number of auditors, audit committees, planned and completed audits, reports and recommendations made and implemented. It constitutes sufficient evidence of operational audit function in these BOs. Audit Committees are established in nearly all BOs. Internal Audit reports of budgetary organizations were provided as evidence.

Based on the above, the score for this dimension is B.

The coverage of the established internal audit units in the central government should be at least 90% in order to qualify for A score.

26.2. Nature of audits and standards applied

Performance level and evidence for scoring the dimension

The internal audit standards prescribed are the International IA Standards of the Institute of Internal Audit. The Internal Audit reports provided show that the audit goes beyond the audit of compliance of financial transactions. These audits show analysis of reliable and comprehensive financial data, effectiveness of internal control system and if there are internal control procedures which expose the organization to material risk. In 2018, a technical assistance project developed and established the procedures of quality assurance process which is used for all 42 central government internal audit units. The internal audit strategic plan is produced on the basis of risk assessment approach and probability and likelihood of occurrence.

Based on the analysis and supporting evidence, the score for this dimension is A.

26.3. Implementation of internal audits and reporting

Performance level and evidence for scoring the dimension

There is a three-year Strategic Audit Plan and annual internal audit plans prepared by all internal audit units. The annual plan identifies the audit topic and audit objective based on risk assessment. The annual activity report of internal audit, which is a consolidated audit performance document of all operational central government internal audit shows the data of planned and actually completed audits in each of the 42 internal audit units. The data shows that the percentage of completed vs planned audits is 86%. There are audit reports for completed audits which are submitted to the respective head of BO and to the CHU.

Based on the data and supporting evidence provided, the score for this dimension is B.

The percentage of completed vs planned audits should be at least 90% in order to qualify for A score.

26.4. Response to internal audits

Performance level and evidence for scoring the dimension

Action is taken by management on internal audit findings. Two weeks after the production and submission of the internal audit report, the respective budget organization management prepare an action plan with a timetable for the implementation of audit recommendations with details on activity, responsible official and deadline. Thus, there is added value by the internal audit function. The response of management is in taking appropriate action to implement the audit recommendations. The volume of implemented audit recommendations in FY 2020 was only 41% while some recommendations may take more time to implement. There is management response to all completed audits. The typical areas of weaknesses identified by the internal auditors cover segregation of duties, non-compliance with public procurement procedures, and budget execution with wrong classification codes, delayed payment, and irregular payments.

Based on the information and supporting evidence provided, the score for this dimension is A.

Performance change since the previous assessment

There is improvement in the coverage of internal audit. The performance of internal audit has been enhanced as a result of the technical assistance interventions in the application of international standards and practices.

Recent or ongoing reform activities

There are current ongoing project developments with the CHU in the area of internal audit

PILLAR SIX: Accounting and reporting

PI-27. Financial data integrity

Summary of scores and performance table

Indicator/Dimension	Score	Brief justification for score
PI-27 Financial data integrity	A	M2 (AV) method
27.1 Bank account reconciliation	A	Due to the STA system, reconciliation of all active bank accounts takes place daily at aggregate and detailed level
27.2 Suspense accounts	N/a	There are no suspense accounts.
27.3 Advance accounts	A	Advance accounts are reconciled monthly within a month. All advance accounts are cleared in a timely way usually within two weeks
27.4 Financial data integrity processes	B	Access and changes to records is restricted by passwords, they are recorded and result in audit trail (enabling individual accountability), however there is no operational unit in charge of verifying financial data integrity

General description of the characteristics of the indicator within the scope covered

This indicator assesses the extent to which treasury bank accounts, suspense accounts, and advance accounts are regularly reconciled and how the processes in place support the integrity of financial data. It contains four dimensions assessed at time of assessment.

Collection and spending of public money are realised through STA. It comprises of a main account with sub-accounts created for each budget organisations collecting public revenues within the STA. Funds from all sub-accounts are transferred daily to the main Treasury account. Revenues are deposited directly to the STA or to commercial banks in Kosovo licensed by the Treasury. Expenditure payments for all budget organisations are paid directly from the STA.

There is a specific procedure established for daily accounts reconciliation and all the accounts are reconciled usually in the same day. This is relevant to reconciliations of active accounts, provided that the inactive accounts were reconciled while they were still active. In accordance with LPFMA, the accounting and reporting function is done by the Treasury, specifically by the Accounting, Monitoring and Reporting Unit. The Accounting Division part of the Unit is responsible to maintain accounts, to advise on application of rules, to correct errors in transactions, to set up codes on the Chart of Accounts.

27.1. Bank account reconciliation

Performance level and evidence for scoring the dimension

All central government bank accounts of all budgetary organisations are regularly reconciled between the bank and the Treasury system. All government accounts are in the KFMIS, and all sub-accounts are reconciled on a daily basis by the Reconciliation Unit, within the Treasury. The Treasury Department submits all sub-accounts reports to the revenue collecting entities electronically, on a daily basis. These reports enable budget organisations to enter their revenues collected into KFMIS, classified by revenue type and economic code. There are no unreconciled accounts. Bank accounts are reconciled on a daily basis and in January of each year, a full reconciliation is made before the annual financial statements are prepared. Based on the above, the score for this dimension is A.

27.2 Suspense accounts

Performance level and evidence for scoring the dimension

Currently, the Treasury does not hold any suspense accounts to manage public money. Therefore, this dimension is NA.

27.3. Advance accounts

Performance level and evidence for scoring the dimension

Table 27.3: Advance accounts reconciliation and clearance

Type of advance account	Frequency of reconciliation	Timeline for reconciliation	Timeline for clearance
1. Petty cash up to 100 Euro	Monthly	Monthly	Monthly
2. Travel	Two weeks	Two weeks	Monthly
3. Embassies	Monthly	Monthly	Monthly

Treasury has opened specific TSA sub-accounts for advances and petty cash management. Advance payments are provided mainly for travel purposes, including those for petty cash. The petty cash advances are provided by requests for petty cash payments. These are payments of less than 100€ for small spending needs and advances for travel expenses. The Head of the Finance Office or each budget organization provides daily reports for accounting and reporting purposes. Travel advance payments for official and approved travel needs are retired through the presentation of documentation of expenses within two weeks from funds receipt. All travel expenditure is made through one commercial bank contracted specifically for advance payments by Treasury. The reconciliation of advances is automatic. At the end of each month, all available or undocumented funds are refunded to the TSA.

Based on the above, the score for this dimension is A.

27.4. Financial data integrity processes

Performance level and evidence for scoring the dimension

The access to information, including read-only and the authority to create, modify and change records is traceable in the KFMIS where all budget organisations are integrated as users. The network is web based and all data is accessible in real time on the Treasury server.

The Treasury IT Division and two external analysts from FreeBalance (the commercial name of KFMIS) supervise the system. They provide access, test any modifications, train staff, and certify the users. Any access to the KFMIS is requested in writing by the Finance Office of the budget organisations. Treasury IT Division will create a username and password. Any errors rectification can be made by request to the Chief Financial Officer, a General Secretary of a ministry or a mayor in municipality. Supervision is managed by the IT Division of Treasury who can track who entered when and did what. Another level of control is to halt the system automatically if an attempt to enter error is made three times. The system prompts update of the password in 45 days. Password reset is verified by e-mail.

There are rules, regulations or procedures for access and recording of changes to records. These are specified in the financial management and control procedures of Treasury, and they require a unique password for access to the system. The password can be changed only by two level of authority, i.e., by two persons. Apart from the internal audit function, there is no dedicated unit in charge of verifying financial data integrity.

The Financial Intelligence Unit, which is an independent function within the MoFLT and report to the minister, monitor and block all irregularities detected, signalled, or intercepted in the payment system. They have reading rights in the KFMIS and can see all transactions. NAO also have direct access to the system and can monitor and make checks remotely. The regular internal audit process also contributes to data integrity.

Based on the information and supporting evidence, the score for this dimension is B. There is no operational unit in charge of independently verifying financial data integrity which is the reason for score B.

Performance change since the previous assessment, where applicable: The practice and functions have not changed since the last PEFA 2015 assessment.

Recent or ongoing reform activities: The current reforms in the area of accounting and reporting is for transition to accrual basis that is also planned with a view of EU accession. Training has already started, the CHU on IA/FMC will prepare the accrual basis policies and what resources are needed for the transition. This will be followed by legislative changes. It is anticipated that the transition to accrual accounting in all government organisations will take between five to ten years.

Another reform underway with relevance to advance payments for travel purposes is to open personal codes and accounts for each government official. Currently, only the General Secretary and the Minister can use credit cards.

PI-28. In-year budget reports

Summary of scores and performance table (M1)

Indicator/Dimension	Score	Brief justification for score
PI-28 In-year budget report	B+	M1 (WL) method
28.1 Coverage and comparability of reports	A	In-year reports cover data that allows comparison to the original budget, and it includes all items of budget estimate.
28.2 Timing of in-year budget reports	A	Budget execution reports are prepared monthly quarterly and are issued within two weeks and four weeks, respectively, from the end of the period
28.3 Accuracy of in-year budget reports	B	There may be concerns regarding data accuracy, issues are highlighted in the report and the data is useful for analysis of budget execution, which is provided in the six-month report. Expenditures are captured at both commitment and payment stages

General description of the characteristics of the indicator within the scope covered

This indicator assesses the comprehensiveness, accuracy, and timeliness of information on budget execution. In-year budget reports must be consistent with budget coverage and classifications to allow monitoring of budget performance and, if necessary, timely use of corrective measures. This indicator contains three dimensions and covers last completed fiscal year.

The TSA and KFMIS allow production of any budget data. Being connected to KFMIS for accounting and reporting functions, all budget organizations can generate any budget report throughout the year. This

facilitates management and reporting on public finances. The Treasury prepares quarterly and monthly in-year financial reports through KFMIS.

28.1. Coverage and comparability of reports

Performance level and evidence for scoring the dimension

The in-year reports are presented at the same level of details as the approved budget. This coverage allows comparison of the original budget estimates, with the actual reported information on allocations, commitments, and expenditures. The classification of data allows direct comparison to the original budget. The information includes all items of budget estimates. The in-year budget reports cover actual expenditure of all budget entities. Expenditure is covered at both commitment and payment stages. All in-year budget reports produced by Treasury are available on the website of MoFLT.

Based on the above, the score for this dimension is A.

28.2. Timing of in-year budget reports

Performance level and evidence for scoring the dimension

Table 28.2: Timing of in-year budget reports for the last completed fiscal year

Period covered by the report	Actual date of issuance
Monthly in-year budget reports	Two weeks after end of month/by 15 next month, not required to be published
Quarterly in-year budget reports (six-month, nine-month)	4 weeks to prepare, only the quarterly reports are published

The Treasury prepares consolidated monthly and quarterly budget implementation reports. The quarterly reports are issued within 4 weeks of the end of the period, while the monthly reports are within two weeks of end of period. The monthly reports are not available to the public as they are intended for internal purposes. The quarterly reports are published and provided to the Assembly.

Based on the above, the score for this dimension is A.

28.3. Accuracy of in-year budget reports

Performance level and evidence for scoring the dimension

In-year budget reporting is done in accordance with Article 45 of the LPFMA. The reports are periodic and therefore not subject to external audit. They are approved by the Government and submitted for consideration to the Assembly.

The quality of information has improved, however, there are still areas to be enhanced. The main concerns are due to misclassification and errors in coding.

In 2020, the MoFLT issued a regulation on how to classify capital projects in an attempt to reduce the incidences of misclassification. Miscoding may occur in the procedure for litigation payments that are to be made by Treasury. Such issues are caused by miscoding or errors in the budgeting process, and they were also reported by NAO. They report misclassification of expenditures has led to overstatement of capital expenditures and understatement of recurrent expenditures. The reasons for this stem from errors at the

budget planning stage and payments made from wrong categories. The situation has improved with the new regulation on classification.

Based on the information and the supporting evidence, the score for this dimension is B. To score A, there should be no material concerns regarding data accuracy.

Performance change since the previous assessment: There is no change in performance since the last PEFA assessment in 2015. The new regulations issued by Treasury on classification and coding will be implemented in the budget execution of FY2021.

Recent or ongoing reform activities: none reported

PI-29. Annual financial reports

Summary of scores and performance table

Indicator/Dimension	Score	Brief justification for score
PI-29 Annual financial reports	A	M1 (WL) method
29.1 Completeness of annual financial reports	A	Financial reports are prepared and are comparable with the classification used in the approved budget. They contain information on revenue, expenditure, financial and tangible assets (Annex 7 and 8 in AFS), liabilities and guarantees, and a reconciled cash flow statement
29.2 Submission of reports for external audit	A	The annual financial reports are submitted for external audit within 3 months of the end of the fiscal year.
29.3 Accounting standards	A	International IPSAS cash-basis accounting standards as applied in all financial reports. The standards used are disclosed in notes.

General description of the characteristics of the indicator within the scope covered

This indicator assesses the extent to which annual financial statements are complete, timely, and consistent with generally accepted accounting principles and standards. This is crucial for accountability and transparency in the PFM system.

The Annual Financial Statements of Kosovo Government are prepared in accordance with LPFMA no. 03 / L-048, and, applying the International Public Sector Accounting Standards (IPSAS 2017 applicable since 2019) - Financial reporting in accordance with the cash-based accounting principle. The notes to the financial statements are an integral part of understanding the statements. The expenditures are categorized according to the economic and functional classification based on the IMF's government financial statistics. They apply to central government and local government budget organisations.

29.1. Completeness of annual financial reports

Performance level and evidence for scoring the dimension

Table 29.1: Financial reports of BCG

Financial report ¹⁶	Date annual report submitted for external audit	Content of annual financial report (Y/N):			Reconciled cash flow statement (Y/N)
		Expenditures and revenues by economic classification	Financial and non-financial assets and liabilities	Guarantees and long-term obligations	
FY 2018, FY 2019, and FY 2020	Within three months after year end Exception: AFS for FY2019 submitted late July 2020	Yes: Statement of receipts and payments in cash for the Government Expenditure: Note 26-31 in AFS Revenues: Notes 2-15 and 34-44, Annex 10	Yes: Consolidated statement of financial assets and balance of funds for the Government Note 32-, Annex 12-13, Annex 19-20 in AFS	Yes: Annex 21 in AFS	Yes: Consolidated statement of the comparison of budget with the execution for the Government with inflow and outflow. Note 33

The quality of the information contained in the annual financial reports is good and is presented in a unified format for all three years. The information is based on recorded budget and budget implementation from KFMIS. The reports of all three years of assessment contain identical financial data presented in the following consolidated statements: i) Statement of receipts and payments in cash for the Government of Kosovo; ii). Consolidated statement of the comparison of budget with the execution for the Government of Kosovo; iii). Consolidated statement of financial assets and balance of funds for the Government of Kosovo. There are notes and annexes which are integral part in understanding of the AFS.

Based on the information presented above and annual financial reports being the supporting evidence, the score for this dimension is A.

29.2. Submission of reports for external audit

Performance level and evidence for scoring the dimension

Article 46 of LPFMA sets a deadline of 31 March of the following year for submission of AFS to the Government of Kosovo and to the NAO. The annual consolidated AFS are always prepared and submitted to Kosovo Government and NAO within this time limit with the exception of FY2019 when they were returned by NAO for technical errors and finally submitted on 22 July 2020. The audit report by NAO is to be completed by 31 August.

Fiscal Year	Date of submission of AFS to external audit (NAO)
FY 2018	29 March 2019
FY 2019	25 March 2020, returned for corrections and resubmitted on 22 July 2020
FY 2020	19 March 2021

Based on the information presented above and the supporting evidence (Letters of Transmission), the score for this dimension is A.

¹⁶ This may be a consolidated financial report or a list of financial reports from all individual BCG units.

29.3. Accounting standards

Performance level and evidence for scoring the dimension

Articles 43 and 45 of LPFMA stipulate that MoFLT is responsible for the preparation of the annual financial statement of the consolidated budget. There are no national accounting standards. The Annual Financial Statement are prepared in accordance with IPSAS-cash basis. All NAO reports for the three years of assessment support this assertion. Assets and liabilities by all budget organisations are fully disclosed as required by IPSAS-cash basis. There are notes on the financial reports relating to the standards applied.

Based on the above the score for this dimension is A.

Performance change since the previous assessment: There are no changes since the last PEFA assessment in 2015.

Recent or ongoing reform activities: No

PILLAR SEVEN: External scrutiny and audit

PI-30. External audit

Summary of scores and performance table

Indicator/Dimension	Score	Brief justification for score
PI-30 External audit	B+	M1 (WL) method
30.1 Audit coverage and standards	A	The National Audit Office has analysed financial reports including revenues, expenditures, assets, and liabilities of all central government entities for fiscal years 2017, 2018 and 2019. ISSAIs were applied consistently. The audits have highlighted any relevant material issues and systemic and control risks.
30.2 Submission of audit reports to the legislature	B	All Annual Audit Reports were submitted to the legislature within six months from their receipt by the Kosovo National Audit Office for the last three completed fiscal years.
30.3 External audit follow-up	B	There is clear evidence of a formal and comprehensive, and to some extent also timely response made by the executive or the audited entity on audits for which follow-up was expected, during the last three completed fiscal years.
30.4 Supreme Audit Institution independence	A	Clear evidence exists of effective and timely follow-up by the executive of all audited entities (hence, not limited only to those for which follow-up was expected), during the last three completed FY.

General description of the characteristics of the indicator within the scope covered

A reliable and extensive external audit is an essential requirement for ensuring accountability and creating transparency in the use of public funds. External audits provide an opinion and the level of assurance that information in financial reports is accurate and contains no material errors that would affect the reports' interpretation. This helps to ensure budget outcomes by giving stakeholders an accurate picture of financial results. Indicator PI-30 is concerned with the characteristics of the external audit. It contains four dimensions and uses the M1 (WL) method for aggregating dimension scores.

External audit in Kosovo is done out by the Auditor-General and the National Audit Office. The Auditor-General reports to the Assembly of the Republic of Kosovo and is entitled to audit all financial, administrative and other activities, programs and projects managed by public institutions. This institution was established in 2003, by the United Nations Interim Administration Mission in Kosovo (UNMIK). Initially, the Auditor General were international officials, however, since 2016, the Auditor General is headed by a Kosovar national nominated by the President. In the same year, a new Law on Auditor-General and National Audit Office was promulgated (Law No. 05/L-055 on AG). Since 2020, NAO is a full member of the International Organization of Supreme Audit Institutions (INTOSAI) and the European Organisation of Supreme Audit Institutions (EUROSAI).

The Constitution, states that "The Auditor-General of the Republic of Kosovo addresses the Assembly: (1) to report on the execution of the State budget; (2) to give an opinion on the report of the Government on its expenditures of the previous year before it is adopted by the Assembly; and (3) to inform the Assembly on conclusions of audits when requested. Also, the Auditor-General of the Republic of Kosovo submits an annual report on the activities of the office to the Assembly." The Law on Auditor-General and the National Audit Office of the Republic of Kosovo provides further guidance. For example, it defines the duties of the Auditor-

General and the National Audit Office, types of audits, and procedures for submission of audit reports to the National Assembly.

30.1. Audit coverage and standards

Performance level and evidence for scoring the dimension

As presented in Table 30.1, the National Audit Office has analysed financial reports including revenues, expenditures, assets, and liabilities of almost all central government entities for fiscal years 2017, 2018 and 2019. Exceptions are the budget of the Kosovo Intelligence Agency, the Radio and Television of Kosovo, the Central Bank (which is audited by a commercial external auditor), and the NAO (which is audited by a commercial external auditor). The total budget of these three agencies is immaterial when compared to the total budget (approximately 1%).

Table 30.1: Number and share of central government entities audited

Fiscal years	Number of all CG entities	Expenditure of all CG entities	Number of audited CG entities	Expenditure of audited CG entities	Share of audited expenditure
FY 2017	56	1,465,886,649	54	1,443,306,683	98%
FY 2018	57	1,560,486,825	55	1,537,744,428	99%
FY 2019	53	1,667,538,788	51	1,644,956,005	99%

Audit reports contain a detailed analysis of expenditures and revenues, a statement of assets in cash and balance of funds, analysis of the fiscal deficit, domestic and external debt, assets and stocks, accounts receivable and liabilities, and payments according to court and enforcement decisions. In addition to that, employment figures are presented, including those of employees outside the payroll and with special service agreements. In its second part, the implementation of recommendations from the previous audit report is discussed (at a consolidated level and by individual budget entities).

Audit opinions on all financial statements are provided and supplemented with a description of the internal control environment, procurement compliance with the regulatory framework. The audit reports produced by NAO for the years 2017-2019 are based on the International Standards on Supreme Audit Institutions (ISSAIs).

Based on the evidence provided, the score for this dimension is A.

30.2. Submission of audit reports to the legislature

Performance level and evidence for scoring the dimension

The table below shows when the Ministry of Finance, Labour and Transfer submitted its financial statements to the National Audit Office 2017, 2018 and 2019. It also shows when NAO submitted the audit reports to the Assembly General.

Table 30.2: Timing of audit report (Annual Financial Report of the Budget of Kosovo) submission to the legislature

Fiscal years	Dates of receipt of the financial reports by NAO	Dates of submission of the financial audit reports to the legislature
Annual Audit Report for 2017	26 March 2018	Before 31st August 2018
Annual Audit Report for 2018	29 March 2019	30 August 2019
Annual Audit Report for 2019	25 March 2020	28 August 2020

All Annual Audit Reports of the Government’s Annual Report on the management of the Kosovo Budget were submitted to the legislature within six months from their receipt by NAO for the last three completed fiscal years.

Therefore, based on the above the score for this dimension is B.

30.3. External audit follow-up

Performance level and evidence for scoring the dimension

Follow-up of external audit recommendations is regulated by the Law on the Auditor-General, and the 2019 Kosovo National Audit Office and Rules of Procedure on Implementation of Audit and Action Plans.

Article 23 of the law, the NAO must present in its Annual Audit Reports the most important conclusions and recommendations from all audit’s activities. On receipt of the audit report, the auditee must prepare an action plan setting out how it will implement the NAO recommendations. This action plan is sent to the NAO and the National Assembly Committee for Oversight of Public Finances. NAO is expected to “conduct interim audits during the financial year, including follow-up on the implementation of recommendations from previous audits and an analysis of the measures taken on the basis of these recommendations” (Article 21 of the Law). NAO is required to summarise the progress in the implementation of recommendations via a report, which must be submitted to the General Assembly by September 30 and March 15 annually (Article 14 of the Rules and Procedures).

Auditees had a high-level of compliance with legislation. Auditees send their implementation action plans to NAO and the General Assembly, typically containing findings and recommendations from the Annual Audit Reports, and listing for each recommendation planned management actions, responsible entities, and the deadline.

The table below shows a summary of the number of recommendation and the status of these for 2017 – 2019 inclusive:

Table 30.3: Implementation of recommendations from Annual Audit Reports (central institutions only)

Fiscal years	Number of recommendations for central institutions in the Annual Audit Reports	Implemented recommendations	Partially implemented recommendations	Unimplemented recommendations	Closed recommendations
Report for 2017	307 (100%)	112 (36%)	57 (19%)	138 (45%)	0
Report for 2018	357 (100%)	144 (40%)	59 (17%)	103 (29%)	51 (14%)
Report for 2019	274 (100%)	111 (41%)	32 (12%)	101 (37%)	30 (11%)

Since audited entities submitted written responses systematically addressing the audit findings and recommendations (evidence was provided supporting that), the follow-up by the executive can be considered

clear and effective. Many recommendations were not implemented or partially implemented, and they were repeated in Annual Audit Reports in the following year(s). This cannot be considered timely follow-up, preventing the award of an A score.

Accordingly, the score for this dimension is B (“A formal, comprehensive, and timely response was made by the executive or the audited entity on audits for which follow-up was expected, during the last three completed fiscal years”).

30.4. Supreme Audit Institution independence

Performance level and evidence for scoring the dimension

The independence of Kosovo’s supreme audit office is assured by the Law on Auditor-General and the National Audit Office. According to this law, NAO shall exercise its functions independently from any other body or authority (Article 6) and have financial, managerial, and administrative independence as well as sufficient human, material, and financial resources (Article 13). The Auditor-General shall be “functionally, financially and operationally independent and shall not be subject to direction or influence by any person or institution” (Article 4). Furthermore, “the Auditor-General, the Deputy Auditor-General, the Assistant Auditors-General and the other persons authorised to conduct audit are fully independent and legally protected on exercising of their legal duties authorised by this law” (Article 27).

This law states that the Auditor-General is accountable to the Assembly for performing the duties and powers set forth by the Constitution, this Law, in sub-legal acts and internationally recognised public sector auditing standards (Article 4). As per the Constitution, the Auditor-General is elected and dismissed by the General Assembly, by a majority vote of all its deputies and on the proposal of the President (Article 136). The Auditor-General shall be appointed for a term of five (5) years, following a selection and interview process that is open, impartial, and transparent (Article 4).

The law also states that the Auditor General shall have complete discretion in the performance or exercise of their functions and powers. In particular, they shall not be subject to any direction about whether or not a particular audit is to be conducted, how it will be done, or what to prioritise (Article 4). In practice, in none of the three years assessed, no cases of interference by third parties in the work of NAO has been identified.

Arrangements for publicizing reports are defined in Article 7. All work of the NAO shall be made public, and NAO must publish on its website all individual audit reports, all Annual Audit Reports, NAO’s Annual Performance Report, internal guidelines and regulations, and any other information regarding NAO and its activities. The NAO published all regularity audit reports (financial and compliance) and performance audit reports (122, 128 and 127 in 2018, 2019 and 2020 respectively).

As the NAO is financed from the Consolidated Kosovo Fund, the NAO is obliged to follow the budget process in the Law on Public Financial Management and Accountability. The legislation governing operations of NAO stipulates that it is required to have sufficient human, material, and financial resources. In the past three years, NAO submitted a budget request to MoFLT consistent budget ceiling set by MoFLT. This budget ceiling covered current commitments and new spending initiatives (investments) planned by NAO. In each of the three years assessed, 100 percent of funds budgeted for salaries (which make up 72 percent of NAO’s budget) were spent, while the spending rate for the other categories (costs of goods and services, utilities, and capital expenditures) averaged 93 percent.

The Law on the Auditor-General and NAO stipulates that “the Auditor General shall have unrestricted access to all information and explanations that they deem necessary for audit purposes” and that “they are entitled to full and free access to audit at all reasonable times property or documents whether on paper or in electronic form” (Article 25). No interference has been reported for any of the years assessed.

The Law on Public Officials from 2019 changed the legal status of auditors employed in the NAO. This law granted auditors the employment status of civil servants. In the following year, the Constitutional Court of Kosovo decided that this provision did not apply to employees of NAO (and other independent institutions) on grounds of the principle of the “separation of powers” and that the law must be amended accordingly, which reconfirmed the establishment of functional and organizational independence of the Auditor-General and NAO.

To summarise, NAO operates independently from the executive when appointing and removing the Auditor General, the planning of audit engagements, arrangements for publishing reports, and the approval and execution of NAO’s budget. This independence is assured by law. NAO has unrestricted and timely access to records, documentation, and information.

Based on the above, the score for this dimension is A.

Performance change since the previous assessment: This dimension is not directly comparable with the equivalent from the last report (PI-26 (i)). While both cover the scope of audit performance and adherence to international standards, the new methodology now includes a materiality requirement. In the common aspects of this dimension, there have been no significant changes and the score remains A. The second dimension also changed, as it now recommends a shorter period for submission of audit reports to the legislature. Its equivalent in the 2016 assessment reported a similar situation and as such a score of B’s remains. The score of the third dimension, too, remains the same. The fourth dimension is new.

Recent or ongoing reform activities: In 2020, the NAO extended their portfolio of audits and did the largest number of regularity audits since its establishment. In parallel, they have updated their manuals and working papers in line with International Standards on Auditing and good international practices, have digitalised the audit work process, and have launched an e-audit system. In the same year, they have been integrated in the International Organisation of Supreme Audit Institutions and the European Organisation of Supreme Audit Institutions and signed a three-year bilateral cooperation agreement with the Swedish National Audit Office. Finally, they have completed preparations for doing compliance audits (which have been separated from financial audits) and plans to increase the number of performance audits done annually.

PI-31. Legislative scrutiny of audit reports

Summary of scores and performance table

Indicator/Dimension	Score	Brief justification for score
PI-31 Legislative scrutiny of audit reports	C+	M2 (AV) method
31.1 Timing of audit report scrutiny	D	The Oversight Committee for Public Finances typically scrutinises the audit reports within less than three months, and also considers and debates them in plenary sessions (full chamber). However, this was not the case in 2019 no Oversight Committee existed when the whole-of-the government report was sent in) and neither has this been done afterwards nor do there seem to be plans to do this in the future.
31.2 Hearings on audit findings	A	In-depth interviews were held with all budget organisations that received a qualified or adverse opinion or disclaimer from NAO.

31.3 Recommendations on audit by legislature	C	Typically, the legislature endorses NAO's recommendations on actions to be implemented by the executive. There is very little, if any, follow-up on these recommendations during the year.
31.4 Transparency of legislative scrutiny of audit reports	B	All hearings are conducted in public. Around one half of the Committee, reports are debated in the full chamber of the legislature (the ones that require a vote), while the others are reviewed at the level of the Committee. The plenary sessions are broadcasted in the media and proceedings are published on General Assembly's website.

General description of the characteristics of the indicator within the scope covered

This indicator focuses on legislative scrutiny of the audited financial reports of the central government, including institutional units, to the extent that either (i) they are required by law to submit audit reports to the legislature or (ii) their parent or controlling unit must answer questions and act on their behalf.

Usually, this is done through a legislative committee or commission(s) that examines the external audit reports and questions auditees on the findings of the reports. A report on the results of this review would ideally be submitted for consideration and debated in the full chamber of the legislature. The time horizon relevant for this indicator is the last three completed fiscal years (i.e., 2017-2019) and only institutions of the central government are covered. It contains four dimensions and uses the M2 (AV) method for aggregating dimension scores.

In Kosovo, the role of legislative scrutiny of audit reports sits with the General Assembly's Committee for Oversight of Public Finances. Its scope of work and competencies are set by the Rules of Procedure of the Assembly (2010). Those rules define that this body is, among others, responsible for (i) supervision of the legality of public money expenditures based on audited annual and periodic reports and statements, as well as audit reports of NAO; (ii) supervision of NAO's audit reports on budget organizations and public enterprises; (iii) supervision of performance reports drafted by NAO; (iv) supervision of public expenditures, through reports of budget agencies, upon special request of the committee; (v) tasks directly related to reviewing the operations NAO, and (vi) organising public hearings ("For the purpose of obtaining information on a subject under debate, a committee may hold public hearings of experts, public organizations, representatives of interests groups and other persons", Article 66 of the Rules of Procedure of the Assembly).

31.1. Timing of audit report scrutiny

Performance level and evidence for scoring the dimension

The timing of audit report scrutiny is presented in the table below.

Table 31.1: Timing of audit report scrutiny

	Dates of receipt of the financial audit reports	Dates of scrutiny by the legislature	Date of consideration in the Plenary Session
Audit Reports for 2017	Aug 31, 2018	Oct 16, 2018	Dec 21, 2018
Audit Reports for 2018	Aug 30, 2019	Not reviewed	Not reviewed
Audit Reports for 2019	Aug 31, 2020	Oct 22, 2020	Nov 27, 2020

This dimension covers the duration of the scrutiny of audit reports – whether it lasted three, six or twelve months (or less than that) – and the time period it covers is three years. The Oversight Committee for Public Finances typically scrutinises all audit reports within less than three months, and also considers and debates them in plenary sessions (full chamber). That was the case in 2018 and 2020. However, in 2019, Kosovo was

operating under extraordinary circumstances - the country had no legislature from August to December 2019 and while the National Audit Office forwarded the whole-of-the-government Annual Audit Report to the Oversight Committee on time (end of August), the Parliament had already been dissolved and the report could not be reviewed on time (and neither has a later review taken place, as required by the constitution of the Parliament, nor do there seem to be plans to review it in future). The scores for this dimension are calibrated to focus on the duration of the review, and for any score above D, reviews must have been carried out in all three years.

As this did not happen in 2019, the score for this dimension is D.

31.2 Hearings on audit findings

Performance level and evidence for scoring the dimension

This dimension assesses the extent to which in-depth hearings on key findings of NAO take place. Here, in-depth hearings have the following meaning: including representatives from NAO to explain the observations and findings, as well as from the audited agency to clarify and provide a remedial action plan.

For any score higher than D, the methodology requires in-depth hearings. The other aspects considered are the regularity of the hearings and the number of audited entities considered.

Table 31.2: Timing of audit report scrutiny

	No. of budget organisations that received a qualified or adverse opinion or disclaimer	No. of budget organisations with which the Committee had in-depth hearings
Audit Reports for 2017	5	5
Audit Reports for 2018	6	6
Audit Reports for 2019	0	0

Based on the evidence in the table above, the Oversight Committee for Public Finances held in-depth interviews with all budget organisations of the central government that received a qualified or adverse opinion or disclaimer from the NAO. These hearings are held annually, following the submission of audited financial statements of individual budget organisations and the Annual Audit Report by NAO to the legislature. Representatives of NAO are present in the hearings, as well as representatives from the audited budget organisation, hearings are held with individual BOs based on a pre-arranged schedule. These hearings discuss implementation action plans for recommendations issued by NAO.

Based on the evidence above, the score for this dimension is A.

31.3. Recommendations on audit by legislature

Performance level and evidence for scoring the dimension

This dimension is concerned with the extent to which the legislature issues recommendations to audited budget organisations and follows up on the implementation of those recommendations.

The preparation of action plans for implementing NAO recommendations is the responsibility of budget organisations. Kosovo National Audit Office reviews these plans with budget organisations and agrees recommendations on how to implement them. The Committee on Oversight of Public Finances also prepares recommendations, usually endorsing NAO recommendations. These recommendations are discussed at the level of the Committee (rather than in plenary session), all hearings are public, and the minutes are published on the website of the General Assembly. However, the Committee has no systematic processes for tracking

recommendations' progress i.e., action (or lack thereof) taken on recommendations - the Committee reports that it had insufficient resources and capacity during the period of concern to do this.

Based on the above, the score for this dimension is C. A higher score would require that there is clear evidence of effective and timely follow-up by the executive on the implementation of audit recommendation.

31.4. Transparency of legislative scrutiny of audit reports

Performance level and evidence for scoring the dimension

This dimension assesses the transparency of the scrutiny function, reflected by public access. Hearings can be 'open' in a variety of ways, which range from allowing exceptional public access to the Committee room, over inviting members of the public to speak, and the transmission of the proceedings by the mass media. Below is a summary of how this was done in Kosovo in the assessment period:

- In 2018, 34 meetings of the Committee on Oversight of Public Finances were held (all open to the public), additionally one public hearing on the review of the Annual Financial Report for 2017.
- In 2019, 11 meetings of the Committee on Oversight of Public Finances were held (e all opens to the public), in addition to two public hearings.
- In 2020, 20 meetings of the Committee on Oversight of Public Finances were held (all open to the public).

All meetings were open to the public, irrespective of the nature of the discussion. However, approximately 50% of reports were debated in the full chamber. The proceedings from those debated and voted on in plenary sessions were published on the General Assembly's official website and the sessions were broadcast on television. The current situation merits a score between B and C. Since the performance relating to the number of hearings held in public would be an A score.

Based on the above, the score for this dimension is B. A higher score would require that the Committee reports are published.

Performance change since the previous assessment

This was covered by indicator PI-28 in the 2011 PEFA methodology. Some of its dimensions had different requirements and one dimension is new, which makes the indicator not directly comparable. However, the performance for the timeliness of audit report scrutiny has improved (scrutiny is now usually completed within two months, while in 2013, it took five months). The number of hearings by the Assembly on key findings has also improved – the Committee on Oversight held hearings with all budget organisations that received a qualified, adverse or disclaimer opinion. Finally, for the management of recommendations by the legislature, in the previous assessment, follow-up was not a requirement which lowered the initial score of B to C. The fourth dimension is new.

Recent or ongoing reform activities

The Public Finance Oversight Committee reported that their practices have changed to include a systematic follow-up of the implementation of recommendations. In the first half of 2021, the Committee held meetings with all budget organisations to discuss their implementation plans. At the time this section was written, the Committee was organising a second round of meetings with individual budgetary organisations who had received a qualified audit opinion, to follow up on their progress in implementing the Committee's recommendations.

4. Conclusions of the analysis of PFM systems

4.1 Integrated assessment of PFM performance

Pillar I: Budget reliability (PIs 1-3)

The scores for the first three indicators of the PEFA Framework suggest that there are some issues on budget reliability that need to be addressed by the Government of Kosovo. Whilst aggregate outturns have been reasonably close to the approved budget (score B), the outturn by economic classification (PI-2 scored D) is below standard. There are significant differences between the actual composition (of expenditure and revenue) and the approved budget. The minimal use of contingency reserves is a positive sign. The outturn of revenue (PI-3 score B+) is good. There are insignificant aggregate differences. The revenue composition variance has been modest varying between 4-5%.

The assessment of budget reliability shows that the budget is generally realistic and implemented as intended. What is still not reliable, is the variance between planned and actual economic classification.

Pillar II: Transparency of public finances (PIs 4-9)

The budget classification system is consistent with international GFS/COFOG standards, budget preparation, implementation and reporting are based on every level of administrative, economic, and functional classification (PI-4). However, Kosovo does score low on PI-5 for the information provided to Parliament in the budget documentation. Seven (7) out of twelve (12) elements of the requisite information are provided, including only one (1) basic element. The documents which are not provided in the budget documentation are: (i) the current fiscal year's budget presented in the same format as the budget proposal; (ii) the previous year's budget outturn, presented in the same format as the budget proposal; (iii) the financial assets, including details at least for the beginning of the current fiscal year presented in accordance with GFS or other comparable standard; and (iv) quantification of tax expenditures.

The assessment for Central Government operations outside financial reports (PI-6) has been consistently sound. All revenue and expenditure are in the Single Treasury Account. This complete picture of revenues and expenditure is essential for aggregate fiscal discipline. This ensures that all resources in financial reports are adequately managed and consistent with government policies and procedures.

The arrangements for financial transfers to subnational governments (PI-7) work well. All revenue accruing from central government is determined by transparent rule-based systems (score A) and local authorities are notified a circular in May how much they can expect to receive in tax revenue, and they have six weeks to complete their planned allocations (score A).

The situation for performance information for service delivery (PI-8 scoring D+) demonstrates that the government does not comprehensively monitor and document the performance on delivery of services to the public. The dimension for performance plans and results show that the information on objectives and performance indicators is available for all government ministries. However, no information is available on the planned outputs and outcomes. This results in difficult to assess a meaningful performance evaluation within the central government. The evaluations of service delivery are done solely by the NAO as part of their performance audit. (PI-8.4 score D). Additionally, information on resources actually received by service delivery units cannot be extracted from the KFMIS (PI-8.3. score D).

Kosovo Government performs very well on the provision of fiscal information to, and access by, the general public (PI-9 score B). There is comprehensive fiscal information available to the public based on seven out of nine elements of information to which public access is considered critical.

The assessment of this pillar shows good transparency of public finances. The information on PFM is comprehensive and consistent but not easily accessible to users especially the published information on service delivery performance, and the ease of access to fiscal and budget documentation.

Pillar III: Management of assets and liabilities (PIs 10-13)

Overall, fiscal risk reporting (PI-10 score C+) is not well performing although there are clear and straightforward procedures. Public corporations submit their financial reports to the Ministry of Economic Development, and they publish them within 6 months in a consolidated performance report usually available in the last quarter of the year. The monitoring of subnational governments is effective and efficient. They all submit information on their financial performance to the Treasury on a regular basis in the KFMIS. Having all funds in the STA, their financial reporting is easily produced and timely as reported in the annual financial report of FY2020, there are significant (5 percent) contingent liabilities of central government.

Public investment management is the subject of a new indicator (PI-11 score C+). The results of economic appraisals are not published, there are standard criteria for project selection, but the total life-cycle costs of each project are not included in budget documentation. The overall weakness in investment management is the lack of transparency.

Public asset management is not managed well (PI-12 score C+). The Government maintains a record of financial assets that is available in the Financial Report of the Budget of Kosovo. The MED monitors the performance of public enterprises, and information is published annually about the performance of each of them. There is an internal register of fixed assets, including information on their usage and age, which is published as an annex in the Annual Financial Statement. A register of land is also maintained but not the subsoil assets. Asset disposal procedures are established and clear, however the process is not transparent. The overall weakness in public investment management is the lack of public access to information related to decision-making and monitoring of investment projects. The lack of transparency refers to the following practices: (i) the results of the economic analysis of capital investment projects are not published for all assessed project proposals; (ii) the projections of the total capital cost of major investment projects are not included in the budget documents for the entire life span but only for the next year; (iii) information on implementation of major investment projects is prepared annually but is not published.

Debt management scores well (PI-13 score A). All three dimensions, recording and monitoring debt and guarantees, debt and guarantees approval, and debt management strategy, meet the criteria for recording, procedures for debt approval and strategy on management and monitoring.

The management of assets and liabilities is not considered effective. The fiscal risks are not adequately identified and monitored. The public investment is well designed but have low transparency. Public asset maintenance is not well planned, and asset disposal information is not included in budget documents. Debt service costs are minimized, and fiscal risks are adequately monitored.

Pillar IV: Policy-based fiscal strategy and budgeting (PIs 14-18)

Generally, performance of PI-14, Macroeconomic and fiscal forecasting, meets the criteria for good performance. Fiscal forecasts are in the required form, there is macro fiscal sensitivity analysis using a range of possible outcomes. The macroeconomic forecasts do not include forecasts of interest rates or the exchange rate. A similar situation applies to PI-15, Fiscal Strategy, where the dimension for the fiscal impact of policy

proposal scores low due to a short-term perspective in estimating fiscal impact of the proposed changes in revenue and expenditure policy. The fiscal strategy is comprehensive, but the final dimension for the reporting of fiscal outcomes receives a C score. The issue is that the budget proposals contain limited explanation of changes in the future fiscal outlook as compared with the forecast produced the previous year. This illustrates the weakness that fresh projections are made each year without considering those made a year earlier; thus, medium-term projections are published each year, but they have little impact in ensuring continuity of planning.

For PI-16, Medium-term expenditure estimates and expenditure ceilings are in place (score B+). Medium-term strategic plans are prepared and the medium-term expenditure estimates including a complete picture of future public investment. Budget are aligned for most of the strategic plans. Finally, there is no explanation of the extent to which expenditure figures differ from the corresponding figures for the same period in the previous year's proposals i.e., there is no consistency between previous and current years' estimates.

The annual budget preparation process (PI-17 score B+) functions well and two of the three dimensions received a high score. There is orderly budget process and procedures ensuring adequate time and information are provided to allow budget proposals to be developed. This increases the likelihood that the process of legislative scrutiny of budgets is well established and effective. The Parliament's review covers fiscal policies and aggregates for the coming year as well as details of revenue and expenditure on long-term perspective. The Parliament's procedures are well established and include public hearings on the Government's proposals as well as scrutiny by specialist committees. However, the last year budget FY2020 was submitted to the Parliament late and was approved after the financial year had started. This affects the score of PI-18 Legislative scrutiny of the budget that scores D+ because of the delayed submission of budget law to the Parliament.

The assessment for this pillar shows that fiscal strategy and the budget are prepared after considering government fiscal policies, strategic plans, and macroeconomic and fiscal projections. The cohesion between policy-based fiscal strategy and budgeting processes enables the government to plan and use the resources in line with its fiscal policy and strategy. The weak area in this pillar is the late timing of the budget approval by the Parliament in two of the three years of assessment.

Pillar V: Predictability and control in budget execution (PIs 19-26)

Both revenue administration entities provide easy of access to information about tax obligations and procedures for appeal (PI-19 score B+). Significant steps are taken to reduce compliance risks by prioritizing and implementing control activities against a formalized compliance improvement plan at both entities. All planned activities are completed in FY2020, and the practice continues to be improved benefiting from the assistance of the IMF. Revenue arrears were less than 40 percent of collections and they do not mature over a year (PI-19.4 score C).

Accounting for revenue (PI-20 Score A) scores well in all three dimensions. Tax revenue is paid directly into Single Treasury Account at the Central Bank of Kosovo with daily notification to tax and customs collection. All revenue is transferred to the Treasury the day it is received. There are monthly reconciliations between Treasury records and those institutions collecting revenue. Reliable information on the availability of funds is received by budgetary organisations so that they can control commitments and make payments. This contributes to the effective service delivery and implementation of the budget as planned.

There is an effective cash management system. The resources owned by the government are used effectively to achieve fiscal objectives and fiscal discipline. Budget organisations can be assured that the approved budget will be available when it is needed. Every receipt and payment are transacted through the STA (PI-21 score A). The STA being centralised at Central Bank of Kosovo, facilitates the consolidation of bank accounts. It allows daily reconciliation of all cash balances. All cash balances (96%) are kept centrally through STA in the Central

Bank of Kosovo. There is a sub-account for each budget organization. All government subaccounts are part of the STA. All TSA accounts are consolidated daily. There are reliable cash flow forecasts that are linked to the budget implementation and the commitment plans. The availability of funds for commitment to budgetary organisations ensure effective service delivery and contribute to the implementation of plans. With the approval of the annual budget law, budget organisations can commit and spend the approved appropriations. Information on commitment ceilings is provided at the beginning of the year. (21.3).

The Government monitors and frequently reports on outstanding payments by applying strict controls of registration of payments in the system, so that timely payments of invoices are monitored monthly. Expenditure arrears with their volume, age and composition are reported and controlled on monthly basis in order to prevent accumulation over time (PI-22 Score A).

Payroll controls (PI-23 Score B+) performs well. There is consistency between personnel records and payroll that is centrally monitored at Treasury. There are no identified financial violations related to payroll. Changes to payroll are fully regulated and promptly administered. The authority to make changes to payroll and personnel data is restricted and controls are effective. The NAO audits payroll annually as part of the regular financial audit.

The payroll management, being the biggest part of government expenditure, has good procedures controls to reduce the possibility of irregularities. This contributes to sound fiscal discipline though payroll expenditures being consistent with the approved budget allocations. There is no evidence of expansion of payroll costs or unpaid salaries. The payroll procedures are embedded in software that is in the process of being directly linked to the personnel database. The relocation of the payroll function from the Ministry of Public Administration to MoFLT allows budget organisations to send the monthly payroll electronically and this has resulted in a reduction in payroll processing errors. The assessment findings for the procedure, for updating the personnel records are the same as the 2015 PEFA assessment. Full linkage between the payroll database and HRMS is still to be implemented. This would lead to improved timeliness of changes.

Public procurement (PI-24 Score A) practice is effective and transparent. There is an electronic system of clear and effective recording of all procurement transactions with all contractual details ensuring relevant information and transparency. Over 80% of FY 2020 contracts by value were tendered using competitive methods. All necessary information is available through the electronic portal. All the criteria for an independent complaints management system are met. The practice focuses on transparency of arrangements, open and competitive procedures, monitoring and publication of procurement results, and access to appeal and redress arrangements.

Internal controls on non-salary expenditure, duties and responsibilities are well segregated (PI-25 score A), the commitments are limited to budgetary appropriations and cash availability and there is a high level of compliance with payments rules and procedures. This leads to an overall Internal control environment that ensures that transactions are made as intended, and resources are used only where appropriate authority has been granted. This process ensures that fiscal discipline is maintained at the micro- as well as the macro-level. It also ensures that resources are allocated as intended and properly authorized and that service delivery has access to and uses the resources provided under legal and regulatory authority and are used only for those purposes.

Internal audit (PI-26 Score B+) has been developing and improving well over the past five-years. 83% of total budgeted expenditure and 100% of total revenue is subject to internal audit with a focus on effectiveness of the internal controls and systems. Most of the planned audits were completed and there is evidence (action plans) that all internal audit reports receive adequate responses on the part of the auditee.

The assessment in this pillar shows that the budget is implemented using a system of effective standards, processes, and internal controls. This ensures that resources are provided and used as intended.

Pillar VI: Accounting and reporting (PIs 27-29)

Treasury bank accounts and advance accounts are reconciled regularly and the processes and controls in place support the integrity of financial data (PI-27 score A). Regular payment of expenditure and transfer of public funds is monitored by at least two independent bodies, Financial Intelligence Unit and NAO. There is reliable reporting of financial information with regular checking and verification of the recording practices. This supports effective internal control and provides good information for management decisions. The Government STA is an account with sub-accounts recording revenues from BOs.

Financial data integrity of PFM systems is satisfactorily. Automated bank reconciliation takes place through the Treasury system and tax transactions are reconciled daily. Timely clearance of advances accounts, while outstanding advances to contractors are reconciled at year-end. Access to the Treasury system is restricted and there is a clear audit trail, but no single body is responsible for overall integrity of financial data.

The STA and KFMIS allow production of reporting of budget data (PI-28 score B+). Being connected to KFMIS for accounting and reporting functions, all budget organisations can generate budget reports throughout the year. This facilitates management and reporting on public finances. The Treasury prepares quarterly and monthly in-year financial reports through KFMIS. The in-year budget reports give an accurate status of budget execution by covering actual expenditure of all budgetary entities. The classification of data used in the in-year budget reports allows direct comparison to the original budget. The information includes all items of budget estimates and expenditure is covered at both commitment and payment stages. Reports are prepared monthly and quarterly and normally issued within four weeks of end of period. This allows regular monitoring of the status of budget implementation and informs management decisions. The quality of the in-year budget reports is generally good. The information is based on budget data in the KFMIS.

Annual Financial Reports (PI-29 score A) reflect a combination of strengths. The financial statements are complete, they are produced and submitted for external audit three months after year-end and the accounting standards applied are the International Public Sector Accounting Standards.

The overall performance of this pillar has not changed between the period being assessed and a previous assessment. The strengths identified are embedded and are not associated with any specific reform initiatives. The key reforms underway is the transition to the accrual basis in accounting and reporting.

The assessment of this pillar shows that the Government maintains accurate and reliable records. The financial information is produced and disseminated at appropriate times for management and reporting purposes.

Pillar VII: External scrutiny and audit (PIs 30-31)

External audit scores well (PI-30 score B+). Most revenue and expenditure are audited using national audit standards compliant with international audit standards. The audited financial statements were submitted to the legislature between 3 and 6 months of their receipt. Follow-up is systematic and ensures attention is paid to audit findings and recommendations. The National Audit Office has substantial independence over its operations and financing.

PI-31 (Score C+), legislative scrutiny of audit reports, displays a similar strong performance, in-depth hearings take place, audit recommendations are made but not systematically followed up, and public debates take place with reports being published on the Assembly's website. The Annual Financial Report of FY2019 was not reviewed due to a political hiatus.

The assessment of this pillar shows that the public finances are independently reviewed and there is external follow-up on the implementation of recommendations for improvement in the PFM architecture. The Government is accountable for its fiscal and expenditure policies and their implementation.

4.2 Effectiveness of the internal control framework

The internal control framework of Kosovo public administration is well regulated via various laws and administrative procedures: Law on PIFC (No. 06/L-021); Law on Public Finance Management and Accountability (Law No. 03/L-048), the Treasury Financial Rules and Procedures and the Book of Processes for Management of Public Expenditures (Book of Processes). Based on the available evidence provided, the internal control environment is generally sound to contribute to the achievement of the control objectives. In principle strict observance of regulations and laws are characteristic feature in the PFM arrangements in Kosovo.

For the implementation of the budget, the authorized state body (Ministry of Finance Labour and Transfers) manages this budget cycle component. The authorized state body makes payments on expenditures of the central and municipal budgets within the limits of the cash balance of the respective budget on the TSA. Expenditure operations of budgetary institutions are carried out and controlled through the software "FreeBalance" using treasury administrative rules and procedures designed to ensure compliance with the estimated purposes, registration of budgetary obligations, procurement and services and the conclusion of contractual obligations.

The development and improvement of the financial control and internal audit has been enhanced with the Law on PIFC (No. 06/L-021); the Regulation on Establishment and Implementation of Internal Audit Function at the Public Sector (No. 01/2019), development of the CHU, the Law on Internal Audit (Law No. 03/L-128) , The Law on Financial Management and Control (Nr. 06/L-021), the Regulation on Establishment of Internal Audit Committee (Nr. 01/2019) and procedures manuals for FMC and IA. We assess that substantial progress has been made in establishing, resourcing and using internal audit services since last PEFA assessment. Audit Committees are established and were operational in 90% of the budget organisations (Source: 'Consolidated Annual Report on functioning of PIFC System in Public Sector Entities in 2020' issued in June 2021 by CHU). Each budget organization is responsible for its internal financial control system. Regulations on the control environment require different individuals to approve contracts, authorise commitments and make payments. Access to the KFMIS is controlled, and the system records all instances when it is accessed by individuals, thus assuring an audit trail. Risk assessment techniques are used for audit planning for expenditure and revenues, especially tax revenue (PI-19), and debt management is focused on tight control over total external debt (PI-13). The internal control framework is reasonably effective and has become stronger as internal audit develops.

The following is an overview of the internal control activities from the preceding sections of the report. It builds on the description of the design of internal controls and the individual assessment of specific control activities as covered by the performance indicators.

Risk Assessment

Even if the risks are rather well covered by preliminary control activities permeating the entire system of public finance in the country, there is no evidence of a formalised risk assessment mechanism. Decisions appear to be driven by risk factors that are predicted and managed in good time. Risk assessment status at different stages of PFM system is analysed as follows:

- Pillar 1: Budget reliability: high expenditure and revenue outturn increases the credibility of the budget. Budget composition amendments creating potential for short-term fiscal sustainability.
- Pillar 2: Transparency of public finances: There are few inherent risks as there is no lower government level and there are not off-budget revenue and expenditure. Nevertheless, the risk of misuse of funds

and poor service delivery to the public exists due to the poor practice of publishing information and enabling public scrutiny of government policies, programmes, and their implementation.

- Pillar 3: Management of assets and liabilities: There are requirements concerning monitoring and reporting of contingent liabilities and other fiscal risks (PI-10). There is little value for money without full coverage of investment proposals into budget documentation and full transparency to selection and implementation process (PI-11). There is a risk of not benefiting from the non-financial assets when they are not captured by government management procedures (PI-12).
- Pillar 4: Policy-based fiscal strategy and budgeting: Lack of medium-term perspective in budgeting expenditure and limited visibility of fiscal forecasts and sensitivity analysis in budgeting creates the risk of having budgets that are prone to amendments by various internal and external factors (PI-14).
- Pillar 5: Predictability and control in budget execution: The revenue administration practice applies risk management for all compliance risks but with the expansion of economic life new risks will continue to appear and the system is to be prepared to predict and mitigate them. Risk assessment and management system is adequate and appears well established to handle changes in the tax environment. The risks of incurring expenditure arrears are basically eliminated by the strict control and regulatory environment (PI-22). The personnel database is linked (the process involves human intervention) to the payroll software thus reducing the risk of errors and possibly of retroactive adjustment. There is segregation of duties between salary and non-salary expenditures. Non-salary expenditures are electronically monitored keeping risk of errors and non-compliance low.

Control Activities

Control activities in PFM are very well developed and applied. The unified Treasury operated software system "FreeBalance" contributes for all expenditure operations to be carried out and controlled through the software. Control of payment rules for all budget performance operations enhances transparency and accountability. There were additional controls introduced in the Treasury system after October 2020 due to an attempt to break into the system and to perform irregular transfers.

Information and Communication

Generally, the PFM information such as the approved budgets, the in-year budget execution reports, and the annual budget execution report are available to the public. The discussion of budget at the Parliament is accessed by the public. The gaps in information and communication to the public are in the hearing on audit findings at the Parliament. There is little information on whether public participation forums or events are held in relation to the budget formulation. There is clear and comprehensive information on revenue collection and administration with regard to the right of obligation of the public (PI-19). With the launch of the electronic public procurement, the information on procurement tenders, plans, statistics, and appeals is accessible to the public.

Monitoring

Monitoring in Committee of Sponsoring Organizations (COSO) terms means the process of assessing the quality of internal control performance over time. Performance monitoring in the PFM system is not well developed (PI-11) mostly due to the lack of transparency. The main tools of monitoring PFM ensure that the in-year quarterly reports, and the budget execution reports are consistently prepared. The internal control framework of the PFM system, as described, having in place comprehensive, extensive, and reliably applied control activities is efficient to ensure against key irregularities and errors. The internal control environment exists, and it is regulated by the application of the current controls and the internal audit functions. Testing the effectiveness of the internal controls used results in detection of material misstatements.

4.3 PFM strengths and weaknesses

This subsection builds on the strengths and weaknesses identified across the seven pillars of PFM performance and the extent of effectiveness found for various internal control. It also identifies the links between the performance of different areas of PFM and the ability to deliver the three main fiscal and budgetary outcomes.

The results are presented in a table with analysis of strengths and weaknesses by the main three budget outcomes.

TABLE 4.3.1: PEFA performance indicators and the three budgetary outcomes

Indicator/dimension	Aggregate fiscal discipline	Strategic allocation of resources	Efficient service delivery
Pillar one: Budget reliability			
The government budget is realistic and is implemented as intended. This is measured by comparing actual revenues and expenditures (the immediate results of the PFM system) with the original approved budget.			
PI-1. Aggregate expenditure outturn	X	Strength (PI-1): Sound fiscal discipline in aggregate expenditure and revenue outturns and composition without deviation from the approved budget enhance fiscal discipline and the ability of governments to control the total budget.	Weakness (PI-2.2): Poor planning of capital expenditure spending: discrepancy among different spending categories, (>15%) mostly deviation in projected capital expenditure due to significant underspending under the category of capital investments financed by the investment clause.
PI-2. Expenditure composition outturn	X		
PI-3. Revenue outturn	X		
Pillar two: Transparency of public finances.			
Information on PFM is comprehensive, consistent, and accessible to users. This is achieved through comprehensive budget classification, transparency of all government revenue and expenditure including intergovernmental transfers, published information on service delivery performance and ready access to fiscal and budget documentation.			
PI-4. Budget classification		Strength (PI-4): There is robust budget classification system and comprehensive and publicly available annual budget documentation enabling budget decisions, transactions, and the performance of service delivery programs to be monitored throughout the budget's formulation, execution, and reporting cycle.	Weakness: Not sufficiently transparent and comprehensive budget management information.
PI-5. Budget documentation	X		
PI-6. Central government operations outside financial reports	X		
PI-7. Transfers to subnational governments			
PI-8. Performance information for service delivery			
PI-9. Public access to fiscal information			
		Weakness: Little evaluation of efficiency and effectiveness of service delivery (PI-8) not very transparent and clear information on the structure of the budget, the resources available to service delivery in particular. This may prevent government and especially communities to monitor the efficiency of service delivery.	

				budget proposal; Weakness (PI-6): There are budgetary expenditures outside the financial report: Radio-Television of Kosovo is a public organisation and a recipient of public funds (in form of subsidies). RTK does not submit its financial reports to the executive and its financial reports are not audited by the National Audit Office.	
Pillar three: Management of assets and liabilities.					
Effective management of assets and liabilities ensures that public investments provide value for money, assets are recorded, and managed, fiscal risks are identified, and debts and guarantees are prudently planned, approved, and monitored.					
PI-10. Fiscal risk reporting	X	Weakness (PI-10.3): Categories of contingent liabilities are not covered in any publicly available document: this makes it difficult to quantify the financial risk implications and mostly to analyse the causes behind them.			
PI-11. Public investment management	X		X		
PI-12. Public asset management	X				
PI-13. Debt management	X	Risk is generally under control with monitoring and manage fiscal risks with PoEs and municipalities. Their performance could not undermine fiscal discipline. Weakness (PI-11): Lack of transparent management of public investment: mostly information on selection and priority and monitoring of investment project is not published. Weakness (PI-12): Incomprehensive non-financial asset monitoring: The size and		Weakness (PI-11): there is no effective and efficient public investment helping to support government's social and economic development objectives. Strength (PI-13): Reliable monitoring of financial liabilities contributing to reliable fiscal discipline; government meet their debt obligations without any risk to run high service cost	Weakness (12.2 and 12.3): Information on subsoil assets is not maintained as well as the information is provided on assets transfer. This deters government from decisions on efficient uses of different assets for more efficient service delivery.

		<p>management of government assets and liabilities (in particular debt and guarantee obligations) is good, but the government does not maintain a register of subsoil assets. Revenues coming from the licenses of exploring/extracting these assets are not captured. This can also have a substantial impact on a country's capacity to maintain fiscal discipline.</p> <p>Weakness (Pi-12.3): Gap on reporting transfers and disposals of assets. The size and management of debt and guarantee obligations can have a substantial impact on a country's capacity to maintain fiscal discipline.</p>				
<p>Pillar four: Policy-based fiscal strategy and budgeting. The fiscal strategy and the budget are prepared with due regard to government fiscal policies, strategic plans, and adequate macroeconomic and fiscal projections.</p>						
PI-14. Macroeconomic and fiscal forecasting	X	<p>Weakness (PI-15): Short-term fiscal impact of policy proposals: estimates revenue impact is mostly done for the next fiscal year and not the medium term.</p> <p>Weakness: Report on fiscal outcomes not presented and discussed by legislature.</p> <p>Weakness (PI-16): Poor alignment of strategic plans and medium-term budgets: thus, many priorities and strategies may not be implemented due to not being included in the budget.</p> <p>Weakness: Lack of consistency of budget with previous year's estimates: this indicates that the medium-term budgeting is not</p>				
PI-15. Fiscal strategy	X		X			
PI-16. Medium-term perspective in expenditure budgeting	X		X	X		
PI-17. Budget preparation process			X			
PI-18. Legislative scrutiny of budgets			X	<p>Strength (PI17): There is orderly budget process providing government the information and time necessary to prioritize budget allocations among competing demands.</p> <p>Strength (PI16): Medium term budgeting providing predictability in budget allocations that supports budget units to plan resource use more efficiently.</p> <p>There is potential that legislative scrutiny highlights potential inefficiencies in resources allocated for service delivery.</p>		

		<p>operating as a dynamic process, with each subsequent budget building on its predecessor. As such, the medium-term concept does not apply in practice and there are gaps in terms of strengthening fiscal discipline beyond a single year.</p> <p>Weakness (PI-18): No rules of budget approval timing: Having a deadline of the budget to be approved before the beginning of the year, is important so that budget organizations know at the beginning of the fiscal year what resources they will have at their disposal for service delivery.</p>				
<p>Pillar five: Predictability and control in budget execution. The budget is implemented within a system of effective standards, processes, and internal controls, ensuring that resources are obtained and used as intended.</p>						
PI-19. Revenue administration		<p>Strength: Efficient administration and accurate recording and reporting of tax and customs revenue collections is important to ensure all revenue is collected in accordance with the plan in order to predicts resource allocation and thus support the government’s budget framework.</p> <p>Strength: Low Expenditure arrears support fiscal discipline because and are result of procedures and practice in controlling commitments and making payments when obligations are due.</p> <p>Strength: Effective payment controls ensuring that resources are used and consistent with the approved allocations.</p>	X		X	<p>Strength: Well-functioning procurement system and adequate internal audit improving the efficiency of service delivery by having better value for money of government purchases and internal audit practice identifying inefficiencies in internal control and operations.</p>
PI-20. Accounting for revenues			X		X	
PI-21. Predictability of in-year resource allocation	X				X	
PI-22. Expenditure arrears	X					
PI-23. Payroll controls					X	
PI-24. Procurement					X	
PI-25. Internal controls on non-salary expenditure	X				X	
PI-26. Internal audit				X		

Pillar six: Accounting and reporting.

Accurate and reliable records are maintained, and information is produced and disseminated at appropriate times to meet decision-making, management, and reporting needs.

PI-27. Financial data integrity		Strength: Full integrity of financial			X	
PI-28. In-year budget reports	X	data and availability of	X		X	
PI-29. Annual financial reports		comprehensive annual financial reports and regular in-year reporting: this is indicative that budgets are executed as intended within approved fiscal targets, thus contributing to reliable fiscal discipline and transparent management of resources.		Strength: Reliable fiscal data and reporting on financial information ensures that resources are allocated, as intended, to the government strategic priorities.	X	Strength: Reliable fiscal data and reporting on financial information is fundamental to internal control, internal and external audit, and facilitating efficiency of service delivery management.
PI-30. External audit					X	
PI-31. Legislative scrutiny of audit reports		Strength (PI-30): There is reliable and extensive external audit, and legislative scrutiny of those audits provides assurance that information in financial reports is accurate.		Weakness (PI-31): Lack of practice debating the audit report in public, in the full chamber of the legislature, public hearings on the legislative scrutiny of audit reports are conducted with all budget organisations. Minutes from these hearings are published on General Assembly's website. However, the committee reports are not debated in the full chamber of the legislature, which is a requirement of the PEFA methodology. The external audit keeps the government are accountable for allocating resources in accordance with the approved budget.	X	Weakness (PI-31): No follow-up on recommendations for all budget organisations with qualified or adverse audit opinion: there is no systemic approach of covering all budget organisations with qualified or adverse opinion. Reliable and extensive external audit and legislative scrutiny is important for identifying inefficiencies in government programs and service delivery.

As far as aggregate financial discipline is concerned, the PFM system in Kosovo has kept the fiscal deficit within bounds, but it has proved less effective in ensuring that the actual pattern of expenditure is in line with budget plans that are intended to reflect government policy priorities. Budget composition variances, on economic analysis, have been high during the past three years, thereby undermining budget reliability. This reflects the lack of continuity in medium-term fiscal planning, where previous projections have no constraining impact when the budget process is rolled forward. On the other hand, it is worth noting that debt management works very well, and that fiscal management operates within a clear strategic framework.

Effective resource allocation should be facilitated through medium-term fiscal planning and strategic planning of services at the macro level and at the level of individual budget organisations. But it has been undermined by incomplete public investment planning and presentation of investment in medium-term projections. This has made it more difficult to plan the development of public services with time bound indicators of the quality of performance.

Efficiency and effectiveness in the use of public resources is demonstrated by Government's commitment to maintain financial and operational efficiency through the application of modern internal audit practices, and the valuable contribution of the National Audit Office to improvements in public services through its growing involvement in procurement oversight and performance audit work.

4.4 Performance changes since a previous assessment

The last PEFA assessment was conducted in 2015, using the 2011 methodology. In accordance with the PEFA Secretariat's Guidance Note on measurement of performance change, the 2011 Framework was used to assess the situation at the time of assessment in 2020. Annex IV provides detailed analysis of changes since 2015. In any case, this reveals a very positive situation mostly with improvement of performance and score. It is summarised in the following table:

Performance change:	Number	Percentage
(i) Improvement: PI-3, PI-4, PI-12, PI-13, PI-14, PI-18, PI-19, PI-20, PI-21	9	32
(ii) Deterioration: PI-2, PI-11, PI-23, PI-27, PI-28	5	18
(iii) No change: PI-1, PI-5 to PI-10, PI-14 to PI-17, PI-22, PI-24 to PI-26	14	50
	28	100

It is clear from the table above that the majority of the PFM areas did not change and more than one third achieved higher PEFA scores in 2020. The areas of improvement include more realistic revenue projections (PI-3 scored A) that contribute to collection and strategic allocation of resources estimated in budget appropriations, thus having positive impact on planned service delivery. Having better planned and collected resources entail implementation of contractual obligations in time and possibility of minimising or even eliminating the accumulation of expenditure arrears. This area also scored improvement in performance which is due also to additional controls on timing of registration of payment claims in KFMIS (PI-4 scored A). The system of tax appeal mechanism showed improvement in performance. The new electronic module EDI accommodates all claims review and refund of funds (PI-13 score A). This achieved progress revenue administration makes the tax system more reliable and accommodating to the needs of

the taxpayers. Another notable development is in the tax registration process that is now facilitated by SIGTAS that is fully deployed and operational on central and regional level. This makes registration very well structured and ease of access allowing more payers to declare their income (PI-14 scored A).

Significant improvement has been achieved in having more effective payroll controls ((PI-18 scored A) where all dimensions scored better than before. Fiscal discipline is strengthened by having the personnel data and payroll data linked so that changes are reflected each month even if this is still not fully automated and requires human involvement.

The area of procurement performs better (PI-19 scored B) with full transparency to all procurement information and employment of competitive method for more than 80% of procurement tenders.

Enhancement of the effectiveness of expenditure commitment controls (PI-20 scored A) with (i) adoption of additional rules and controls in treasury function on public expenses, and (ii) compliance with rules and procedures through eliminating the degree of misuse.

The continuous development of internal audit practice through technical assistance improved the practice of internal audit (PI-21 scored A) so that coverage is expanded to 83% of budget organisations and high extent of response of management to audit recommendations.

The five areas where the performance showed deterioration are: (i) PI-2 scored D for variance in economic classification, which is a result of lower execution of capital expenditures; (ii) PI-11 scored B+ for late approval of budget 2020 by legislature; (iii) PI-23 Availability of information on resources received by service delivery units scored D for lack of reports showing what resources were received by BO; (iv) PI-27 scored D+ due to later submission of budget proposal for FY2020 due to political issues; and (v) PI-28. scored C+ because scrutiny of audit report was not completed in one of the three years (FY2019).

5. Government PFM reform process

5.1 Approach to PFM reforms

Public finance management in Kosovo has to be viewed in the context of Kosovo's aspired EU accession, which is regarded as one of the country's main objectives. Public finance management reform efforts in Kosovo are framed around the Government's goals to improve efficiency, transparency, and accountability in the use of public funds, which are important criteria for all EU accession candidates. Strategic and operational guidance is summarised in the Public Finance Management Reform Strategy, adopted in June 2016, covering the period 2016-2020. Twelve priorities have been formulated in the Strategy, in light of the outcomes which emerged from the 2016 PEFA diagnostic. Where possible, those have been aligned with conditionalities for the Sector Budget Support the EU provides to the sector. The priorities are grouped into four pillars, namely:

1. Fiscal discipline (Accuracy of macroeconomic indicators and revenue forecasting; Effective commitment controls; and Sustainable revenue collection);
2. Allocation efficiency (Development of the MTEF; Credibility and execution control of the annual budget; and Quality of information on capital investments);
3. Operational efficiency (Public Procurement; Strengthening internal audit; and strengthening external audit); and
4. Cross-cutting PFM issues (Enhancement of IT systems; Transparency of the budget; and Sustainable capacity development in the PFM area).

Activities that need to be undertaken to implement the above priorities from the Strategy are detailed in annual action plans. 23 Key performance indicators have been developed, addressing all priorities. For each indicator, baseline performance was determined (referring to the year 2016), as well as targets that were planned to be achieved by 2018 and 2020.

The Strategy has undergone numerous reviews and guidance, most notably by OECD SIGMA, and regular (six-monthly) reports were produced to monitor its performance against the action plans. Due to the negative impact of the COVID-19 pandemic, the anticipated follow-on strategy has not been developed, with its drafting scheduled for 2022. The period until the new strategy is drafted and its implementation commences (it is envisaged to cover the period 2022-2026), the Government has covered through a separate, interim document called Transitional Action Plan 2021 for PFM.

The implementation of the 2016-2020 PFM Reform Strategy is supported by financial assistance received from the EU. Using its IPA II mechanism, the EU has provided EUR 21 Mln. in form of Sector Budget Support for democracy and governance¹⁷. The overall objective is to contribute to sound financial management and improved service delivery through improved fiscal discipline and strategic allocation of resources. Six priorities were formulated in this regard: (i) Strengthened budget planning and execution; (ii) Realistic and sustainable domestic revenue forecast and collection; (iii) Strengthened internal control and audit; (iv)

¹⁷ This amount is in addition to EUR 4 Mln. worth technical assistance funded by the EU.

Increased effectiveness of external control and oversight; (v) Increased efficiency and transparency of public procurement in Kosovo; and (vi) Increased transparency in the management of public funds.

The Strategy as well as the Sector Budget Support programme drew from the findings of the previous PEFA assessment¹⁸. The previous PEFA assessment concluded that the Government had made significant progress in strengthening PFM performance. However, the progress did not come about as promptly as expected, because of growing weaknesses in expenditure commitment controls. Weak controls led to a significant increase in payments arrears, undermining budget credibility. For accuracy of budget preparation and the timeliness of budget execution to improve and other internal control systems, such as the internal audit function, to strengthen, budget credibility had to be restored. That way, the risk of inefficient and ineffective spending would be mitigated, and the probability of desired budget outcomes improved.

Other PFM diagnostic studies carried out in the previous years include those of the World Bank, IMF, OECD SIGMA and the EU. These reports included commentary on the fiscal and monetary situation, the impact of reforms in the PFM arena, changes to public procurement, a public investment management assessment, and wider-ranging public administration reform issues. Some aspects of PFM are covered in the annual assessments of Kosovo's progression in the EU accession process as well.

5.2 Recent and on-going reform actions

While some improvements have been achieved since the previous PEFA assessment, conclusive evidence of Strategy's achievements resulting in a tangible impact on PFM performance has been rather limited. Some of the treasury regulations are not fully respected (e.g., compliance of government finance statistics with GFS 2014 standards¹⁹). Audit recommendations are still not fully implemented by many budget organisations. There is still work to be done on internal control systems. The progress towards developing a fully-fledged MTEF appears slow. The progress with advancing with performance-informed budgeting appears equally limited. A positive development could be observed with payment arrears though, which have been highlighted in the PFM Strategy Mid-Term Review of 2018 as a major problem and are now under control, as established under PI-4 and PI-22 of this PEFA assessment report.

The most recent monitoring report of the PFM Reform Strategy (Jan-Sep 2020) highlighted the most significant risks to implementing the Strategy. Those were: the COVID-19 pandemic (which has materialised), lack of political commitment (which the report appraises as having partially materialised), financial constraints to implementing the Strategy²⁰ (also partly materialised), and lack of technical expertise (which has not materialised, thanks to technical assistance provided through IPA and Sector Budget Support, USAID, the World Bank, SIGMA, GIZ, LuxDev., and other donors). The same report lists also

¹⁸ Republic of Kosovo Central Government PEFA Report (January 2016)

¹⁹ IMF Staff Report – Informational Annex of 2020 specifies on p. 6 that “GFS are broadly compiled following the GFSM 2001/GFSM 2014 framework, concepts, and definitions. However, budget classification is not consistent with GFSM 2014 because: (i) data is on cash basis, not accrual; (ii) lending for policy purposes (similar to subsidies) is included after calculating the primary balance; (iii) capital transfers should be included in current expenditure instead of capital expenditure; (iv) memorandum of understanding should be properly classified depending on their final purpose; and (v) annual budget documents should specify both current and capital spending related to individual projects.”

²⁰ The costs of implementing the PFM Reform Strategy were estimated at EUR 54.9 Mln.

challenges faced during the implementation of the reform. These include effects caused by the COVID-19 pandemic, complexity of some activities relevant to the reform, lack of institutional commitment, political support, and changes in the legislature and the executive.

Some progress could be observed in the area of economic governance. Kosovo has been preparing its Medium-Term Economic Reform Programme each year. This document, which is updated every year, describes the macroeconomic and fiscal framework and reforms underpinning it. Also, it lists flagship measures planned, which are expected to contribute to meeting the economic policy goals set out in the macro-fiscal framework.

Progress has been made in the public administration reform as well. The EU assisted in following areas addressed by this reform: (i) planning and coordination of policies, (ii) delivery of public services to citizens, (iii) access to public documents, (iv) public consultations on the decision-making process of the government and (v) reducing administrative barriers for business sector²¹. In its monitoring report from 2020²², the EU noted that despite progress made, that some challenges remain. Namely, increase in transparency of the public administration and of public procurement procedures has been limited. Also, adoption of three public administration laws in 2019 was stalled as a result of the political situation and the request for constitutional review of the Law on salaries and the Law on public officials. Central and inter-ministerial coordination still appears weak. There is evidence of non-merit-based recruitments.

Devolution of PFM responsibilities to budget organisations, which originates from the Financial Control Chapter of the Stabilisation and Accession Agreement which Kosovo has signed with the EU, has been at the heart of the Public Internal Financial Control Strategy 2015 – 2019. Some progress has been achieved in this area as well, most notably in the preparation of legislation, regulations, and procedures for the implementation of integrated accounting and budgetary controls.²³

5.3 Institutional considerations

The Ministry of Finance, Labour and Transfers provides the leadership for the PFM reform and coordinates other institutions' efforts towards it²⁴. The MoFLT has the role of managing the nature, sequencing, and reporting of achievements relating to PFM reform. In its actions, it is supported by the PFM Coordination Group including representatives from various PFM stakeholder institutions²⁵. The Government aims to develop and adopt the follow-on PFM Reform Strategy (2022-2026) by the end of 2021, and it is envisaged that the PFM Coordination Group will take the lead role in that process. It is expected that the findings and conclusions from this PEFA assessment will be the crux of the new PFM Reform Strategy.

Development partners have played a major role in the PFM reform (e.g., numerous donor-funded projects have provided technical assistance in areas such as strategic planning, public procurement, treasury

²¹ Sector Reform Contract for Public Administration Reform signed between the GoK and the European Commission (2017)

²² Key findings of the 2020 Report on Kosovo (October 2020), https://ec.europa.eu/commission/presscorner/-/detail/en/country_20_1797

²³ Ujkani and Vokshi, *An Overview on the Development of Internal Control in Public Sector Entities: Evidence from Kosovo* (2019), <https://www.ijebe.com/journal/346/download>

²⁴ Public Finance Management Reform Strategy of Kosovo 2016-2020

²⁵ The status of this group appears to be not formalised – it does not have a dedicated secretariat and its members do not receive a compensation for their outputs.

operations, PFM, and budgeting in general, and programme budgeting) and it is envisaged that they will continue to do so.

Budget organisations participate in the reform and appear to have adapted well to changes that have been introduced (e.g., in budget preparation, execution, accounting and reporting). The Office of the Auditor General has also advanced further, as demonstrated by their acceptance to INTOSAI and EUROSAI and also very high-performance scores in indicator PI-30 of this assessment. Both National Assembly committees involved in public finances – the Public Finance Oversight Committee and the Budget and Finance Committee – appear to be keen to take an active role in strengthening public finance management by ensuring that public funds are used effectively and efficiently.

Last but not least, the legal and regulatory framework for PFM provides a good basis for effective PFM. In very few, if any, instances it has been found in this assessment that provisions of the Law on Public Finance Management or other relevant regulations were obstacles to implementing what the PEFA methodology regards as good practice.

Annex I: Performance indicator summary

Since the previous assessment was based on an earlier version of the PEFA Framework (PEFA 2011), a comparison using Annex I is not possible. Instead, a comparison with the previous assessment is provided in Annex VI, which is designed for comparisons with assessments based on earlier versions of the framework.

Annex II: Summary of observations on the internal control framework

Internal control components and elements	Summary of observations
1. Control environment	
1.1 The personal and professional integrity and ethical values of management and staff, including a supportive attitude toward internal control constantly throughout the organisation	There is a strong regulatory framework in the government that is stipulated in the key acts: LPFMA; Tax and Customs legislation; Law on Public Procurement and many administrative procedures on accounting and reporting. There are regulations and manuals issued to ensure compliance with the laws. The audit reports are submitted to the Parliament for discussion and approval. There is, however, not obvious public participation at hearings.
1.2 Commitment to competence	No information available from the PEFA assessment. However, the general understanding of the assessment team is that staff possess the necessary academic qualification and experience.
1.3 The “tone at the top” (i.e., management’s philosophy and operating style)	The overall legal framework provides for the management to ensure proper management and control and accounting for the finances of the government in order to promote efficient and effective use of the budgetary resources. The tone at the top is hierarchical and is rigorously adhered to judging from the strict control procedures and the prompt response to orders made. The internal audit has already good coverage and is well developed applying international standards. Thus, internal control system is sound.
1.4 Organisational structure	No information available from the PEFA assessment.
1.5 Human resource policies and practices	The issues related to personal and professional integrity and ethical values are covered in the administrative instructions on personnel of the budget organisations.
2. Risk assessment	
2.1 Risk identification	Risks are covered by preliminary control activities permeating the entire system of public finance, however there is no information on formalised risk assessment mechanism in the area of revenue collection. Risk of investment are not well covered.
2.2 Risk assessment (significance and likelihood)	Several PIs are related to risk assessment:
2.3 Risk evaluation	Economic analysis of investment proposals: There is established system of economic analysis; budget adjustments are well prescribed with strict restrictions; Revenue risk management is based on documented approach and follow international practice.
2.4 Risk appetite assessment	No information available from the PEFA assessment.
2.5 Responses to risk (transfer, tolerance, treatment, or termination)	No information available from the PEFA assessment.
3. Control activities	
3.1 Authorization and approval procedure	Most of these procedures are defined in the administrative instructions and in the Book of Processes. The applied accounting procedures sets out the systems of authorization, policies,

	standards, and reports. The procedures or activities are implemented in order to achieve the control objectives of safeguarding resources, ensuring the accuracy of data, and enabling adherence to laws, policies, rules, and regulations.
3.2 Segregation of duties (authorizing, processing, recording, reviewing)	Regulations ensure that different individuals authorise commitments, approve contracts and execute payments (PI-21).
3.3 Controls over access to resources and records	Compliance with payment rules and procedures ensures close control through the Treasury system where operations can be reviewed, and access can be traced.
3.4 Verifications	Financial data integrity processes. Access to records is restricted by password and changes are recorded and result in audit trail. The Treasury system known as KFMIS is used to record and process budget data.
3.5 Reconciliations	There are daily reconciliations between tax collection and Treasury system.
3.6 Reviews of operating performance	Mainly the Treasury controls processes and activities on operational level. The controls are applied mostly as a desk top review by the staff with all budgets related processes being integrated in the software system "FreeBalance".
3.7 Supervision (assigning, reviewing, and approving, guidance and training)	No information available from the PEFA assessment.
4. Information and communication	The Government is required to report quarterly and annually to the Parliament. Communication to the public is realised through various channels such as the websites of the key PFM institutions, there is no reporting made available to the public. Public participation in relation to the budget formulation is not ascertained. Clear and comprehensive information on revenue collection and administration exists. Information on procurement tenders, plans, statistics, and appeals is extensive.
5. Monitoring	
5.1 Ongoing monitoring	There are tools for monitoring performance, subsequent planning, and decision-making.
5.2 Evaluations	Performance monitoring in the PFM system is not developed yet There are no specific reports elaborating on consistency of performance-planned outputs and achieved outcomes and explaining any deviation.
5.3 Management responses	The internal control framework of the PFM system as described having in place comprehensive, extensive, and reliably applied control activities is generally efficient to ensure against key irregularities and errors.

Annex III: Sources of information by indicator

Annex 3A: Related surveys and analytical work

No	Institution	Document title	Date	Link
1	European Commission	Commission Implementing Decision of 22.11.2017 adopting an Annual Action Programme for Kosovo for 2017 – Sector Budget Support	22.11.2017	https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/ipa_2017_040507_annual_action_programme_for_kosovo_part_ii.pdf
2	European Commission	Sector Reform Contract for Public Administration Reform signed between the GoK and the European Commission	2017	https://kryeministri-ks.net/wp-content/uploads/2018/10/Better-Regulation-Strategy-2-0-for-Kosovo-ENG.pdf
3	European Commission	Key findings of the 2020 Report on Kosovo	Oct 2020	https://ec.europa.eu/commission/presscorner/-detail/en/country_20_1797
4	International Journal of Economics and Business Administration	An Overview on the Development of Internal Control in Public Sector Entities: Evidence from Kosovo	22.10.2019	https://www.ijeba.com/journal/346/download
5	MoFLT	Transitional Action Plan 2021 for PFM	26.5.2021	https://mf.rks-gov.net/desk/inc/media/B499F50D-CABE-418A-B952-6130D60CE482.xlsx
6	MoFLT	Action Plan 2019-2020 on the Implementation of the PFMRS 2016-2020	17.1.2019	https://mf.rks-gov.net/desk/inc/media/E9D97D58-F376-41CB-96DE-A957A711ABD2.pdf
7	MoFLT	Transitional Action Plan 2021 for PFM	26.5.2021	https://mf.rks-gov.net/desk/inc/media/B499F50D-CABE-418A-B952-6130D60CE482.xlsx
8	MoFLT	Implementation Report of PAR: PFMRS 2016-2020 During Period Jan-Sep 2020	19.10.2020	https://mf.rks-gov.net/desk/inc/media/56B47DA6-0475-4A99-BBB5-409A66A32E4E.pdf
9	MoFLT	PFM Reform Strategy of Kosovo 2016-2020	Jun 2016	https://www.readkong.com/page/public-finance-management-reform-strategy-pfmrs-of-kosovo-8860906
10	Ministry of Public Administration	Strategy on Modernisation of Public Administration 2015-2020	Sep 2015	https://kryeministri.rks-gov.net/repository/docs/Strategy-for-Modernisation-of-PA-2015-2020.pdf

No	Institution	Document title	Date	Link
11	International Monetary Fund	Republic of Kosovo: 2020 Article IV Consultation	Feb 2021	https://www.imf.org/en/Publications/CR/Issues/2021/02/17/Republic-of-Kosovo-2020-Article-IV-Consultation-Press-Release-Staff-Report-and-Statement-by-50104
12	International Monetary Fund	Republic of Kosovo: 2020 Staff Report – Informational Annex	Feb 2021	https://www.elibrary.imf.org/view/journals/002/2021/041/article-A003-en.xml
13	NAO	Annual Audit Report for 2019	Aug 2020	https://www.zka-rks.org/wp-content/uploads/2020/09/RaportiVjetor ENG PRESS 01.pdf
14	Kosovo Assembly	Law No. 03/L-048 on PFM and Accountability	3.6.2008	http://www.zka-rks.org/wp-content/uploads/2017/06/LAW_NO_03_L-048_ON_PUBLIC_FINANCIAL_MANAGEMENT_AND_ACCOUNTABILITY.pdf
15	Official Gazette of Kosovo	Law No. 07/L-001 on Budget Appropriations for 2020	19.3.2020	https://mf.rks-gov.net/desk/inc/media/EA0446D5-97E0-4540-A9CB-73521FD245A9.pdf
16	Official Gazette of Kosovo	Law No. 07/L-014 on Amending and Supplementing Law No. 07/L-001	7.8.2020	https://mf.rks-gov.net/desk/inc/media/C967DC09-044E-4CED-8391-4DB711241381.pdf
17	MoFLT	Annual Financial Report – Budget of Kosovo for 2020	16.4.2021	https://mf.rks-gov.net/desk/inc/media/B805BE58-DD6E-454E-A730-10922B74DD4A.pdf
18	MoFLT	Chart of Accounts 2020	-/-	https://mf.rks-gov.net/desk/inc/media/186A64AD-94F2-4F8C-93BB-1E6A5A0D99B4.xlsx
19	Official Gazette of Kosovo	Law No. 07/L-041 on Budget Appropriations for 2021	12.1.2021	https://mf.rks-gov.net/desk/inc/media/1F14DA73-6925-49B6-883E-014550C6E3C8.pdf
20	MoFLT	MTEF 2021-2023 (revised)	18.9.2020	https://mf.rks-gov.net/desk/inc/media/032A817F-BA29-4F56-A031-C44CB9F1F7EA.pdf
21	MoFLT	MTEF 2021-2023 (initial)	13.5.2019	https://mf.rks-gov.net/desk/inc/media/9EB3BF1E-98D7-450F-B8E2-54EC599AC6A6.pdf
22	RTK	RTK: Annual work report 2015	-/-	https://www.rtklive.com/pages/files/raporti_vjetor_2015_en.pdf
23	NAO	Audit Report of FM Process and Controls of RTK for 2011	-/-	http://www.zka-rks.org/wp-content/uploads/2017/06/Radio.Tele.vision.of.Kosovo.153093.pdf
24	Official Gazette of Kosovo	Law No. 03/L-049 on Local Government Finance	3.6.2008	https://gzk.rks-gov.net/ActDocumentDetail.aspx?ActID=2525

No	Institution	Document title	Date	Link
25	Official Gazette of Kosovo	Law No. 033/L-040 on Local Self Government	4.6.2008	https://gzk.rks-gov.net/ActDocumentDetail.aspx?ActID=2530
26	MoFLT	Budget Circular 2020-02	24.10.2019	https://mf.rks-gov.net/desk/inc/media/038124D6-17B8-4116-86A9-A6CFCB1631B7.pdf
27	MoFLT	Budget Circular 2020-01 for municipalities	7.8.2019	https://mf.rks-gov.net/desk/inc/media/BBC9BFCD-BD95-4398-B80F-0595D98C12AB.pdf
28	MoFLT	Budget Circular 2020-01	15.5.2019	https://mf.rks-gov.net/desk/inc/media/E1AAB735-D940-48D1-8465-351A0E705928.pdf
29	MoFLT	MTEF 2020-2022	Apr 2019	https://mf.rks-gov.net/desk/inc/media/21391F7F-A1DC-47B2-B8FB-BE821847FC37.pdf
30	MoFLT	PIP Manual	2010	-/-
31	MoFLT	Annex 1: Criteria and principles presented in the form of the table for assessment of capital projects	-/-	-/-
32	Office of the Prime Minister	Work Report Jun-Dec 2020	27.1.2021	https://kryeministri.rks-gov.net/wp-content/uploads/2021/01/ENG-RAPORTI-I-TE-ARRITURAVE_09012021_ZPS.pdf
33	Office of the Prime Minister	Government Workplan Jun-Dec 2020	Jan 2020	https://kryeministri.rks-gov.net/en/documents/government-annual-work-plan-2019/
34	Ministry of Finance	Administrative Instruction MF No. 06/2019 on Selection Criteria for Capital Projects	1.1.2020	https://mf.rks-gov.net/desk/inc/media/7159C0C4-DE3F-42D9-AFEA-369DECCBF968.pdf
35	NAO	Performance Audit Report – MTEF 2018-2020 for Education and Infrastructure	Dec 2019	http://www.zka-rks.org/wp-content/uploads/2019/12/Raporti-Auditimit-KASH-eng.pdf
36	NAO	Performance Indicators for Local Governance Level for 2018	Jul 2021	https://www.zka-rks.org/en/publications/performance-indicators-for-local-governance-level-for-2018/
37	Government of Kosovo	Administrative Instruction No. 07/2018 on Planning and Drafting of Strategic Documents	16.4.2018	https://kryeministri.rks-gov.net/en/documents/administrative-instruction-grk-no-07-2018-on-planning-and-drafting-strategic-documents-and-action-plans/
38	NAO	Raportet e Publikuara 2018-2020	-/-	-/-
39	MoFLT	Information Booklet for Citizens (Citizen Budget)	16.12.2020	https://mf.rks-gov.net/desk/inc/media/EE1C67D3-FC0D-423F-8577-64D6D77168B8.pdf

No	Institution	Document title	Date	Link
40	Official Gazette of Kosovo	Law No. 06/L-081 on Access to Public Documents	4.7.2019	https://mapl.rks-gov.net/wp-content/uploads/2017/12/LAW_NO_06_L-081_ON_ACCESS_TO_PUBLIC_DOCUMENTS.pdf
41	Official Gazette of Kosovo	Constitution of Kosovo	9.4.2008	https://gzk.rks-gov.net/ActDetail.aspx?ActID=3702
42	NAO	Annual performance report 2020	Apr 2021	https://www.zka-rks.org/wp-content/uploads/2021/04/RVP_2020_Eng.pdf
43	NAO	Annual performance report 2019	Apr 2020	https://www.zka-rks.org/wp-content/uploads/2020/04/RVP-2019-Eng.pdf
44	NAO	Annual performance report 2018	Apr 2019	https://www.zka-rks.org/wp-content/uploads/2019/04/RVP_2018_Eng.pdf
45	NAO	Annual performance report 2017	Apr 2018	https://www.zka-rks.org/wp-content/uploads/2018/05/RVP_2017_Eng.pdf
46	NAO	Rules of Procedure on Implementation of Audit and Action Plans	21.6.2019	http://www.zka-rks.org/wp-content/uploads/2020/06/Rules-of-procedure-on-implementation-of-audit-and-action-plans.pdf
47	Official Gazette of Kosovo	Law No. 05/L-055 on the Auditor General and National Audit Office	10.6.2016	http://www.zka-rks.org/wp-content/uploads/2017/06/LAW_NO_05_L-055_ON_THE_AUDITOR_GENERAL_AND_THE_NATIONAL_AUDIT_OFFICE_OF_THE_REPUBLIC_OF_KOSOVO.pdf
48	National Assembly	Rules of Procedures of the Assembly of Kosovo	29.4.2010	http://mei-ks.net/repository/docs/RULES_OF_PROCEDURE_OF_THE_ASSEMBLY_OF_THE_REPUBLIC_OF_KOSOVO_(29.04.2010).pdf
49	OSCE	Manual on Budget Oversight for Kosovo Assembly Committees	Apr 2014	https://www.osce.org/files/f/documents/6/b/118103.pdf
50	National Assembly	Mandatory Report KMFP Legislature 2020	Dec 2020	-/-
51	National Assembly	Mandatory Report KMFP Legislature 2018	Jul 2019	-/-
52	National Assembly	Report on the Work of the Assembly 2014-2017	Jun 2017	-/-
53	National Assembly	PF Oversight Committee: Employment Report for 2018	-/-	-/-

Annex 3B: List of people interviewed




No	Institution	Department	Person	Position
1	MoFLT	Treasury	Nysret Koca	Deputy Director
2	MoFLT	Freebalanace	Vehbi Neziri	IT Consultant
3	MoFLT	Freebalance	Adelina Cervadiku	Functional Consultant
4	MoFLT	Treasury	Ahmet Ismaili	General Director
5	MoFLT	Macroeconomic Department	Alketa Bucaj	Senior Analyst
6	MoFLT	Treasury	Ahmet Tolaj	Payroll System
7	MoFLT	Treasury	Bekim Hamiti	Payroll System
8	MoFLT	Fiscal Policy	Moris Hyseni	Analyst
9	MoFLT	Fiscal Policy	Festa Kusari	Analyst
10	MoFLT	Fiscal Policy	Petrit Popova	Department Director
11	MoFLT	Treasury	Ardita Haxhaj	Head of Public Debt
12	Assembly	Committees	Armend Muja	Chairman of the Assembly Committee for Budget, Labour, and Transfers
13	MoFLT	Budget Department	Merita Badivuku- Gjyshinca	Budget Analyst
14	Ministry of Agriculture Forestry and Rural Development	Office of General Secretary	Blerim Hasani	General Secretary
15	Ministry of Agriculture Forestry and Rural Development	Finance Department	Kreshnike Arifi	Budget Official
16	MoFLT	Finance	Nuhi Mani	Chief Finance Officer
17	MoFLT	Central Harmonization Department	Musa Islami	Chief of Division
18	MoFLT	Central Harmonization Department	Kimete Arifi	Senior Official
19	MoFLT	Treasury	Nysret Koca	Deputy Director

No	Institution	Department	Person	Position
20	MoFLT	Treasury	Halim Kastrati	Senior Financial Analyst
21	MoFLT	Treasury	Xhevat Zejnullahu	Deputy Director
22	MoFLT	Treasury	Ahmet Tolaj	Sector Leader
23	MoFLT	Treasury	Bekim Hamiti	System Administrator
24	Assembly	Committee for Public Finance Oversight	Hykmete Bajrami	Chairman of the Committee on Public Finance Oversight
25	Assembly	Committee for Public Finance Oversight	Mehmet Simnica	Senior Economic Officer in the Committee for Public Finance Oversight
26	Tax Administration of Kosovo	Procurement	Azem Duraku	Procurement Manager
27	Tax Administration of Kosovo	Risk Department	Valdete Berisha Podrimaj	Senior Official
28	Tax Administration of Kosovo	Budget	Lirie Selimi	Senior Budget Official
29	Tax Administration of Kosovo	Audit	Melihate Godanci	Internal Audit
30	Tax Administration of Kosovo	International Cooperation	Fjolla Muja	Head of Division
31	Tax Administration of Kosovo		Nebahate Murtezi	Senior Official (?)
32	Tax Administration of Kosovo	Risk Analysis Department	Agron Hamiti	Director
33	Prime Minister Office	Office of Strategic Planning	Vedat Sagonjeva	Director
34	Prishtina Municipality	Budget and Finance	Besa Shuleta Sopjani	Senior Finance and Budget Official
35	Prishtina Municipality	Budget and Finance	Eroll Raskova	Chief of Budget and Finance
36	Procurement Review Body	Procurement Review Body	Ardian Behra	Head

No	Institution	Department	Person	Position
37	Procurement Review Body	Administration	Flutura Duraku	Interpreter
38	Public Procurement Regulatory Commission	Public Procurement Regulatory Commission	Osman Vishaj	Head
39	Public Procurement Regulatory Commission	Public Procurement Regulatory Commission	Agron Ibishi	IT Expert
40	Customs of Kosovo	Customs-Revenue Operations	Bujar Haxhidauti	Head of Division
41	Customs of Kosovo	Customs- Revenue Operations	Bashkim Arifi	Director
42	Customs of Kosovo		Agron Llugaliu	General Director
43	Customs of Kosovo		Violete Pllana	General Director's Cabinet
44	Customs	Budget Department	Dafina Deshaj Dehari	Head of Unit
45	MoFLT	Local Budget Division	Hyrisha Islami	Budget Analyst
46	National Audit Office		Ilir Salihu	Deputy Auditor General
47	National Audit Office	Quality Control	Fatlinda Ramosaj	Director of Quality Control
48	National Audit Office	International Relations	Qendresa Mulaj	Director of International Relations
49	Ministry of Health	Legal Department	Naim Baftiu	Director
50	Ministry of Health	Procurement Division	Ismet Hyseni	Head of Division
51	Ministry of Health	European Integration Department	Mentor Sadiku	Head of Department
52	Agency for Gender Equality	Agency for Gender Equality	Edi Gusia	Executive Director
53	Ministry of Health	Internal Audit Unit	Deme Rexhepi	Head of Unit
54	Ministry of Health	Budget and Finance Office	Kadrije Berisha	Chief Financial Officer
55	Ministry of Education	General Secretary Office	Fadile Dyla	Act. General Secretary
56	Ministry of Education	Budget and Finance Department	Murtez Zekolli	Senior Officer

No	Institution	Department	Person	Position
57	Ministry of Education	Internal Audit Unit	Vebi Ismajli	Director
58	Ministry of Education	Budget and Finance Department	Fehmi Zylfiu	Head of division
59	Ministry of Education	Legal Office	Bashkim Shala	Senior Legal Officer
60	Ministry of Education	Budget and Finance Department	Kushtrim Kozmaqi	Senior Budget Officer
61	Ministry of Education		Fjona Hyseni	
62	Ministry of Education	Procurement Division	Arbenita Mehmetaj Tafilaj	Senior Procurement Officer
63	MoFLT	Budget Department	Salvador Elmazi	Director of Department
64	MoFLT	Budget Department	Milaium Aliu	Head of Division for Central Budget
65	Ministry of Economy	POE Unit	Besim Imeri	Head of unit
66	Ministry of Economy	POE Unit	Fillloreta Gashi	Analyst
67	Ministry of Economy	POE Unit	Adem Ahmetaj	Analyst
68	MoFLT	Department for European Integration	Rexhep Vasolli	Director
69	Chamber of Commerce of Kosovo	Chamber of Commerce of Kosovo	Berat Rukigi	President


Annex 3C: Sources of information used to extract evidence for scoring each indicator

Indicator/dimension	Data Sources
Budget reliability	
PI-1. Aggregate expenditure outturn 1.1. Aggregate expenditure outturn	<ul style="list-style-type: none"> Financial Reports 2018,2019,2020 https://mf.rks-gov.net/desk/inc/media/B805BE58-DD6E-454E-A730-10922B74DD4A.pdf https://mf.rks-gov.net/desk/inc/media/B2B024AA-B18C-41AE-9B4D-3D47314D6539.pdf https://mf.rks-gov.net/desk/inc/media/44CAECA1-259C-49AA-B5C0-71D80F78F763.pdf Annual Budget Law 2018, 2019,2020 https://mf.rks-gov.net/desk/inc/media/EA0446D5-97E0-4540-A9CB-73521FD245A9.pdf https://mf.rks-gov.net/desk/inc/media/6DD9224D-9C40-448E-B71F-06284B8E810C.pdf https://mf.rks-gov.net/desk/inc/media/ED82668F-DF99-42A3-A3ED-DE85125C56BC.pdf
PI-2. Expenditure composition outturn 2.1. Expenditure composition outturn by function 2.2. Expenditure composition outturn by economic type 2.3. Expenditure from contingency reserves	<ul style="list-style-type: none"> Data sent by Treasury and Budget Department, MoFLT, Labour and Transfers in the format needed. Data for all the dimensions are based on the aggregates presented in the annual financial reports and budget tables in the budget laws. Data can be attached: COFOG excel file attached, Shpenzimet sipas klasifikimeve excel file attached. <div style="display: flex; justify-content: space-around; align-items: center;"> <div style="text-align: center;">  COFOG.xlsx </div> <div style="text-align: center;">  Shpenzimet sipas klasifikimeve.xlsx </div> </div>
PI-3. Revenue outturn 3.1. Aggregate revenue outturn 3.2. Revenue composition outturn	<ul style="list-style-type: none"> Data sent by Treasury and Budget Department, MoFLT, Labour and Transfers in the format needed. Data for all the dimensions are based on the aggregates presented in the annual financial reports and budget tables in the budget laws. Data can be attached: Pranimet 2018,2019, 2020 excel file attached <div style="text-align: center;">  Pranimet 20182019 2020.xlsx </div>
Transparency of public finances	
PI-4. Budget classification 4.1 Budget classification	<ul style="list-style-type: none"> Interviews with officials, Treasury reports, BDMS and IFMIS structure and screenshots, Chart of accounts, budget executions, adopted budget (MoFLT) Annual audit reports (NAO) Compliance with GFSM 2014 (IMF)

	Law on PFM Accountability
PI-5. Budget documentation	<ul style="list-style-type: none"> • Interviews with officials, MTEFs, adopted budget, budget executions (MoFLT)
5.1 Budget documentation	Law on PFM Accountability
PI-6. Central government operations outside financial reports	<ul style="list-style-type: none"> • Interviews with officials (MoFLT, NAO, Assembly) • Annual audit reports (NAO) • Operational reports (RTK)
6.1. Expenditure outside financial reports	• Law on PFM Accountability
6.2. Revenue outside financial reports	The Constitution
6.3. Financial reports of extra-budgetary units	
PI-7. Transfers to subnational governments	<ul style="list-style-type: none"> • Interviews with officials (MoFLT – particularly section dealing with municipal budgets, municipality, Ministry of Education, Ministry of Health, NAO) • MTEFs, adopted budget, budget executions (MoFLT) • Law on PFM Accountability and Budget Circulars • The Constitution • Law on Local Self Governance
7.1. System for allocating transfers	Law on Local Governance Finance
7.2. Timeliness of information on transfers	
PI-8. Performance information for service delivery	<ul style="list-style-type: none"> • Interviews with officials (MoFLT – particularly section dealing with PIP and with budget organisations, municipality, Ministry of Education, Ministry of Health, Ministry of Agriculture, NAO, Assembly) • MTEFs, adopted budget, budget execution (MoFLT) • Strategic documents of the Kosovo Government (Office of the Prime Minister) • Documents relating to PIP (MoFLT) • Reports of performance audits (NAO)
8.1. Performance plans for service delivery	Law on PFM Accountability and Budget Circulars (MoFLT)
8.2. Performance achieved for service delivery	
8.3. Resources received by service delivery units	
8.4. Performance evaluation for service delivery	
PI- 9. Public access to fiscal information	<ul style="list-style-type: none"> • Interviews with officials (MoFLT, NAO) • Law on PFM Accountability • Law on Access to Public Documents
9.1. Public access to fiscal information	MTEFs, adopted budget, budget executions, Citizen Budget (MoFLT)
Management of assets and liabilities	
PI-10. Fiscal risk reporting	<ul style="list-style-type: none"> • Interviews with officials at MED and Treasury. • Report on contingent liabilities; • Information and list on PoEs; • https://me.rks-gov.net/en/pmupt#.YRpjTYgzY2w • AFS 2020; • Annual Performance Report on PoE for 2019
10.1. Monitoring of public corporations	
10.2. Monitoring of sub-national government	
10.3. Contingent liabilities and other fiscal risks	
PI- 11. Public investment management	<ul style="list-style-type: none"> • List of investment projects; • Interviews with officials responsible for PIP at Budget Department; • Administrative instruction on capital projects; • Administrative Instruction on selection of projects; • Selection Criteria; • PIP Manual
11.1. Economic analysis of investment proposals	
11.2. Investment project selection	
11.3. Investment project costing	
11.4. Investment project monitoring	
PI-12. Public asset management	<ul style="list-style-type: none"> • Annual Financial Reports 2018,2019,2020
12.1. Financial asset monitoring	

12.2. Nonfinancial asset monitoring	<ul style="list-style-type: none"> • Regulation on Management of Non-Financial Assets • https://gzk.rks-gov.net/ActDetail.aspx?ActID=10159
12.3. Transparency of asset disposal.	
PI-13. Debt management	<ul style="list-style-type: none"> • Quarterly Debt Reports published https://mf.rks-gov.net/page.aspx?id=2,44 • Public Debt Law https://gzk.rks-gov.net/ActDetail.aspx?ActID=2663 • Debt Strategy (Published Annually) https://mf.rks-gov.net/page.aspx?id=1,49 • Regulation on Procedures for Issuance and Management of State Debts, State Guarantees and Municipal Debts: https://mf.rks-gov.net/desk/inc/media/953C91DA-C090-434E-91B9-91DC8E00841E.pdf • Regulation for the Primary and Secondary Market of Government Securities of the Republic of Kosovo: https://bqk-kos.org/repository/docs/2013/Market%20Regulation_Signed.pdf • PI-13.3 Annual reports on debt strategy presenting the results obtained in relation to debt management objectives for 2018, 2019 and 2020. • State Debt Program 2018 – 2020: • State Debt Program 2019 – 2021: • State Debt Program 2020 – 2022: https://mf.rks-gov.net/page.aspx?id=1,49
13.1. Recording and reporting of debt and guarantees	
13.2. Approval of debt and guarantees	
13.3. Debt management strategy	
Policy-based fiscal strategy and budgeting	
PI-14. Macroeconomic and fiscal forecasting	<p>Please find below the references to the relevant budget law for each year:</p> <ul style="list-style-type: none"> • 2018 – page 527, available online at: https://mf.rks-gov.net/desk/inc/media/D93FE116-1139-4AF1-B371-91327CA26CA6.pdf • 2019 – page 533, available online at: https://mf.rks-gov.net/desk/inc/media/6DD9224D-9C40-448E-B71F-06284B8E810C.pdf • 2020 – page 544, available online at: https://mf.rks-gov.net/desk/inc/media/EA0446D5-97E0-4540-A9CB-73521FD245A9.pdf • 2020 (revision) – page 510, available online at: https://mf.rks-gov.net/desk/inc/media/C967DC09-044E-4CED-8391-4DB711241381.pdf <p>The Ministry has an excel-based (Keynesian) macroeconomic model. Besides the forecasts which are generated endogenously from the model, we feed it also with assumptions which derive from the Government’s objectives and from discussions with other departments/institutions.</p>
14.1. Macroeconomic forecasts	
14.2. Fiscal forecasts	
14.3. Macro-fiscal sensitivity analysis	

	<p>Specifically, tax revenues (both direct and indirect) are projected by approximating the relevant tax base over the forecasted horizon and applying to it the last year effective tax rate (computed as the ratio of total revenue collected last year by the respective tax base of the last year). Further, non-tax revenues are obtained from the projections of relevant institutions. Please find below the MT fiscal forecasts which are published annually on the Medium-Term Expenditure Framework (besides the other projections updated in the annual budgets)</p> <ul style="list-style-type: none"> • 2018 – page 38, available online at: https://mf.rks.gov.net/desk/inc/media/F41E6181-8CC0-4E79-A797-B5B5FEBCD82A.pdf • 2019 – page 86, available online at: https://mf.rks.gov.net/desk/inc/media/21391F7F-A1DC-47B2-B8FB-BE821847FC37.pdf • 2020 – page 84, available online at: https://mf.rks.gov.net/desk/inc/media/9EB3BF1E-98D7-450F-B8E2-54EC599AC6A6.pdf • 2020 (revision) – page 79, available online at: https://mf.rks.gov.net/desk/inc/media/032A817F-BA29-4F56-A031-C44CB9F1F7EA.pdf <p>The Ministry has a fiscal risks section in each document (budget, MTEF, and ERP) where baseline projections are compared against upside and downside risks.</p> <p>In addition, the Ministry conducts a sensitivity analysis of the main budget items (revenues, expenditures, and budget balance) to fluctuations of macroeconomic variables. Such analysis was conducted on the budget revision of 2020 (see page 504 of the following link: https://mf.rks.gov.net/desk/inc/media/C967DC09-044E-4CED-8391-4DB711241381.pdf).</p> <p>Also, see Table 11 (page 34) and Table 20 (page 49) for similar analyses in ERP publication of 2019 (available at: https://mf.rks.gov.net/desk/inc/media/4FC9C8D0-8ADF-4DD1-97B8-BB2DD36150C3.pdf).</p>
<p>PI-15. Fiscal strategy</p> <p>15.1. Fiscal impact of policy proposals</p> <p>15.2. Fiscal strategy adoption</p> <p>15.3. Reporting on fiscal outcomes</p>	<ul style="list-style-type: none"> • Data included fiscal impact assessments and analysis produced by the Fiscal Policy Department (internal use). • The Medium-Term Expenditure Framework for all three years, specifically the priorities section which refers to fiscal strategy https://mf.rks.gov.net/page.aspx?id=2,27

	<ul style="list-style-type: none"> • The Macro-Fiscal Framework on the annual budget- section that reports debt and deficit levels, referring to fiscal rules. • Internal monthly report sent by authorities which reports on the fiscal performance against fiscal rules and budget projections.
PI-16. Medium-term perspective in expenditure budgeting	<ul style="list-style-type: none"> • The annual budget laws with three years' projections on expenditure • The expenditure ceilings shared by the budget department officials but also found on the budget circulars published on the website • https://mf.rks-gov.net/page.aspx?id=1,31 • Opinions on the different strategies which include their linkage to the overall government strategy and the Medium Term Expenditure Framework. • https://kryeministri.rks-gov.net/wp-content/uploads/2019/02/MANUAL-FOR-PLANNING-DEVELOPING-AND-MONITORING-STRATEGIC-DOCUMENTS-AND-THEIR-ACTION-PLANS-.pdf • https://kryeministri.rks-gov.net/wp-content/uploads/2018/04/UDH%C3%8BZIMI-ADMINISTRATIV-QRK-NR.-07-2018-P%C3%8BR-PLANIFIKIMIN-DHE-HARTIMIN-E-DOKUMENTEVE-STRATEGJIKE-DHE-PLANEVE-T%C3%8B-VEPRIMIT-28-03-2018.pdf
16.1. Medium-term expenditure estimates	
16.2. Medium-term expenditure ceilings	
16.3. Alignment of strategic plans and medium-term budgets	
16.4 Consistency of budgets with previous year's estimates	
PI-17. Budget preparation process	<ul style="list-style-type: none"> • The budget calendar was shared with us from the authorities, nonetheless a simplified version is published online to inform citizens each year and it includes the calendar • https://mf.rks-gov.net/page.aspx?id=2,132 • Government decisions when the budget was submitted to the legislature.
17.1. Budget calendar	
17.2. Guidance on budget preparation	
17.3. Budget submission to the legislature	
PI-18. Legislative scrutiny of budgets	<ul style="list-style-type: none"> • Timing of Budget approval • 2018 Budget- approved on 22nd of December 2017. • 2019 Budget approved in February 2019 • 2020 Budget approved on March 15th, 2020 • Rules for budget adjustments regulated in Law Nr.03/L-048 for Management of Public Finances and Accountability Article 30 • Meeting minutes of the Budget and Finance Committee • Information derived from meetings with assembly officials • The scope of work of the Budget/Finance Committee <div style="text-align: center;">  <p>Scope of the Budget and Finance</p> </div>
18.1. Scope of budget scrutiny	
18.2. Legislative procedures for budget scrutiny	
18.3. Timing of budget approval	
18.4. Rules for budget adjustments by the executive	

Predictability and control in budget execution	
PI-19. Revenue administration	<ul style="list-style-type: none"> • Interviews with officials at TAK and Customs • Compliance improvement plans of TAK and Customs • Annual Reports for FY 2019 and FY 2020 for TAK and Customs • Report on arrears and reconciliations for TAK and Customs • Plan of Strategic Actions 2020 for Customs • https://www.atk-ks.org/en/about-us/ • https://dogana.rks-gov.net/en/ • Strategy of TAK for 2021-20215 • Strategy of TAK for 20212-2015
19.1. Rights and obligations for revenue measures	
19.2. Revenue risk management	
19.3. Revenue audit and investigation	
19.4. Revenue arrears monitoring	
PI-20. Accounting for revenues	<ul style="list-style-type: none"> • https://mf.rks-gov.net/Page.aspx?id=2,125; • Monthly revenue report • AFS 2018-2020 • Interview with officials at Treasury
20.1. Information on revenue collections	
20.2. Transfer of revenue collections	
20.3. Revenue accounts reconciliation	
PI-21. Predictability of in-year resource allocation	<ul style="list-style-type: none"> • Law on Public Financial Management • Supplementary Law for FY 2020 • Cash Flow for FY 2020- and six-month 2021 • Interview with officials at Treasury • https://mf.rks-gov.net/desk/inc/media/B805BE58-DD6E-454E-A730-10922B74DD4A.pdf
21.1. Consolidation of cash balances	
21.2. Cash forecasting and monitoring	
21.3. Information on commitment ceilings	
21.4. Significance of in-year budget adjustments	
PI-22. Expenditure arrears	<ul style="list-style-type: none"> • Excel report on expenditure arrears • Interview with officials at Treasury • https://mf.rks-gov.net/desk/inc/media/B805BE58-DD6E-454E-A730-10922B74DD4A.pdf
22.1. Stock of expenditure arrears	
22.2. Expenditure arrears monitoring	
PI-23. Payroll controls	<ul style="list-style-type: none"> • Excel report on retroactive adjustments • Interview with Payment Division at Treasury • https://mf.rks-gov.net/desk/inc/media/B805BE58-DD6E-454E-A730-10922B74DD4A.pdf
23.1. Integration of payroll and personnel records	
23.2. Management of payroll changes	
23.3. Internal control of payroll	
23.4. Payroll audit	
PI-24. Procurement	<ul style="list-style-type: none"> • Interviews with PPRC and PRB • Annual Activity Report of PPRC 2020 • E-procurement in Kosovo report • Law on Public Procurement • Excel table with procurement methods applied for FY 2020
24.1. Procurement monitoring	
24.2. Procurement methods	
24.3. Public access to procurement information	
24.4. Procurement complaints management	
PI-25. Internal controls on non-salary expenditure	<ul style="list-style-type: none"> • Book of Processes • Excel report of irregular payments as of end 2020 • Interview with officials at Treasury
25.1. Segregation of duties	
25.2. Effectiveness of expenditure commitment controls	
25.3. Compliance with payment rules and procedures	
PI-26. Internal audit	<ul style="list-style-type: none"> • Interview with officials at CHU and Internal Audit at MoFLT • Law on Internal Audit • Manuals on FMC and IA • Internal Audit Reports • Annual report on IA performance in central level for 2018-2019
26.1. Coverage of internal audit	
26.2. Nature of audits and standards applied	
26.3. Implementation of internal audits and reporting	
26.4. Response to internal audits	

	<ul style="list-style-type: none"> Professional Code of Ethics and Internal Audit Standards
Accounting and reporting	
PI-27. Financial data integrity	
27.1. Bank account reconciliation	<ul style="list-style-type: none"> https://mf.rks-gov.net/desk/inc/media/B805BE58-DD6E-454E-A730-10922B74DD4A.pdf
27.2. Suspense accounts	
27.3. Advance accounts	<ul style="list-style-type: none"> Interview with officials at Treasury
27.4. Financial data integrity processes	
PI-28. In-year budget reports	
28.1. Coverage and comparability of reports	<ul style="list-style-type: none"> Draft Budget Law 2018-2020 Approved budget 2018-2020
28.2. Timing of in-year budget reports	<ul style="list-style-type: none"> One-month, quarterly, six-month and nine-month in-year budget execution reports
28.3. Accuracy of in-year budget reports	<ul style="list-style-type: none"> https://mf.rks-gov.net/desk/inc/media/4F45D4A5-EC42-4A7F-8653-89E040754EA6.pdf https://mf.rks-gov.net/desk/inc/media/E015B46E-5ADB-4F2F-8817-807C800A060F.pdf https://mf.rks-gov.net/desk/inc/media/27E37BA6-2EE5-4B03-BF74-678F90C63141.pdf https://mf.rks-gov.net/desk/inc/media/B805BE58-DD6E-454E-A730-10922B74DD4A.pdf Interview with officials at Treasury
PI-29. Annual financial reports	
29.1. Completeness of annual financial reports	<ul style="list-style-type: none"> Annual Financial Report 2018 Annual Financial Report 2019
29.2. Submission of the reports for external audit	<ul style="list-style-type: none"> Annual Financial Report 2020
29.3. Accounting standards	<ul style="list-style-type: none"> Cover letter re submission of AFS to NAO for FY 2018, 2019 and 2020 Interview with officials at Treasury
External scrutiny and audit	
PI-30. External audit	
30.1. Audit coverage and standards	<ul style="list-style-type: none"> Interviews with officials (NAO, Assembly, MoFLT) Rules on Implementation of Audit and Action Plans
30.2. Submission of audit reports to the legislature	
30.3. External audit follow up	<ul style="list-style-type: none"> The Constitution
30.4. Supreme Audit Institution independence	<ul style="list-style-type: none"> Law on the Auditor General and NAO Annual Performance Reports of NAO
PI-31. Legislative scrutiny of audit reports	
31.1. Timing of audit report scrutiny	<ul style="list-style-type: none"> Interviews with officials (NAO, Assembly, MoFLT) Rules and Procedures of the Assembly
31.2. Hearings on audit findings	<ul style="list-style-type: none"> Manual on Budget Oversight (OSCE)
31.3. Recommendations on audit by the legislature	<ul style="list-style-type: none"> Reports of Assembly's PF Oversight Committee (Assembly)
31.4. Transparency of legislative scrutiny of audit reports	

Annex IV: Tracking change in performance based on previous versions of PEFA

This annex provides a summary table of the performance at indicator and dimension level. The table specifies the scores with a brief explanation for the scoring for each indicator and dimension of the current and previous assessment. This annex presents comparisons with previous assessments that used the 2011 versions of PEFA Framework and has been prepared in compliance with the Guidance on reporting performance changes in PEFA 2016 from previous assessments that applied PEFA 2005 or PEFA 2011 at www.pefa.org.

Indicator/Dimension	Score previous assessment	Score current assessment	Description of requirements met in current assessment	Explanation of change (include comparability issues)
A. PFM-OUT-TURNS: Credibility of the Budget				
PI-1 Aggregate expenditure out-turn compared to original approved budget	B	B	In no more than one out of the last three years has the actual expenditure deviated from budgeted expenditure by an amount equivalent to more than 10% of budgeted expenditures	No change
PI-2 Composition of expenditure out-turn compared to original approved budget	B+	D		Deterioration
(i) Extent of the variance in expenditure composition during the last three years, excluding contingency items	B	D	Variance in expenditure composition exceeded 15% in a least two of the last three years	Deterioration: Mainly due to lower execution of capital expenditures which resulted in greater variance
(ii) The average amount of expenditure actually charged to the contingency vote over the last three years.	A	A	Actual expenditure charged to contingency vote was on average less than 3 % of the original budget	No change
PI-3 Aggregate revenue out-turn compared to original approved budget	C	A	Actual domestic revenue was between 97% and 106% of budgeted domestic revenue in at least two of the last three years	Improvement- revenue projection has improved.

PI-4 Stock and monitoring of expenditure payment arrears	C+	A	-	Improvement in score and performance
(i) Stock of expenditure payment arrears and a recent change in the stock	C	A	The stock of arrears is below 2% of total expenditure in all three fiscal years of assessment	Improvement in performance since PEFA 2016 (based on Framework 2011). There was significant stock of expenditure arrears in FY due to deliberate delay of registration of current liabilities in KFMIS for exceeding budget ceilings in the respective year.
(ii) Availability of data for monitoring the stock of expenditure payment arrears	B	A	The data on stock of arrears is reliable and complete and is generated through routine procedures at year end. It includes age profile for less/more 30 days except for FY 2018.	Improvement in score and in performance. Reliability of data improved having all BOs to register their commitments and invoices on time by month end. Thus, age profile is also recorded and monitored. There was no such practice in 2015.
B. KEY CROSS-CUTTING ISSUES: Comprehensiveness and Transparency				
PI-5 Classification of the budget	A	A	Budget formulation and execution are based on administrative, economic, and sub-functional classification, using GFS/ CFOG standards. Program classification substitutes for sub-functional classification.	No change in performance
PI-6 Comprehensiveness of information included in budget documentation	B	B	The budget documentation still contains 6 elements (and lacks 3) from the previous methodology.	No change in performance
PI-7 Extent of unreported government operations	A	A	Scoring method M1 (weakest link)	No change
(i) Level of unreported government operations	A	A	Kosovo operates using the Single Treasury Account system and there is no	No change in performance

			unreported extra-budgetary expenditure.	
(ii) Income/expenditure information on donor-funded projects	A	A	Complete income/expenditure information of donor-funded projects is included in fiscal reports (as it is channelled through the Single-Treasury Account), except inputs provided in-kind.	No change in performance
PI-8 Transparency of inter-governmental fiscal relations	A	A		No change
(i) Transparency and objectivity in the horizontal allocation amongst Sub-national Governments	A	A	The horizontal allocation of all transfers to subnational governments from central government is determined by a transparent, rule-based system.	No change in performance
(ii) Timeliness and reliable information to SN Governments on their allocations	B	A	Municipal governments are provided reliable information on their indicative allocations (from the MTEF) early in the budget cycle before the start of their budgeting process. As available fiscal room becomes more certain, final ceilings are issued to municipalities and municipalities start budgeting.	Performance improved. Even though final ceilings for municipalities are usually issued later than foreseen by the budget calendar, municipalities are granted sufficient time (7-8 weeks) to prepare their budget request and have it approved by their municipal assemblies.
(iii) Extent of consolidation of fiscal data for general government according to sectoral categories	A	A	Ex-ante and ex-post fiscal information of municipalities consistent with central government fiscal reporting is contained in the KFMIS. The Treasury Department is therefore able to timely prepare regular consolidated government budget execution reports.	No change in performance
PI-9 Oversight of aggregate fiscal risk from other public sector entities	B+	B+		No change
(i) Extent of central government monitoring of autonomous entities and public enterprises	B	B	All PoEs submit annual financial statements annually to MED, who consolidate a report on PoEs' financial performance highlighting to the Government of Kosovo any fiscal risk.	No change

(ii) Extent of central government monitoring of SN government's fiscal position	A	A	All municipalities channel their funds through TSA; thus, Central Treasury prepares annual financial statements and monitor their fiscal position.	No change
PI-10 Public access to key fiscal information	A	A	The Government makes available to the public 5 (of 6 listed) types of information. Missing is the information on resources available to some frontline service delivery units (information about primary health care institutions could be obtained from municipal administrations upon request, which cannot be considered public access though).	No change in performance
C. BUDGET CYCLE				
<i>C(i) Policy-Based Budgeting</i>				
PI-11 Orderliness and participation in the annual budget process	A	B+		Deterioration
(i) Existence of, and adherence to, a fixed budget calendar	A	A	A clear annual budget calendar exists, is generally adhered to, and allows MDA's enough time	No change
(ii) Guidance on the preparation of budget submissions	A	A	A comprehensive and clear budget circular is issued to MDA's which reflects ceiling approved by the Cabinet prior to the circular's distribution to MDA-s	No change
(iii) Timely budget approval by the legislature	A	C	The legislature has, in two of the last three years, approved the budget within two months of the start of the fiscal year	Deterioration in performance: The budget was approved after the beginning of the fiscal year.
PI-12 multi-year perspective in fiscal planning, expenditure policy and budgeting	C+	B		Improvement
(i) Multiyear fiscal forecasts and functional allocations	C	C	Forecasts of fiscal aggregates are prepared or at least two years on a rolling basis.	No change
(ii) Scope and frequency of debt sustainability analysis	A	A	Replaced by new dimension 13.3 on debt management strategy	No change

(iii) Existence of costed sector strategies	C	B	Statements of sector strategies exist and are fully costed, broadly consistent with fiscal forecasts, for sectors representing 25-75%	Improvement of performance and score: Majority of new policy initiatives are costed
(iv) Linkages between investment budgets and forward expenditure estimates	D	B	Partially incorporated into new dimension 16.3 Based on the evidence provided, forward estimated costs for implementation of the majority strategic plans align with the midterm budget estimates.	Improvement of Performance: Majority of new projects budgeted align with strategies
<i>C(ii) Predictability and Control in Budget Execution</i>				
PI-13 Transparency of taxpayer obligations and liabilities	B+	A		Improvement
(i) Clarity and comprehensiveness of tax liabilities	A	A	There is clear and complete information on revenue obligations ease of access to taxpayer and business	No change
(ii) Taxpayer access to information on tax liabilities and administrative procedures	A	A	Taxpayers have easy access to comprehensive, user friendly and up-to-date information tax liabilities and administrative procedures for all major taxes and custom obligations	No change
(iii) Existence and functioning of a tax appeal mechanism	C	B	The tax appeal system is serviced by the general court system, however there is a module on filing claims and receiving refund on key taxes. The procedures are completely set up and functional, but it is either too early to assess its effectiveness	Improvement in performance: There is EDI module on claims review and refund of funds which is electronic and easy if access
PI-14 Effectiveness of measures for taxpayer registration and tax assessment	B	A		Improvement
(i) Controls in the taxpayer registration system	B	A	Taxpayers are registered in a complete database system with direct linkages to other relevant government registration systems.	Improvement in performance: IT-based tax administration system, SIGTAS is fully deployed and operational on central and regional level of revenue administration.

(ii) Effectiveness of penalties for non-compliance with registration and declaration obligations	B	B	Penalties for non-compliance exist and are effective when it comes to be applied.	No change
(iii) Planning and monitoring of tax audit and fraud investigation programs	B	A	Tax audits and fraud investigations are managed and reported on according to a comprehensive and documented audit plan, with clear risk assessment criteria for all major taxes	Improvement in performance: Both Tax and Customs apply compliance improvement plan with risk assessment approach when planning to assess compliance of revenue payers
PI-15 Effectiveness in collection of tax payments	D+	D+		No change
(i) Collection ratio for gross tax arrears	D	D	The debt collection ratio was more than 90% for the last two completed years 2019 and 2020 but the total amount of tax arrears (for TAK only) for year 2020 was significant, that is more than 2% (12% in 2020)	No change Collection ration was good but there are significant arrears
(ii) Effectiveness of transfer of tax collections to the Treasury by the revenue administration	A	A	All revenue is paid daily directly into TSA controlled by the Treasury.	No change
(iii) Frequency of complete accounts reconciliation between tax assessments, collections, arrears records, and receipts by the Treasury	A	A	Complete reconciliation of revenue records is monthly	No change
PI-16 Predictability in the availability of funds for commitment of expenditures	A	A		No change
(i) Extent to which cash flows are forecasted and monitored	A	A	A cash flow forecast is prepared for the fiscal year and is updated monthly on the basis of actual cash inflows and outflows.	No change
(ii) Reliability and horizon of periodic	A	A	Budget originations can plan and commit expenditure for	No change

in-year information to MDAs on ceilings for expenditure			at least (12) six months in advance in accordance with the budgeted appropriations.	
(iii) Frequency and transparency of adjustments to budget allocations above the level of management of MDAs	A	A	In-year adjustments to budget allocations took place only once in FY 2020 and they followed all rules and procedures which are clear and transparent	No change
PI-17 Recording and management of cash balances, debt and guarantees	A	A		No change
(i) Quality of debt data recording and reporting	A	A	Domestic and foreign debt records are complete, updated and reconciled on a monthly basis. Comprehensive management and statistical reports (cover debt service, stock and operations) are produced at least quarterly.	No change
(ii) Extent of consolidation of the government's cash balances	A	A	All sub-account constituent of the TSA is consolidated and reconciled on daily basis	No change
(iii) Systems for contracting loans and issuance of guarantees	A	A	Central government's contracting of loans and issuance of guarantees are made against transparent criteria and fiscal targets, and always approved by a single responsible government entity	No change
PI-18 Effectiveness of payroll controls	C+	B+	-	Improvement of score and performance
(i) Degree of integration and reconciliation between personnel records and payroll data	C	B	Personnel data and payroll data are still not fully linked that was planned to happen in 2015. Still, payroll is made in line with all changes in personnel database each month and checked against the previous month's payroll data.	Improvement of performance. There are monthly reconciliations between payroll and HR database in time for salary payment.
(ii) Timeliness of changes to personnel records and the payroll	B	A	Changes to the personnel records and payroll are updated monthly, and the retroactive adjustments are	Score has changed but the performance is the same. Changes in the personnel records and

			less than 1%. This was the practice in 2015 but it was scored B.	payroll are updated in time for the following month's payment. The retroactive adjustments show correction of less than 1%.
(iii) Internal controls of changes to personnel records and the payroll	B	B	The changes made to personnel records are authorized by a human resource officer within each Budget organization. There is audit trail for every change in the HRMS.	No change. Authority to change records and payroll is restricted and results in an audit trail.
(iv) Existence of payroll audits to identify control weaknesses and/or ghost workers	C	A	There are annual payroll audits that NAO as part of their regular annual audits.	Improvement in performance. There are regular annual payroll audits. Payroll audits were performed once in three years in FY 2015 because payroll was not considered high risk.
PI-19 Competition, value for money and controls in procurement	C	A	-	Improvement of score and performance
(i) Transparency, comprehensiveness, and competition in the legal and regulatory framework.	B	B	The legal framework meets five of the six requirements	No change: The PPL does not define the open procedure as the default method of procurement.
(ii) Use of competitive procurement methods	D	B	While all procurement methods are defined as competitive, more than 80% of the methods employed in all three years of assessment were in open procedures	No change: Even if the score indicated significant change in the use of procurement methods, the performance has not changed. The volume of open procedure tenders in 2015 was 88% which would correspond to B score and not D. It is considered that 19.2 of Framework 2011 was underscored in PEFA 2015.
(iii) Public access to complete, reliable, and timely	B	A	All key procurement information is made available to the public through the e-procurement portal	Improvement in performance. Only three out of four information

procurement information				requirements were met in PEFA 2015. The improvement is in the publication of procurement plans.
(iv) Existence of an independent administrative procurement complaints system	D	D	The procurement complaints system meets criteria (i), (ii) and three of the other five criteria.	No change. There is no change re requirement (iii) on fee charging and in the composition of the PRB that is comprised of experienced professionals, familiar with the legal framework for procurement, and includes members drawn from the private sector but not from the civil societies and the government as PEFA 2011 requires.
PI-20 Effectiveness of internal controls for non-salary expenditure	C+	A	-	Improvement of score and performance
(i) Effectiveness of expenditure commitment controls	C	A	Comprehensive expenditure commitment controls are in place and effectively limit commitments to actual cash availability and approved budget allocations	Improvement of performance: The Treasury adopted new financial rules on public expenses in order to tighten controls. The proposed commitments are checked through KFMIS prior to signing contracts. .
(ii) Comprehensiveness, relevance and understanding of other internal control rules/procedures.	A	A	The other internal control rules and procedures that are relevant are the Book of Procedures and the PIFC and FMC procedures, they are all effective and widely applied.	No change
(iii) Degree of compliance with rules for processing and recording transactions	C	A	Compliance with rules for processing and making payments is very high and there is insignificant chance of misuse.	Improvement of performance and score as a result of a couple of technical assistance interventions of EUD, all PIFC/FMC relevant proceedings are in place, commitment controls are strengthened.
PI-21 Effectiveness of internal audit	C+	A	-	Improvement

(i) Coverage and quality of the internal audit function	C	A	Internal audit is operational for 83% of budget expenditure volume and international standards are applied and the audit is focused on effectiveness of internal control system	Improvement of performance and score
(ii) Frequency and distribution of reports	A	A	IA reports are issued for all implemented audits and the reports are submitted to the head of BO and NAO	No change
(iii) Extent of management response to internal audit function.	B	A	Prompt response is undertaken by all managers of the audited BO	Improvement of performance: action on internal audit findings is prompt and comprehensive for all central government entities.
<i>C(iii) Accounting, Recording and Reporting</i>				
PI-22 Timeliness and regularity of accounts reconciliation	A	A		No change
(i) Regularity of bank reconciliation	A	A	Bank reconciliation for all central government bank accounts takes place daily due to the TSA system	No change
(ii) Regularity and clearance of suspense accounts and advances	A	A	Suspense accounts are not used, and clearance of advance accounts is made monthly	No change
PI-23 Availability of information on resources received by service delivery units	B	D	KFMIS provides reliable information on all types of resources received by pre-university schools and (albeit less disaggregated, i.e., at the level of the municipality but not the individual institution) primary health centres or clinics. Such reports can be extracted from FMIS at any time. However, there is no evidence that they were extracted and used in the last three years.	Deterioration: Even though it is technically possible, there is no evidence that such reports are extracted from KFMIS (or generated otherwise) and used.
PI-24 Quality and timeliness of in-year budget reports	B+	B+		No change
(i) Scope of reports in terms of coverage and compatibility with budget estimates	A	A	Classification of data allows comparison to the original budget. Information includes all items of budget estimates. Expenditure is covered at	No change

			both commitment and payment stages	
(ii) Timeliness of the issue of reports	A	A	In-year reports are prepared monthly and quarterly within 4 weeks of end of period	No change
(iii) Quality of information	B	B	There are no material concerns regarding data accuracy. Some issues, such as misclassification, remain but Treasury have taken measures to resolve these.	No change
PI-25 Quality and timeliness of annual financial statements	A	A		No change
(i) Completeness of the financial statements	A	A	IPSAS cash basis are the basis for preparation of Annual Financial Statements. They include full information on revenue, expenditure, assets and liabilities and cash balances.	No change
(ii) Timeliness of submissions of the financial statements	A	A	The AFS are submitted to NAO within three months of end of each fiscal year.	No change
(iii) Accounting standards used	A	A	IPSAS cash basis are applied for the production of all Government financial statements.	No change
<i>C(iv) External Scrutiny and Audit</i>				
PI-26 Scope, nature and follow-up of external audit	B+	B+		No change
(i) Scope/nature of audit performed (including adherence to auditing standards)	A	A	All entities of the central government are audited annually, covering revenue, expenditure, and assets/liabilities. A full range of financial audits (and some performance audits) adhering to auditing standards are performed, focusing on significant and systemic issues.	No change in performance
(ii) Timeliness of submission of audit reports to the Legislature	B	B	The Annual Audit Report of the Annual Budget Execution Report of the Government is submitted to the Assembly by the LPFMA deadline of Aug 31, which is 5 months after the receipt of the	No change in performance

			consolidated execution from the Government.	
(iii) Evidence of follow up on audit recommendations	B	B	Recommendations resulting from NAO audits are implemented to some extent. However, there is no effective formal mechanism for ensuring implementation.	No change in performance
PI-27 Legislative scrutiny of the annual budget law	B+	D+		Deterioration
(i) Scope of the legislature scrutiny	A	A	The legislature's review covers fiscal framework, and medium-term priorities as well as details of expenditure and revenue	No change
(ii) Extent to which the legislature's procedures are well established and respected	B	B	The legislature's procedures for budget review are firmly established and respected. They include internal organizational arrangements, such as specialized review committees and negotiation procedures	No change
(iii) Adequacy of time for the legislature to provide a response to budget proposals both the detailed estimates and, where applicable, for proposals on macro-fiscal aggregates earlier in the budget preparation cycle (time allowed in practice for all stages combined)	A	D	The time allowed for the legislature review is clearly insufficient for a meaningful debate (significantly less than one month)	Deterioration: The 2020 Budget was sent in March 2020, due to political situation. Methodology has changed, in the new methodology each year is considered separately
(iv) Rules for in-year amendments to the budget without ex-ante approval by the legislature	B	A	Clear rules exist for in- year budget amendments by the executive, set strict limits on extent and nature of amendments and are consistently respected	Improvement: Clear rules exist for in- year budget amendments by the executive and are abided.

PI-28 Legislative scrutiny of external audit reports	B	C+		Deterioration
(i) Timeliness of examination of audit reports by the legislature	B	D	Scrutiny of audit reports is usually completed by the legislature within three months from receipt of the reports.	Deterioration: Scrutiny was not completed in one of the three years.
(ii) Extent of hearing on key findings undertaken by the legislature	B	A	In-depth hearings on key findings take place consistently with responsible officers from all audited entities, which received a qualified or adverse audit opinion.	Improvement in performance
(iii) Issuance of recommended actions by the legislature and implementation by the executive	B	B	Typically, the legislature endorses NAO's recommendations on actions to be implemented by the executive, some of which are implemented.	No change in performance

Annex V: Calculations for PI-1, PI-2, and PI-3

Tables for PI - 1

Table 1 - Fiscal years for assessment

Year 1 =	2018
Year 2 =	2019
Year 3 =	2020

Table 2²⁶						
Data for year =	2018	In mln Eur				
functional head	budget	actual	adjusted budget	deviation	absolute deviation	percent
General Public Services	182	183	168	14	14	8%
Defence	54	46	43	11	11	26%
Law and Order	199	176	162	37	37	23%
Economic Issues	528	451	414	114	114	28%
Environment	87	16	15	72	72	478%
Housing and Community Issues	14	43	40	-26	26	65%
Health	212	200	184	29	29	16%
Recreation and Culture	68	57	52	16	16	30%
Education	305	302	277	28	28	10%
Social Welfare	416	440	404	11	11	3%
Other	66	43	39	27	27	69%
21 (= sum of rest)						
allocated expenditure	2,132	1,958	1,799	334	385	
interests	24	19				
contingency	3	3				
total expenditure	2,159	1,980				
aggregate outturn (PI-1)						92%

²⁶ Total Expenditures include Interest payments and debt service payments

composition (PI-2) variance	21%
contingency share of budget	0%

Table 3

Data for year =	2019	In mln Eur				
functional head	budget	actual	adjusted budget	deviation	absolute deviation	percent
General Public Services	281	237	247	-10	10	4%
Defence	59	50	52	-2	2	4%
Law and Order	195	198	171	27	27	16%
Economic Issues	572	405	503	-98	98	20%
Environment	43	24	38	-14	14	37%
Housing and Community Issues	53	44	47	-3	3	6%
Health	234	221	206	15	15	7%
Recreation and Culture	78	61	69	-8	8	11%
Education	346	323	304	19	19	6%
Social Welfare	460	491	404	87	87	21%
Other	74	52	65	-13	13	20%
allocated expenditure	2,395	2,104	2,104	0.0	294.5	
interests	28	23				
contingency	30	25				

total expenditure	2,452	2,153				
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aggregate outturn (PI-1)	88%
composition (PI-2) variance	14%
contingency share of budget	1%

Table 4

Data for year =	2020	In mln Eur				
functional head	budget	actual	adjusted budget	deviation	absolute deviation	percent
General Public Services	293	210	272	-62	62	23%

Defence	70	60	65	-5	5	8%
Law and Order	208	205	193	12	12	6%
Economic Issues	459	462	425	37	37	9%
Environment	35	15	33	-18	18	55%
Housing and Community Issues	55	37	51	-14	14	27%
Health	238	262	221	40	40	18%
Recreation and Culture	78	52	73	-21	21	29%
Education	374	313	347	-34	34	10%
Social Welfare	478	551	444	107	107	24%
Other	145	91	134	-43	43	32%
allocated expenditure	2,433	2,258	2,258	(0)	393	
interests	32	28				
contingency	37	50				
total expenditure	2,502	2,335				
aggregate outturn (PI-1)						93%
composition (PI-2) variance						17%
contingency share of budget						2%

Table 5 - Results Matrix

year	for PI-1.1	for PI-2.1	for PI-2.3
	total exp. Outturn	composition variance	contingency share
2018	92%	21%	
2019	88%	14%	1%
2020	93%	17%	

Tables for PI-2

Table 1 - Fiscal years for assessment

Year 1 =	2018
Year 2 =	2019
Year 3 =	2020

Table 2							
Data for year =		2018	In mln Eur				
Economic head	budget	actual	adjusted budget	deviation	absolute deviation	percent	
Compensation of employees	590	593	541	52	52	10%	
Use of goods and services	265	253	243	10	10	4%	
Consumption of fixed capital	694	533	636	-103	103	16%	
Interest	23	19	21	-3	3	12%	
Subsidies and Transfers	526	559	482	77	77	16%	
Other Expenses	61	24	56	-32	32	57%	
Total expenditure	2159	1980	1980	0	276		
composition variance						14%	

Table 3							
Data for year =		2019	In mln Eur				
Economic head	budget	actual	adjusted budget	deviation	absolute deviation	percent	
Compensation of employees	620	616	544	72	72	13%	
Use of goods and services	337	296	296	0	0	0%	
Consumption of fixed capital	789	531	693	-161	161	23%	
Interest	28	23	25	-1	1	5%	
Subsidies and Transfers	600	627	527	101	101	19%	
Other expenses	78	59	69	-10	10	14%	
Total expenditure	2452	2153	2153	0	345		
composition variance						16%	

Table 4						
Data for year =		2020	In mln Eur			
Economic head	budget	actual	adjusted budget	deviation	absolute deviation	percent
Compensation of employees	619	661	578	83	83	14%
Use of goods and services	357	292	333	-41	41	12%
Consumption of fixed capital	672	384	627	-243	243	39%
Interest	32	28	30	-2	2	8%
Subsidies and Transfers	633	867	591	277	277	47%
Other expenses	189	102	176	-74	74	42%
Total expenditure	2502	2335	2335	0	719	
composition variance						31%

Table 5 - Results Matrix	
year	composition variance
2018	14%
2019	16%
2020	31%

Tables for PI 3

Table 1 - Fiscal years for assessment

Year 1 =	2018
Year 2 =	2019
Year 3 =	2020

Table 2

Data for year = 2018 in mln Eur						
Economic head	budget	actual	adjusted budget	deviation	absolute deviation	Percent
Tax revenues						
Taxes on income, profit, and capital gains	84	87	82	5	5	6%
Taxes on payroll and workforce	146	153	142	11	11	8%
Taxes on property	33	24	32	-8	8	25%
Taxes on goods and services	819	799	796	3	3	0%
Taxes on international trade and transactions	111	124	108	16	16	15%
Other taxes	446	419	433	-14	14	3%
Grants						
Grants from international organizations	12	9	12	-3	3	27%
Other revenue						
Fines, penalties, and forfeits	155	157	151	6	6	4%
Sum of rest	23	6	22	-16	16	73%
Total revenue	1829	1777	1777	0	83	
overall variance						97%
composition variance						4.7%

Table 3

Data for year = 2019 in mln Eur						
Economic head	budget	actual	adjusted budget	deviation	absolute deviation	Percent
Tax revenues						

Taxes on income, profit, and capital gains	91	95	89	6	6	7%
Taxes on payroll and workforce	163	166	158	8	8	5%
Taxes on property	30	27	29	-2	2	6%
Taxes on goods and services	905	846	877	-32	32	4%
Taxes on international trade and transactions	120	130	116	14	14	12%
Other taxes	465	435	451	-15	15	3%
Grants						
Grants from international organizations	11	12	10	1	1	13%
Other revenue						
Fines, penalties, and forfeits	160	171	155	16	16	11%
Sum of rest	4	7	4	3	3	82%
Total revenue	1949	1889	1889	0	97	
overall variance						97%
composition variance						5.1%

Table 4

Data for year = 2020 In mln Eur						
Economic head	budget	actual	adjusted budget	deviation	absolute deviation	Percent
Tax revenues						
Taxes on income, profit, and capital gains	100	85	85	0.0	0.0	0%
Taxes on payroll and workforce	176	158	150	7.9	7.9	5%
Taxes on property	31	23	26	-3.7	3.7	14%
Taxes on goods and services	939	770	801	-30.5	30.5	4%
Taxes on international trade and transactions	123	102	105	-3.3	3.3	3%
Other taxes	454	398	387	10.9	10.9	3%
Grants						
Grants from international organizations	11	34	9	25	25	280%
Other revenue						
Fines, penalties, and forfeits	176	146	150	-4	4	3%
Sum of rest	10	6	9	-2	2	28%

Total revenue	2020	1722	1722	0	88
overall variance					85%
composition variance					5.1%

Table 5 - Results Matrix

year	total revenue deviation	composition variance
2018	97%	4.7%
2019	97%	5.1%
2020	85%	5.1%

Annex VI: Gender Responsive PFM Module



REPUBLIC OF KOSOVO



**PUBLIC EXPENDITURE AND FINANCIAL ACCOUNTABILITY (PEFA)
GENDER RESPONSIVE PUBLIC FINANCIAL MANAGEMENT ASSESSMENT REPORT
2021**

Final Report
Date: 17 February 2022

Abbreviations and Acronyms

AGE	Agency for Gender Equality
AI	Administrative Instruction
ERP	Economic Reform Program
GEOs	Gender Equality Officers
GIA	Gender Impact Assessment
GRB	Gender Responsive Budgeting
KAS	Kosovo Agency of Statistics
KESP	Kosovo Education Strategic Plan
KPGE	Kosovo Program for Gender Equality
LGE	Law on Gender Equality
MAFRD	Ministry of Agriculture, Forestry and Rural Development
MEST	Ministry of Education, Science and Technology
MFLT	MoFLT , Labour and Transfers
MLSW	Ministry of Labour and Social Welfare (since 2021 merged with Ministry of Finance)
MoH	Ministry of Health
MTEF	Medium Term Expenditure Framework
MP	Member of Parliament
MTEF	Medium Term Expenditure Framework
NDS	National Development Strategy
NPISAA	National Programme for Implementation of the Stabilisation and Association Agreement
PIP	Public Investment Planning
SAA	Stabilisation and Association Agreement
SPO	Strategic Planning Office/Prime Minister's Office

Exchange Rate

Exchange rate effective as of 12.08.2021

Currency unit = Eur

USD1.00 = 0.85 Eur

Fiscal Year

2018, 2019 and 2020 and 2021 for the last submitted budget to legislature

1. INTRODUCTION

1.1. Purpose

Kosovo possesses a solid legal framework and gender machinery to promoting and reaching the gender equality in the country. Gender equality is enshrined in the Constitution of the Republic of Kosovo and the Law on Gender Equality (LGE) guarantees, protects, and promotes equality between genders as a basic value of democratic development of society. As per the Law on Gender Equality gender representation in all legislative, executive and judiciary bodies and other public institutions is achieved when ensured a minimum representation of 50% for each gender, including their governing and decision-making bodies. However, stark gender gaps persist in Kosovo, with unequal opportunities of women for economic, social, and political participation (Kosovo Gender Equality Program 2020-2024). According to the Kosovo Labour Force Survey, in 2020 79.2% of the working age women were inactive in the labour market (compared to 44% of men), only 14.1% of women were employed (compared to 42.8% of men) and unemployment rate at 32.3% compared to 23.5% for male counterparts. As a result of mandatory quota of 30% for the local and national assembly, at least 30% of members of assembly are women. Women remain under-represented in decision making position in the government and independent agencies (KAS, 2020). Due to historical low enrolment rates, women in Kosovo are less educated than men and due to patriarchal norms they are owners of only 4.9% of land and 12% of residential property (KPGE 2020-2024). With regards to gender responsive budgeting (GRB), Article 5 of the LGE obliges inclusion of gender budgeting in all areas, as a necessary tool to guarantee that the principle of gender equality is respected in collecting, distribution and allocation of resources.

The main interlocutors responsible for relevant policy areas in the National Government of Kosovo are the Ministry of Finance, Labour and Transfers and the Agency for Gender Equality operating within the Prime Minister's Office. This assessment has been carried out during June and July 2021, coordinated by the Ministry of Finance, Labour, and Transfers and with great contribution from the Agency for Gender Equality, Kosovo Assembly, General Auditors Office, line ministries, civil society organisations and international agencies active in area of gender responsive budgeting.

This assessment will provide information on the extent to which Kosovo's PFM system respond to different needs of men and women and promote and contribute to gender equality. The PEFA GRPFM assessment will provide a benchmark of performance, by highlighting areas where progress has been made, and identifying the opportunities for making the Kosovo PFM more gender responsive. Findings from this assessment will be valuable for the Agency for Gender Equality (AGE), who is in the process of developing the concept note for gender responsive budgeting. The assessment will also broaden discussions of PFM reform, action planning, and the contribution of PFM to efficient service delivery by including information on the PFM impacts on men, women.

In line with the PEFA supplementary framework for assessing GRPFM, the assessment collected information on the degree to which a country's PFM system is gender responsive.

1.2. Background

The subsection presents an overview of the current status of integrating gender considerations in public financial management, it sets out any legal and regulatory procedures that have been adopted for gender responsive PFM, as well as the institutional structure for supporting GRPFM.

Legal and policy framework

As per Constitution of the Republic of Kosovo, Article 7.2 gender equality is a fundamental value for the democratic development of the society, providing equal opportunities for both female and male participation in the political, economic, social, cultural and other areas of societal life,” and Article 24, “Equality Before the Law” states that “no one shall be discriminated against on grounds of race, colour, gender, language, religion, political or other opinion, national or social origin, relation to any community, property, economic and social condition, sexual orientation, birth, disability or other personal status. Article 22 of the Constitution confers constitutional rank to the provisions of the Convention for the Elimination of all Forms of Discrimination against Women. On 25 September 2020, the National Assembly of Kosovo adopted an amendment to the Constitution that gives direct effect to the Council of Europe Convention on preventing and combating violence against women and domestic violence - Istanbul Convention (CETS No.210). The LGE No.05/L-020 guarantees, protects, and promotes the gender equality at all levels and in all sectors of Kosovo society with Article 4 specifically prohibiting gender discrimination. As noted above, gender responsive budgeting is an obligation deriving by the LGE (Article 5). The LGE also includes the following requirements:

- ✓ Gender disaggregated data collection on a regular basis and dissemination of data;
- ✓ Gender analysis of data and analysis regarding the status of women and men in respective sectors;
- ✓ Gender mainstreaming of data of all policies, documents, and legislation;
- ✓ Adoption of strategies and action plans for the promotion of gender equality;
- ✓ Inclusion of gender responsive budgeting in all areas;
- ✓ Adoption of adequate human and financial resources to policy frameworks for the achievement of gender equality.

The LGE stipulates that gender equality principles and mainstreaming need to be applied at all stages of analysis, planning, budgeting, and implementation of policies and legislation by public and private entities. All public institutions - legislative, executive, judicial and beyond - need to ensure that fundamental elements of gender equality are included in the design and implementation of their policy and legal frameworks. This includes concepts, processes, systems, and instruments. Moreover, Article 27 of the LGE calls public institutions to take temporary special measures in order to accelerate the realisation of actual equality between women and men in areas where inequities exist (through quotas; support programs to increase participation of less represented sex in decision making and public life; economic empowerment and steps to improve the position of women or men in the field of labour improvement of equality in education, health, culture and allocation and/or reallocation of resources; preferential treatment, recruitment, hiring and promotion, and other measures in each area where inequalities exist). A good practice of affirmative measure is the one which reduces administrative tax fee when immovable property is registered in the name of both spouses. This measure was implemented to increase women access to property and was implemented with Administrative Instruction 03/2016 for Special measures for the Registration of Immoveable Property on behalf of both Spouses renewed every year (the latest one amended in 2021). The bodies responsible for the implementation of the Administrative Instruction on Special Measures for Property Registration on behalf of both Spouses at the local level are Municipal Cadastral Offices, Civil Registry Offices, Municipal Property Tax Directorate, notaries, and other institutions dealing with registration of property rights. This affirmative measure seems to have led to increased number of registrations of the joint immovable property on the name of both spouses-from 694 property registered in names of both spouses in 2016 to 1,065 in 2017, 1,523 in 2018, 2,110 in 2019, 1,542 in 2020 and 1,167 in 2021 (Ministry of Local Government, 2021) .

Since 2018, Gender Impact Assessment is mandatory when adopting a new law or policy. This is regulated with Guidelines and Manuals for Developing Concept Documents and is to be performed in accordance with

methodology developed by the AGE in 2019 with Gender Equality Impact Assessment. To meet the legal obligation for GRB, the AGE in cooperation with the Ministry of Finance, Labour and Transfers and supported by Government of Sweden - Sida and currently by UN Women is finalising the draft concept document on institutionalising GRB in Kosovo. The concept document is planned to be submitted for consultation during 2021 and foresees an eight-year period for its implementation across all budgetary organisations, planned to start its implementation with key service delivery ministries.

Promotion of gender equality is foreseen within several policy documents. As obliged by the LGE, Kosovo has developed Kosovo Program for Gender Equality (KPGE), the first one covering period 2008-2013 and the second one approved in 2019 covering period 2020-2024. Development of the legal framework and tools for implementing the GRB is foreseen within the second Kosovo Program for Gender Equality and the Action Plan 2020-2024. Gender perspective is partially implemented within the national Development Strategy 2016-2020, while the National Programme for Implementation of the Stabilisation and Association Agreement (NPISAA)²⁷ 2017 – 2021 stipulates that gender responsive budgeting needs to be applied at all stages of financial planning of assistance, monitoring, and evaluation. Gender equality objectives are included in the Medium-Term Expenditure Framework (MTEF) 2020-2022 which served as a basis for preparing the budget circular for 2020 and in MTEF) 2021-2023 used for the 2021 Budget, in the National Development Strategy 2016-2021, Economic Reform Program (EPR) 2020-2022, National Strategy of the Republic of Kosovo on Protection from Domestic Violence and Action Plan 2016-2020, Sectoral Strategy 2018-2020 of Ministry of Labour and Social Welfare, Kosovo Education Strategy, Action Plan for Increasing Youth Employment 2018-2020 and other documents.

Institutional structures

Established with Law No. 2004/2 on Gender Equality, the Agency on Gender Equality is an Executive Agency acting within the Office of the Prime Minister. As per amended Law No. 05/L -02 (of 2015), the Agency promotes, proposes, supports, coordinates and makes the implementation of the provisions of the LGE and sub-legal acts; drafts policies which promote gender equality and monitor their implementation; participates in the preparation of laws, sub-legal acts, strategies, and programs to ensure gender mainstreaming and gender budgeting is applied; leads the process and prepares reports for the implementation of the convention on the Elimination of All Forms of Discrimination against Women and contribute to reporting on the implementation of international obligations concerning gender equality;; organises training for the inclusion of gender mainstreaming and gender budgeting for institutions; analysis the status of gender equality in Kosovo; takes measures with the aim of raising awareness on gender equality; takes adequate measures to promote equal gender treatment in cooperation with the social partners, through the development of social dialogue and reports to the Government on the implementation of the present law for the previous year.

Coordination mechanisms for integrating gender considerations in PFM

²⁷ NPISAA establishes a comprehensive framework of medium-term reforms for 2017-2021 for implementation of the Stabilisation and Association Agreement (SAA) and approximation of the national legislation with the EU acquis and its implementation and enforcement. It contains short-term measures (for 2017) and medium-term priorities, namely legislative and implementing measures and priorities. All measures and priorities are divided into three blocks: Political Criteria, Economic Criteria and European Standards – Approximation of Kosovo’s Legislation with the EU Acquis. Besides key political and economic reforms required under the SAA, it provides concrete measures within the 33 chapters of the EU acquis (except of chapter 34 and 35, which will be covered in a later stage of accession). The budget for implementation of short-term measures and midterm priorities set out by the present Programme shall be kept within limits of budget allocations to budget organisations for 2017 and in line with the Medium Term Expenditure Framework.

As per the LGE No. 05/L -02 all ministries and municipalities have a gender equality officer (GEO). Duties and responsibilities of the GEOs include coordination of the implementation of the LGE and of the Kosovo Program for Gender Equality, *inclusion of gender mainstreaming and budgeting in drafting and implementation of policies*, and preparation of annual reports on implementation of the Kosovo Program for Gender. As per the LGE, the Agency for Gender Equality should work closely with social partners to promote equal gender treatment and realisation of their rights arising from employment, social wellbeing, and other professional issues. Agency for Gender Equality closely cooperates with civil society organisations (Kosovo Women Network, Kosovo Center for Gender Studies, Women for Women, etc.) and international development agencies (UN Women, SIDA, GIZ, EU Office, etc.).

At the Assembly, the Committee on Human Rights, Gender Equality, Victims of Sexual Violence During the War, Missing Persons and Petitions, is mandated to undertake initiatives to sign international documents on gender equality and follow up their implementation; to review gender equality and gender mainstreaming issues in all Kosovo institutions; to review position of women and to propose measures for their advancement; to provide recommendations for advancing the position of women and their rights, protecting women from physical, emotional and psychological abuse, advancing women in civil services, ensuring an effective and influential role in the democratic decision-making process in Kosovo; and to review issues related to education and professional development of women. An additional body at the Assembly, though operating as informal group is the Women's Caucus that has occasionally been vocal with regards to the gender responsive budgeting (KWN, 2021). As reported by interviewed Member of Parliament, there is a plan to formalize the group (when the Rules and Procedures of the Assembly are revised, planned to start in the last quarter of 2021) and to allocate a budget for advancing gender equality agenda within Assembly.

Capacity of relevant stakeholders to perform gender responsive PFM

As introduced above, since 2018, the government requires carrying out Gender Impact Assessment when adopting or amending a new law or policy. The 2019 Gender Impact Assessment (GIA) Manual has been developed, which is designed to assist all actors involved in the phases of each policy or program and serves as a reference point for conducting a gender equality impact assessment of all policies, programs, and activities, including ex ante assessments. To develop capacities for implementation of the Manual, during 2018 and 2019, the AGE conducted 14 two-day trainings and 11 orientation sessions on GIA, training 486 civil servants. During this time, 48 governmental concept papers have been subject to gender impact assessments. However, based on interviews carried out with the AGE, Secretariat for Government Coordination, Ministry of Finance, Labour and Transfers and the line ministries it was found that there is a need for further capacity development for proper and full implementation of gender impact assessments. With regards to data availability, this assessment has found that lack of timely qualitative but also qualitative data prevent proper gender impact assessments. Kosovo Agency of Statistics (KAS) biannually prepares a report on position of women and men in Kosovo presenting mainly administrative data and those extracted from a limited number of surveys that provide gender disaggregated data. Due to lack of data, despite attempts of the AGE to establish the European Union Gender Equality Index for Kosovo, it has not yet succeeded, and it is planning to publish data relating to some dimensions of the Index.

2. OVERVIEW OF ASSESSMENT FINDINGS

This section provides an overview of findings of the PEFA assessment of gender responsive PFM practices compared with the PEFA GRPFM framework. It also highlights key PFM tools and processes in place to promote gender equality. The detailed analysis of findings and evidence to score the indicators is presented in Section 3.

Before presenting findings from this assessment, it is important to highlight that Kosovo operates a line budget, with expenditures categories under four categories: wages and salaries, subsidies and transfers, capital investment and goods and services. Given that the budget is not performance-based budget, it is challenging but not impossible to implement the gender responsive budgeting and to extract accurate estimation of the amount of spending on gender equality based on budgets.

A stringent adoption of the GRPFM framework shows that, in four out of nine areas (GRPFM indicators 4, 6, 7 and 9), gender considerations are not included in what the GRPFM framework points to as the relevant PFM institutions, processes or systems. In three areas (GRPFM indicators 1, 2 and 3), legal framework has been put in place to mainstream gender impact analysis in the relevant PFM institution, process, or system. Two indicators (GRPFM-5 and 8) show that gender is partially mainstreamed. Gender impacts are not fully mainstreamed in any of the nine areas, according to the criteria. The overview of the findings of the assessment of gender responsiveness of institutions, processes and systems is presented in Figure 1 below.

With regards to GRPFM 1-Gender impact analysis of budget policy proposals for revenue and expenditures, since 2018 gender impact assessments are mandatory for all concept documents which precede development of the legal framework for new policies and amendment of existing policies. However, this assessment has shown that gender impact assessment was carried out for one out of two approved concept documents for new revenue policies and for 33% of approved concept documents for new expenditure policies. However, these ex-ante impact assessments are very weak and not in accordance with Manual developed by the Agency of gender Equality. Therefore, there is a need to strengthen capacities of public officials for full implementation of the gender impact assessments in accordance with the Manual. Kosovo institutions do not systematically collect and maintain gender-disaggregated data to inform budget planning and resource allocation, which is another pressing challenge for undertaking ex-ante gender impact assessments.

As for the GRPFM-2 gender responsive public investment management, as of 2019, gender impact assessments are required for large capital investments in the central and local level. Assessment of 10 largest central level capital investments revealed that such assessment has been employed for some capital investments. Lack of capacities for proper impact assessments has been mentioned as a barrier for fully and proper implementation of the legal framework approved in 2019. In addition, the Public Investment Program maintained by the Ministry of Finance needs to be amended to allow recording of gender impact analysis.

In relation to GRPFM-3, GRB is included in budget circulars at central and local levels. The budget circular's mainstreaming of gender equality requires all budget organisations to make clear the effects of public spending on gender equality in the annual budget. The circular also requires that all budget organisations: a) disclose sex disaggregated data for employment; report distribution of women and men within wage brackets (to obtain insights for the gender pay gap); and b) to provide information on gender disaggregated data for subsidies and transfers. Despite the requirement to make clear the effects of public spending on gender equality in the annual budget, budget organisations only fill in the ready-made tables for

employment, wage distributions and subsidies and transfers but they do not provide information on the effects of public spending on gender equality. To fully comply with budget circular requirements, it would be advisable to develop an explanatory document or manual for budget organisations to make clear the effects of public spending on gender equality in the annual budget.

With regards to the GRPFM 4-Gender responsive budget proposal documentation, the government's budget proposal documentation for year 2021 did not include information on policy measures aimed at strengthening gender equality and information on the assessment of the impacts of budget policies on gender equality, nor information on overview of government priorities for improving gender equality or budget measures aimed at promoting gender equality; or assessment of the impacts of budget policies on gender equality.

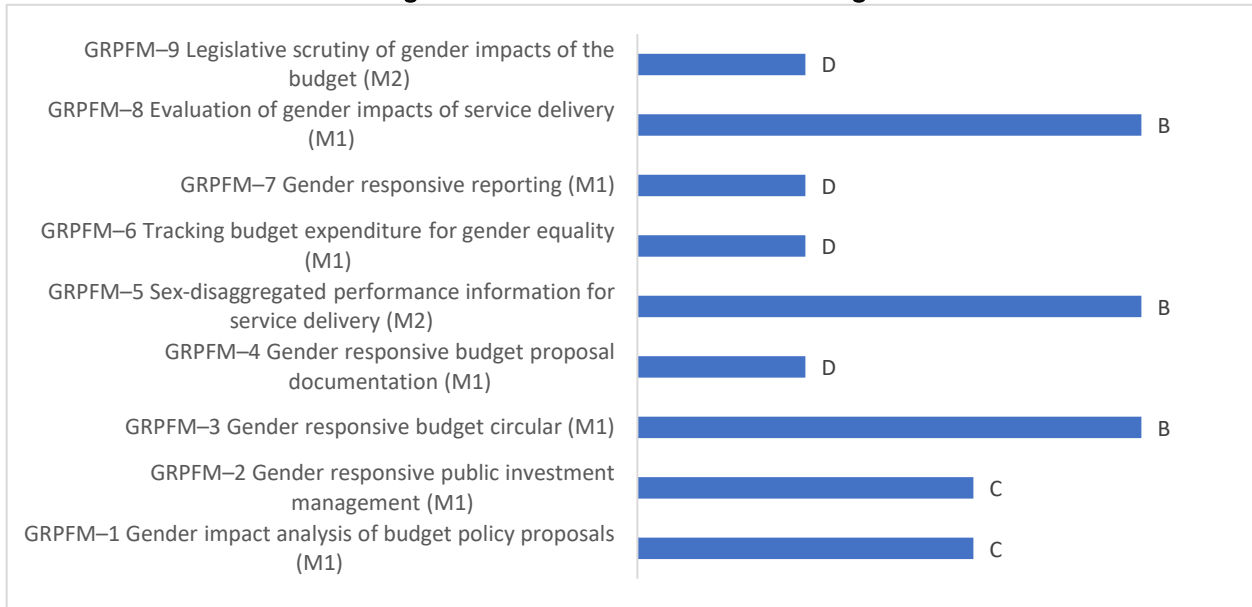
To assess the GRPFM-5 Sex-disaggregated performance information for service delivery, strategic documents of the service delivery ministries were reviewed (which are the basis for developing the annual budget requests) to assess gender responsiveness plans for service delivery and monitoring and evaluation reports were reviewed to assess whether sex-disaggregated performance achieved for service delivery are reported and published. This assessment found that strategic documents of three out of five key service delivery ministries include sex-disaggregated performance indicators and specific measures, and their evaluations include sex-disaggregated data Therefore the score B is set for the GRPFM-5.

Related to GRPFM-6 Tracking budget expenditure for gender equality, it is found that Kosovo does not possess a systematic tracking of expenditure for gender equality throughout the budget formulation, execution, and reporting processes.

Assessment carried out for the GRPFM-7 revealed that the 2020 annual report is not gender responsive-it does not contain any information related to gender equality and it does not provide sex-disaggregated data on budgetary central government employment.

Finally, with regards to the GRPFM-9 on legislative scrutiny of gender impacts of budget, it is found that legislature's budget scrutiny does not include a review of the gender impacts of service delivery programs and the Office of the General Auditor does not include gender responsiveness as part of their scrutiny of the audit reports.

Figure 1: Overview of assessment findings



Legend

SCORE	LEVEL OF GRPFM PRACTICE
A	Gender impact analysis is mainstreamed in the relevant PFM institution, processes, or system.
B	Gender impact analysis is partially mainstreamed in the relevant PFM institution, processes, or system.
C	Initial efforts have taken place to mainstream gender impact analysis in the relevant PFM institution, process, or system.
D	Gender considerations are not included in the relevant PFM institution, processes, or system, or performance is less than required for a C score.

3. DETAILED ASSESSMENT OF GENDER RESPONSIVE PUBLIC FINANCIAL MANAGEMENT

This section includes a detailed assessment of gender responsive public financial management in line with the framework indicators. The indicator analysis includes information for relevant activities undertaken by the government and stakeholders related to the subject of the analysis, even though it is not necessarily assessed by the indicator or reflected in the indicator score.

GRPFM-1 GENDER IMPACT ANALYSIS OF BUDGET POLICY PROPOSALS

This indicator assesses the extent to which the government prepares an assessment of the gender impacts of proposed changes in government expenditure and revenue policy. It contains two dimensions and uses the M1 (weakest link) method for aggregating dimension scores. The indicator recognises that changes in budget policies can have different impacts on the delivery of services to men and women and to subgroups of those categories; and those new policies proposals should therefore undergo an ex ante assessment of social impacts.

Time period: Last completed fiscal year

INDICATORS/ DIMENSIONS	ASSESSMENT OF PERFORMANCE	[YEAR] SCORE
GRPFM–1 Gender impact analysis of budget policy proposals (M1)		C
GRPFM–1.1 Gender impact analysis of expenditure policy proposals	Since 2018, gender impact assessments need to be carried out for all concept documents, which precede development of new or amendment of existing policies/legislation with or without revenue and expenditure implications. Based on assessment of concept documents for expenditure policies approved during fiscal year 2020 it is found that gender impact assessment was carried in 3 out of 9 approved concept documents ((see table below and detailed analysis of 2 approved concept documents in Annex 2). However, the quality of ex-ante gender impact assessments remains weak and not carried out in accordance with the 2019 Manual for Gender Impact Assessment. Lack of capacities and for some sectors lack of data deter proper gender impact assessments of new policy proposals. Financial quantitative information was not made available, but the qualitative assessment provides sufficient evidence to justify a C score for this dimension.	C
GRPFM–1.2 Gender impact analysis of revenue policy proposals	Since 2018, gender impact assessments need to be carried out for all concept documents, which precede development of new or amendment of existing policies/legislation with or without revenue and expenditure implications. Based on assessment of concept documents for revenue approved during fiscal year in 2020 it is found that gender impact assessment was carried out for 1 out of two approved concept notes (see table below and detailed analysis of 9 approved concept documents in Annex 2). However, the quality of ex-ante gender impact assessments remains weak and not carried out in accordance with the 2019 Manual for Gender Impact Assessment. Lack of capacities and for some sectors lack of data deter proper gender impact assessments of new policy proposals. Financial quantitative information was not made available, but the qualitative assessment provides sufficient evidence to justify a C score for this dimension.	C

Kosovo possess a solid legal framework and tools that are necessary for carrying out gender impact assessments for new policies. Article 5 of the LGE point 1.3 states that gender perspective should be integrated into all policy documents. This is also reflected into the Regulation No. 09/2011 of Rules and Procedure of the Government, Article 7 obliging that before submitting a concept document, explanatory memorandum, draft law or sub-legal act, strategic plan of a ministry or sectorial strategy for deliberation by the Government, the body preparing the material among other institutions, should also consult with the Gender Equality Agency. However, implementation of the opinion from the AGE is not mandatory but it is foreseen to be made mandatory with forthcoming revision of the Regulation No. 09/2011. However, as per AGE the above references legal requirement stemming from the LGE makes it obligatory to implement the opinion of the AGE for integration of gender perspective in all new government legislative and public policy initiatives.

The Better Regulation Strategy 2.0, covering period 2017-2021 aims to improve the quality of policies, normative acts, sub-legal acts, and the efficiency of the public administration as key factors that determine the competitiveness of a country. The Better Regulation within the cross-cutting aspects, aims to improve gender equality and to reduce discrimination, through improvement of the application and quality scrutiny of gender equality analysis while developing concept documents and ensuring that legislation effectively reduces discrimination on whatever ground. The Better Regulation Strategy envisaged introduction of the Gender Impact Assessment (GIA) as an ex-ante policy analysis tool when developing concept documents, in order to contribute to preventing unintended negative and strengthening the intended positive consequences, contribute to women empowerment, to redress existing inequalities between men and women in society, to bring to the fore the different effects of a proposal on men and women, to assess whether improvements can be made to foster gender equality and whether the proposal corresponds to gender equality principles and Kosovo's national gender equality agenda. In March 2018 the government published the Guidelines and Manual for Preparing Concept Documents which defines the general framework, tools and checklists for policy analysis and impact assessment. Within cross cutting impact, the Manual requires gender impact assessments in accordance with the AGE Manual for Gender Impact Assessment. Following the Better Regulation Strategy 2.0 and Guidelines and Manual for Preparing Concept Documents, in 2019, the Agency for Gender Equality published the Gender Equality Impact Assessment Manual which presents the methodology and tools for implementing the assessment. The Manual is intended to support public servants in performing gender impact analysis in the pre-policy development or policy review planning; policy drafting and assessing impact; signing off of policies and for monitoring and evaluations. The Government Coordination Secretariat (GCS) at the Prime Minister's Office is responsible for quality scrutiny of Concept Documents/Notes. Representatives of the Secretariat did indicate that whilst since 2018, most of the concept documents carry out a gender impact assessment, the analysis remains weak and not in accordance with the AGE Manual. This has also been found from the one to one overview of concept documents that were approved in 2018, 2019 and 2020 (see summary table below and one to one overview of 64 concept notes in Annex 2).

Gender impact assessments of concept notes/documents in 2020

	Number of concept documents/notes	Gender impact assessment	in % of assessed ones
Expenditure policies	9	3	33%
Revenue policies	2	1	50%

Source: https://kryeministri.rks-gov.net/en/documents-en/page/25/?fbclid=IwAR1rWp0ZEe1W_I8eFK3Ohv2VHzUf3U9yY86iNlrlUiWZAIXg3MZ_Qq9tU

For this assessment, information was collected also for the process and methodology employed for designing government support measures due to COVID-19 pandemic crisis, revision of the budget for 2020 and drafting of the Law on Economic Recovery in 2020. Whilst there was no systematic gender impact analysis when the government designed response measures due to COVID-19 crisis, to some extent, the support considered specific needs of women. Through Economic Recovery Program (with the amendment of the 2020 budget), 2 million Eur were allocated to the Agency for Gender Equality to support economic empowerment of women, 470,000 Eur were allocated to Ministry of Trade and Industry for women owned business, and a specific window within the Credit Guarantee Fund for supporting specifically women owned businesses to

redress difficulties of women to accessing loans due to a lack of ownership. Although such interventions are important, similar one time/ad-hoc measures are not sufficient to redressing gender imbalances and do not ensure proper and full implementation of the GRB.

GRPFM–2 GENDER RESPONSIVE PUBLIC INVESTMENT MANAGEMENT

This indicator assesses the extent to which robust appraisal methods, based on economic analysis, of feasibility or prefeasibility studies for major investment projects include analysis of the impacts on gender. There is one dimension for this indicator. The indicator recognizes that different groups of men and women benefit differently from investment projects, and it is therefore important for the government to include a gender perspective in the economic analysis of major investment projects.

Time period: Last completed fiscal year

INDICATORS/ DIMENSIONS	ASSESSMENT OF PERFORMANCE	[YEAR] SCORE
GRPFM–2 Gender responsive public investment management (M1)		C
GRPFM–2.1 Gender responsive public investment management	Since 2019, regulated by the Administrative Instruction (AI) on Selection Criteria and Prioritizing of Capital Projects, gender impact assessments are to be carried out for all capital investments of 30,000 or more Eur. However, the AI started implementation in 2020, but assessment revealed that out of 10 largest capital investments in the central government, economic analysis to assess impacts on gender were carried out for <u>some major investment projects</u> (27%-see table below). Moreover, the quality of employed assessments is limited and there is a need to enhance capacities of public officials from budget organisations.	C

Table GRPFM–2.1 Gender responsive public investment management

Ten largest major investment projects (>1% of BCG expenditure)	Total investment cost of project in 000 Eur	As a % of top 10 major projects approved	Economic analysis includes analysis of the impacts on gender			
			Completed (Y/N)?	Consistent with national guidelines (Y/N)	Published (Y/N)	Reviewing entity
Expropriations	22,393	31%	N	N	N	MoFLT/Budget Department
Rehabilitation and expansion of road Prishtina-Mitrovica	19,930	27%	Y	Y	N	MoFLT/Budget Department
Construction of highway Prishtina-Gjilan-Konqul	14,523	20%	N	N	N	MoFLT/Budget

						Department
Implementation of Measures for Energy Efficiency in public buildings	6,200	8%	N	N	N	MoFLT/Budget Department
Renovation of Football Stadium Adem Jashari-Prishtina	4,112	6%	N	N	N	MoFLT/Budget Department
Construction of two faculties in Mitrovica	2,100	3%	N	N	N	MoFLT/Budget Department
Project for communities 6+	1,950	3%	N	N	N	MoFLT/Budget Department
Construction of new Kosovo Police buildings	1,488	2%	N	N	N	MoFLT/Budget Department
Construction of building for Mother and children in Prizren Hospital	400	1%	N	N	N	MoFLT/Budget Department
Construction of house for mothers	32.5	0%	N	N	N	MoFLT/Budget Department
Total/Coverage	73,129	100%	27%	27%	0%	100%

Data source: MoFLT, Budget Department

Administrative Instruction (AI) MF-No. 06/2019 on Selection Criteria and Prioritising of Capital Projects approved in 2019 defines selection criteria of capital project and prioritising of project, to be implemented by all Budgetary Organizations during preparation, review, and assessment of draft capital proposal, regardless source of funding. The AI started implementing in September 2020, though as shown in table above it is not still utilised for all projects. Within the economic assessment and funding pillar, 20 out of 300 total points can derive from the environment/health/social impact assessment. In this section, information should be provided with regards to the impact of the project in public health, *gender impact assessment*, poverty reduction and impact to communities. While integration of the gender impact is a novelty for the process, given that it is integrated with other aspects limits the impact of the gender analysis impact selection of investment projects. The Ministry of Finance, Labour and Transfers has developed an EXCEL document for scoring.

The government operates a Public Investment Planning (PIP) software in which data are entered for major projects (of one million Eur or more for central government and 250,000 Eur or greater for local level government-municipalities). As per the PIP manual, among other consideration groups, a free text should be entered to explain how the initiative will specifically benefit women and girls. However, from observations of the system, it was noted that the gender focused field was rarely filled in, and the MoFLT did report that there is a need to foster analytical skills for gender impact assessments.

GRPFM–3 GENDER RESPONSIVE BUDGET CIRCULAR

This indicator measures the extent to which the government’s budget circular(s) is gender responsive. There is one dimension for this indicator. The gender responsive budget circular typically includes a requirement for budgetary units to provide justification or planned results for the effects on men and women or on gender equality of proposed new spending initiatives and reductions in expenditures.

Time period: Last budget submitted to the legislature-2021

INDICATORS/ DIMENSIONS	ASSESSMENT OF PERFORMANCE	[YEAR] SCORE
GRPFM–3 Gender responsive budget circular (M1)		B
GRPFM–3.1 Gender responsive budget circular	Budget Circular for 2021 requires all budget organisations to make clear the <i>effects of public spending</i> on gender equality in the annual budget 2021. In addition, it is stated that when the budget is proposed, the budget organisation must correctly address the remarks and proposals of the Gender Equality officers at the budget organisation. Moreover, the budget circular requires that all budget organisations disclose sex disaggregated data for employment and distribution of each gender within wage brackets (200-400 Eur; 401-600; 610 and more Eur), which enables to draw an overview of gender pay gap in each budget organisation Moreover, the circular requires budget organisations to gender disaggregate data for subsidies and transfers. However, from the review of few budget requests from the budget organisations and information collected from the Ministry of Finance, Labour and Transfers and line ministries, it is found that none of the budget organisations include gender analysis in their budget proposals.	B

Data source: Budget Circular 2021

GRPFM–3.1 Gender responsive budget circular

Circular for budget year	Requirement to provide justification or planned results for the effects on men and women or on gender equality (Y/N)		Requirement to include sex- disaggregated data in budget proposals (Y/N)
	New spending initiatives (Y/N)	Reductions in expenditure (Y/N)	
2021	Y	Y	Y

Data source: Budget Circular 2021

From the review of budget requests from three ministries and explanations provided by the Ministry of Finance, Labour and Transfers it is found that budget organisations only fill the readymade tables included in the budget circular and no gender analysis is presented. Three reviewed budget requests did not include any justification for the proposed new expenditures. However, instructions from the budget circulars were not implemented, ex-ante gender analysis could have been easily performed. For example, within justification provided by the Ministry of Labour and Social Welfare (now merged with Ministry of Finance) gender impact analysis would be straightforward for the proposal to introduce maternity pay for unemployed women-which was a new proposed policy. Similarly, when the Ministry of Education, Science and Technology proposed additional budget for 100 assistants for children with special needs is presented, the gender analysis could have been implemented-in Kosovo when parents cannot afford engagement of assistants it is usually mothers that accompany children which also deters their engagement in the labour market.

GRPFM–4 GENDER RESPONSIVE BUDGET PROPOSAL DOCUMENTATION

This indicator assesses the extent to which the government’s budget proposal documentation includes additional information on gender priorities and budget measures aimed at strengthening gender equality. Gender responsive budget documentation typically includes information on the following: i) an overview of government priorities for improving gender equality; ii) details of budget measures aimed at promoting gender equality; and iii) assessment of the impacts of budget policies on gender equality.

Time period: Last budget submitted to the legislature, that is Budget for 2021

INDICATORS/ DIMENSIONS	ASSESSMENT OF PERFORMANCE	[YEAR] SCORE
GRPFM–4 Gender responsive budget proposal documentation (M1)		D
GRPFM–4.1 Gender responsive budget proposal documentation	The government’s budget proposal documentation for year 2021 did not include information on policy measures aimed at strengthening gender equality and some information on the assessment of the impacts of budget policies on gender equality. The Law of Budget for 2021 does not provide any of the following information: <ul style="list-style-type: none"> i) an overview of government priorities for improving gender equality; ii) details of budget measures aimed at promoting gender equality; and iii) assessment of the impacts of budget policies on gender equality. 	D

Source: Law No. 07/L -041 on the Budget Appropriations for the Budget of the Republic of Kosovo for Year 2021.

The Medium-Term Expenditure Framework 2021-2023 published in 2020, within the Social Protection sector aims to increase social welfare through expanding and raising quality, providing social and family services, with a specific focus on groups in need and gender equality. Although the MTEF which lays the groundwork

for budget planning for the coming years includes goals for gender equality this is not reflected in the Budget Law for 2021. The Budget Law does not lay out government priorities, budget measures or assesses impacts of budget policies on gender equality.

Table GRPFM–4.1 Gender responsive budget proposal documentation

Budget proposal for budget year	An overview of government policy priorities for improving gender equality (Y/N)	Details of budget measures aimed at promoting gender equality (Y/N)	Assessment of the impacts of budget policies on gender equality (Y/N)
Financial Year 2021	N	N	N

Source: Law No. 07/L -041 on the Budget Appropriations for the Budget of the Republic of Kosovo for Year 2021.

This indicator measures the extent to which the executive’s budget proposal or supporting **GRPFM–5 SEX-DISAGGREGATED PERFORMANCE INFORMATION FOR SERVICE DELIVERY**

documentation and in-year or end-year reports include sex-disaggregated information on performance for service delivery programs. It contains two dimensions and uses the M2 (averaging) method for aggregating dimension scores. Inclusion of sex-disaggregated data in government’s budgeting systems facilitates discussions regarding the impacts of services on men and women, including different subgroups of these categories, and on gender equality; and helps policy makers to assess and develop appropriate, evidence-based responses and policies.

INDICATORS/ DIMENSIONS	ASSESSMENT OF PERFORMANCE	[YEAR] SCORE
GRPFM–5 Sex-disaggregated performance information for service delivery (M2)		B
GRPFM–5.1 Gender-responsive performance plans for service delivery	Given that strategic sectoral strategies are the basis for preparing annual budget requests by ministries, assessment for this sub-indicator is based on review of strategic documents of five service delivery ministries. As shown in table below, three out of five service delivery ministries (60%) include sex-disaggregated gender analysis and include gender segregated performance indicators. Although these are not explicitly shown and are not integrated within indicators for 10 sectors in the Budget Law for 2021, as they are basis for budget requests from service delivery ministries, there is evidence for a B score for this indicator.	B
GRPFM–5.2 Sex-disaggregated performance achieved for service delivery	To assess this sub-indicator, monitoring, and evaluation reports of the strategic documents of service delivery ministries were analysed. As shown in table below and table under the GRPFM 8, majority of service delivery ministries perform evaluation of their strategic documents, which are used as a ground for tailoring budget requests. These monitoring and evaluations include sex-disaggregated data on actual outputs produced and outcomes achieved. However, the budget proposal, supporting documentation	B

	and in-year or year-end reports do not include sex-disaggregated information on performance for service delivery programs. Evidence collected provides a basis for a B score. Monitoring and evaluation reports are publicly available at the relevant ministries websites.	
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Table GRPFM–5 Sex-disaggregated performance information for service delivery

Name of service delivery ministry	Percentage of service delivery ministries	GRPFM–5.1 Gender-responsive performance plans for service delivery		GRPFM–5.2 Sex-disaggregated performance achieved for service delivery	
		Sex-disaggregated data on planned outputs (Y/N)	Sex-disaggregated data on planned outcomes (Y/N)	Sex-disaggregated data on actual outputs produced (Y/N)	Sex-disaggregated data on actual outcomes achieved (Y/N)
Ministry of Education, Science and Technology Kosovo Education Strategic Plan 2017-2021	20%	Y	Y	Y	Y
Ministry of Labour and Social Welfare (since 2021 merged with Ministry of Finance) Sectoral Strategy 2018-2022	20%	Y	Y	Y	Y
Ministry of Health Sectoral Health Strategy 2017-2021	20%	N	N	No data	No data
Ministry of Agriculture, Forestry and Rural Development	20%	N	N	N	N

Program for Rural Development 2020-2021					
Ministry of Justice	20%	Y	Y	Y	Y
National Strategy for Protection against Domestic Violence ^a					
Total	100%	60%	60%	60%	60%

Data source: Kosovo Education Strategic Plan and monitoring and evaluation reports: Sectoral Strategy 2018-2022; Strategy for Protection against Domestic Violence 2016-2020 and monitoring report (unpublished). Sectoral Health Strategy 2017-2021. This strategic document addresses only domestic violence, while the mandate of the Ministry is much larger.

Kosovo has developed numerous strategic documents, which need to be aligned to MTEF and are the basis for preparing budget requests by budgetary organisations. Strategic documents are developed in accordance with procedures, criteria and methodology defined by the Administrative Instruction No. 07/2018 on Planning and Drafting Strategic Documents and Action Plans and Manual for Planning, Developing and Monitoring Strategic Documents and their Action Plan approved in 2019. The Manual highlights the importance of linking strategy development and the budgeting process. However, neither the AI No. 07/2018 nor the Manual requires any gender impact assessment or gender disaggregated data. However, as reported by representative of the Strategic Planning Office (SPO) and the AGE, all draft strategic documents are shared with the AGE for their feedback. AGE has been quite actively engaged with comments and proposals and has made contributions to mainstream gender in government policies. Only during period June-July 2020, AGE has commented for integration of gender perspective in 30 draft normative acts and one public policy. As regulated, for draft strategic documents a financial impact assessment needs to be performed, to ensure that the 3 years action plan of the strategic document is in accordance with the MTEF. Once the Ministry of Finance, Labour and Transfers approves the financial impact assessment, the government approves the Strategic Action Plan for three years. Therefore, although the budget documentation does not explicitly report any gender priorities, expenditures, or sex-disaggregated data, given that budget requests of line ministries originate from the strategic documents (from which 3 out of 5 report gender disaggregated data and indicators by gender) the linkage between strategic documents, MTEF and budget requests, it can be assessed that gender impact analysis is partially mainstreamed in the relevant PFM institution, process and system. Moreover, in 2019, Kosovo government approved the KPGE 2020-2024 with specific focus on improving position of women in Kosovo.

Gender impact assessment is carried out for each of the proposed reform measures covered under the Economic Reform Program (ERP)²⁸ prepared and monitored annually by the government and assessed

²⁸ ERP derives from the process of 'economic governance' dialogue between Kosovo and the EU, with the main objective to further strengthen its fiscal position and responsible management of public finances. ERP covers a

annually by European Commission and the European Central Bank. For example, for the Reform Measure 5 aims to increase of competitiveness in the tourism and hospitality sector, it is stated that by the end of 2022, the number of employees in the tourism sector will increase for around 5%. Share of women employed in the field of tourism is intended to increase by 20% from 2,700 in 2018.

Finally, although a key planning document, the government annual work work-plan and the indicative annual work-plan for forthcoming 2 years, is not gender mainstreamed. From assessment of the work-plan it is found that it is tailored based on the actions plans of strategic documents of budget organisations and as reported above 60% of them are gender responsive in indicators and interventions.

GRPFM–6 TRACKING BUDGET EXPENDITURE FOR GENDER EQUALITY

This indicator measures the government’s capacity to track expenditure for gender equality throughout the budget formulation, execution, and reporting processes. There is one dimension for this indicator. The indicator recognizes that the capacity to track expenditure in line with the budget proposal is important from the governance and accountability perspective, as it gives the assurance that resources are being used for the purposes intended.

Time period: Last completed fiscal year

Kosovo has a set-up system for developing strategic documents. AI No. 07/2018 on Planning and Drafting

INDICATORS/ DIMENSIONS	ASSESSMENT OF PERFORMANCE	[YEAR] SCORE
GRPFM–6 Tracking budget expenditure for gender equality (M1)		D
GRPFM–6.1 Tracking budget expenditure for gender equality	There is no systematic tracking of expenditure for gender equality throughout the budget formulation, execution and reporting processes is in place. Kosovo budget is a line budget, with expenditures categories of wages and salaries, goods and services, capital investments and transfers and subsidies. The budget system does not enable to track expenditures for gender equality. However, budget organisations can extract some information by gender of beneficiaries but not for all sectors such explicit tracking can be performed (for example for infrastructure projects).	D

In Kosovo, there is no systematic tracking of expenditure for gender equality throughout the budget formulation, execution and reporting processes is in place. It is not possible to directly track expenditures by gender equality. However, budget organisations can track expenditure by gender of beneficiaries, for example, subsidies and grants for agriculture, for active labour market policies, for social protection schemes, for education scholarships, for shelter houses which are predominantly used by women, for grants to support women owned businesses, etc. However, such explicit tracking cannot be performed for all sectors and all interventions. Expenditures by gender can be extracted from the budget organisations within wages and salaries and subsidies and transfers (these are also presented in the budget requests in

two-year period and as noted in the MTEF, together with NDS defines the orientation for the economic development for Kosovo.

accordance with Budget Circular requirements). Gender imbalances in accessing public funds in Kosovo have been studied by several institutions and organisations such as: a) Agency for Gender Equality within analysis for the Kosovo Program for Gender Equality 2020-2024; b) on behalf of the Assembly Women Caucusus in 2020 a gender analysis of the 2020 draft budget law was supported by USAID; and Kosovo Women Network carried out assessments for some of the ministries/sectors (Social welfare, Education, Trade and Industry, Diaspora, Environment, Agriculture and Rural Development; and Diaspora²⁹).

Sex-disaggregated data but not financial ones are shown in the regular report published by the Kosovo Agency of Statistics 'Women and Men in Kosovo'. The latest report was published in 2020 presenting data for 2018/19 in which sex disaggregated data of employees in public institutions are presented for most of the budget organizations in the central and local level. The report does not incorporate gender equality data or any analysis on the impact of public funds on gender equality.

GRPFM–7 GENDER RESPONSIVE REPORTING

This indicator measures the extent to which the government prepares and publishes annual reports that include information on gender-related expenditure and the impact of budget policies on gender equality. There is one dimension for this indicator. Countries' practices in producing gender responsive annual reports vary. Regardless of the format, the reports should include information on the following: i) a report on gender equality outcomes; ii) data on gender-related expenditure; iii) assessment of the implementation of budget policies and their impacts on gender equality; and iv) sex-disaggregated data on budgetary central government employment.

Time period: Last completed fiscal year

INDICATORS/ DIMENSIONS	ASSESSMENT OF PERFORMANCE	[YEAR] SCORE
GRPFM–7 Gender responsive reporting (M1)		D
GRPFM–7.1 Gender responsive reporting	The 2020 Annual Financial Report <u>does not report information/data</u> on: <ul style="list-style-type: none"> i) Gender equality outcomes; gender-related expenditure; ii) Assessment of the implementation of budget policies and their impacts on gender equality; nor iii) Sex-disaggregated data on budgetary central government employment. 	D

Source: Annual Financial Report Budget of the Republic of Kosovo for the year ending December 31, 2020.

The 2020 Annual report does not report information on gender equality outcomes and gender-related expenditure. Moreover, although sex-disaggregated data on budgetary central government employment are required by the Budget Circular, these are not reported in the annual reports. According to the Law on Public Finance Management and Accounting, Article 46 on final Report on the Budget there is no requirement for gender related reporting requirements. Such information is neither reported in the regular Citizens Budgets of the Ministry of Finance, Labour, and Transfers.

²⁹ <https://womensnetwork.org/category/publications/research-reports/>

Table GRPFM–7.1 Gender responsive reporting

Annual report includes the following information:				
Report(s) for budget year	Report on gender equality outcomes (Y/N)	Data on gender-related expenditure (Y/N)	Assessment of the implementation of budget policies and their impacts on gender equality (Y/N)	Sex-disaggregated data on budgetary central government employment (Y/N)
2020	N	N	N	N

Source: Annual Financial Report Budget of the Republic of Kosovo for the year ending December 31, 2020.

GRPFM–8 EVALUATION OF GENDER IMPACTS OF SERVICE DELIVERY

This indicator measures the extent to which independent evaluations of the efficiency and effectiveness of public services include an assessment of gender impacts. There is one dimension for this indicator. The indicator recognizes that ex post assessments of the impact of public services on gender and gender equality provide important feedback to the initial design of services as well as any other unintended consequences for the provision of services for men and women and different categories of these subgroups.

Time period: Last three completed fiscal years

INDICATORS/ DIMENSIONS	ASSESSMENT OF PERFORMANCE	[YEAR] SCORE
GRPFM–8 Evaluation of gender impacts of service delivery (M1)		B
GRPFM–8.1 Evaluation of gender impacts of service delivery	Evaluations of the efficiency and effectiveness of service delivery that include an assessment of gender impacts have been carried out and published for <u>majority of ministries within the last three years</u> (see table below). Out of 5 service delivery ministries (Ministry of Education, Science and Technology, Ministry of Health, Ministry of Labour and Social Welfare (in 2021 integrated with Ministry of Finance), Ministry of Agriculture, Forestry and Rural Development and Ministry of Justice), gender impact assessment is included in 3 of them.	B

Mainly supported by international agencies and civil society organisations, Kosovo has a good tradition in monitoring and evaluating strategic documents (see table below). For example, the Kosovo Education Strategic Plan (KESP) 2017-2021 has been monitored by the EU funded project (KEEN), evaluation of the Kosovo Program for Gender Equality 2008-2013 was supported by SIDA project, the National Strategy against Domestic Violence 2016-2020 was monitored with support of the UN Women, etc. Another example for evaluation of service delivery is for example a recently published report by GAP Institute on the school optimization. Ministry of Education, Science and Technology, mainly using data from its Education Management System, prepares a comprehensive annual report, which includes gender disaggregated

education indicators. Government is in the process of evaluation of the National Development Agency, whose findings will be utilised for developing the new National Development Strategy.

Most evaluations are conducted independently of the Strategic Planning Office (SPO) and not all reports are published under the Prime Minister's Office website³⁰. While Strategic Planning Office has developed AI and manual for developing strategic documents, it has not yet developed an evaluation methodology and it does not foresee implementation of those evaluations. To standardise monitoring and evaluation of strategic documents, the SPO is planning to develop monitoring and evaluation tools and set up a monitoring and evaluation unit for strategic documents.

³⁰ <https://kryeministri.rks-gov.net/en/documents-en/?kategoria=dokumentet-strategjike&nenkategoria&viti=2020>

Table GRPFM–8.1 Evaluation of gender impacts of service delivery

Name of service delivery ministry	Percentage of service delivery ministries	Program or service evaluated	Date of evaluation	Type of evaluation	Report author	Report publicly available (Y/N)	Gender impacts assessed (Y/N)
Prime Minister's Office		Strategy for Integration of Roma, Ashkali and Egyptian communities in Kosovo Society 2017-2021	2020	Mid-term evaluation 2017-2019	Office for Good Governance/Prime Minister's Office	Y https://zqm.rks-gov.net/assets/cms/uploads/files/dokumentet/Raporti%20i%20vleresimit%20_2017-2019%20mbi%20zbatimin%20e%20Startegjise%20dhe%20planit%20te%20veprimit%20per%20perfshirjen%20e%20komuniteteve%20rom%20dhe%20ashkali%20ne%20shoqerine%20kosovare%202017-2021%20(1).pdf	Y
		National Development Strategy	Drafted in 2021	Final evaluation		Not yet	Unknown
		National Development Strategy	2021	National Development Strategy: progress, setbacks, and future expectations	GAP Institute	Y https://www.institutigap.org/documents/6239_National%20development%20strategy.pdf	N
MoFLT		Economic Reform	January 2020		Kosovo Government	Y https://mf.rks-gov.net/desk/i	Y

		Programme 2021-2022				nc/media/8578F7DC-479A-4C30-BE55-69D44F7988C7.pdf	
Ministry of Education, Science and Technology		Kosovo Education Strategic Plan 2017 - 2021	2020	Mid-term Evaluation	Selim Mehmeti, Lindita Boshtrakaj, Furtuna Mehmeti	Y http://kosovoprojects.eu/wp-content/uploads/2020/02/Implementation-of-Kosovo-Education-Strategic-Plan.pdf	Y
		Kosovo Education Strategic Plan 2017 - 2021	2021	Evaluation of the Implementation of the Kosovo Education Strategic Plan 2017-2021 Insufficient achievement	Kushtrim Bajrami	Y http://www.kec-ks.org/wp-content/uploads/2021/06/Evaluation-of-the-Implementation-of-KESP-2017-2021.pdf	Y
		Kosovo Education Strategic Plan 2017 - 2021	2018	Scholarship programs for Roma, Ashkali and Egyptian upper secondary education students in Kosovo	Kosovo Integration Initiative	Y https://kosint2020.net/site/assets/files/1420/scholarship_programs_for_roma_ashkali_and_egyptian_upper_secondary_education_students_in_kosovo.pdf	Y
		Learning Centres	2018	Impact of Learning Centres on inclusion of Roma, Ashkali and Egyptian	Kushtrim Bajrami, Kujtim Koci	Y http://kec-ks.org/wp-content/uploads/2020/08/Ndikimi-i-QMvene-	Y

				children in education		Kosove_eng.pdf	
	School efficiency	2021	Closing student-less schools in Kosovo? A brief analysis on primary education reforms	GAP Institute		Y https://www.institutigap.org/documents/64990_shkollate%20teperatena.pdf	Y
	Learning Centres	2018	Impact of Learning Centres on inclusion of Roma, Ashkali and Egyptian children in education	Kushtrim Bajrami, Kujtim Koci		Y http://kecks.org/wp-content/uploads/2020/08/Ndikimi-i-QMvene-Kosove_eng.pdf	Y
	School efficiency	2021	Closing student-less schools in Kosovo? A brief analysis on primary education reforms	GAP Institute		Y https://www.institutigap.org/documents/64990_shkollate%20teperatena.pdf	Y
Ministry of Labour and Social Welfare	Sectoral Strategy 2018-2022	2019	Evaluation report for implementation of measures to support employability of Roma, Ashkali and Egyptian communities	Artane Rizvanolli		Y https://kosint2020.net/site/assets/files/1416/monitorimi_i_strategjise_sektoriale_mpms_2018-2022.pdf	Y
	Sectoral Strategy 2018-2022	2019	Mid-term Assessment 2018-2019	Lorëz Qehaja		Y http://kecks.org/wp-content/uploads/2020/08/Zbatimi-i-Strategjis%C3%AB-Sektoriale-	Y

						t%C3%AB-MPMS_ENG-1.pdf	
		Sectorial Strategy 2018-2022	2018	Implementation of MLSW Sectorial Strategy in 2018 – Assessment Report	Lorëz Qehaja (author of the report), Kushtrim Bajrami, Ema Rraci, Driton Berisha	Y http://kecks.org/wp-content/uploads/2020/08/Zbatimi-i-Strategjis%C3%AB-Sektoriale-t%C3%AB-MPMS_ENG.pdf	Y
Ministry of Agriculture, Forestry and Rural Development (MAFRD)		Green Report 2020	2020 2019	Data on agriculture development due to support from the MAFRD	MAFRD	Y 2020: https://www.mbpzhrks.net/repository/docs/Raporti_i_Gjelber_202003022021.pdf 2019: https://www.mbpzhrks.net/repository/docs/Raporti_i_Gjelber_2019_13120.pdf 2018: https://www.mbpzhrks.net/repository/docs/Raporti_i_Gjelber_2018.pdf	N
Total	%	%	%	%	%	%	%

Data source: Monitoring and evaluation reports. No evidence made available for Ministry of Health.

GRPFM–9 LEGISLATIVE SCRUTINY OF GENDER IMPACTS OF THE BUDGET

This indicator measures the extent to which the legislature’s budget and audit scrutiny include a review of the government’s policies to understand whether policies equally benefit men and women by ensuring the allocation of sufficient funds. It contains two dimensions (sub indicators) and uses the M2 (averaging) method for aggregating dimension scores. The indicator recognises that inclusion of gender impacts in the legislature’s review of budget proposals promotes the participation of men and women in the policy-making process and ensures that their voices are heard, and their priorities are reflected in government programs and services.

Time period: Last three completed fiscal years

INDICATORS/ DIMENSIONS	ASSESSMENT OF PERFORMANCE	[YEAR] SCORE
GRPFM–9 Legislative scrutiny of gender impacts of the budget (M2)		D
GRPFM–9.1 Gender-responsive legislative scrutiny of budgets	<p>The legislature’s budget scrutiny does not include a review of the gender impacts of service delivery programs. During revision of Budget 2021, with proposal of one of the Members of Parliament, nearly half a million Euros were added to specifically support women owned businesses. In 2021, with technical support from the USAID a Women Caucus conducted a gender analysis of the Draft Law or 2021 but from the conducted meetings for this assessment no information was available on whether findings were discussed in the Assembly and if any changes were made in the draft Budget Law for 2021.</p> <p>With regards to consultation process, although mandatory, the Draft Budget is not published in government consultation platform, but Assembly publishes the draft budget in its website before approval by Committee for Budget and Finance of the Assembly. Moreover, However, meetings of the Committee for Budget and Finance and those of the Assembly are public and broadcasted by the public television.</p> <p>Ministries do not carry out public hearings for their budget requests, with explanation that rigorous consultation process are performed when drafting strategic documents and concept (which are used for drafting annual budget requests).</p>	D
GRPFM–9.2 Gender responsive legislative scrutiny of audit reports	The Office of General Auditor does not include gender responsiveness as part of their scrutiny of the audit reports. This applies also for the performance audits.	D

Data source: Meetings with Members of Parliament, Agency for Gender Equality, Civil Society Organisation

GRPFM–9.1 Gender-responsive legislative scrutiny of budgets

<i>Budget proposal for budget year</i>	<i>Review of the gender impacts of service delivery programs (Y/N)</i>	<i>Public consultation (Y/N)</i>	<i>Internal organizational arrangements employed for scrutiny (Y/N)</i>
2020	N	Y	N
2019	N	Y	N
2018	N	Y	N

Data source: Meetings with Members of Parliament, Agency for Gender Equality, Civil Society Organisation

GRPFM–9.2 Gender responsive legislative scrutiny of audit reports

Budget year	Review of gender audit reports (Y/N) [Specify reports if relevant]	Legislature issues recommendations (Y/N)	Recommendations followed-up (Y/N)
2020	Not published yet	Not published yet	
2019	N	N	N/A
2018	N	N	N/A

Data source: Meetings with Members of Parliament and representatives from the General Auditor's Office; Annual Audit Report 2018 and 2019.

Kosovo possesses a strong legal basis and mechanisms for public consultations. Regulation No.05/2016 on Minimum Standards for the Public Consultation Process is mandatory to be applied for annual draft plans of public authorities; sublegal acts draft plan; concept documents draft list; draft concept documents; normative draft acts; draft strategies; and all other documents that must be accompanied with an explanatory memorandum or which require public consultations. Pursuant to the Regulation No.05/2016, the Office for Good Governance/Office of the Prime Minister maintains the online platform that provides the opportunity for all relevant parties to be invited and included in the decision and policymaking process and the improvement of the transparency and accountability of public authorities towards stakeholders and the public. After completion of the public consultations, reports of line ministries and respective agencies on consultations' results are published together with reasons for not accepting certain contributions. However, this consultation process is not implemented for the Draft Law on Budget. However, the plenary discussions Assembly committee meetings and those of the National Assembly are open to public and broadcasted by the public television.

With regards to the scrutiny by the National Audit Office, the Audit reports do not perform any gender analysis. This applies also for the performance audits which by the Law on National Audit Office, which can be carried out, to assess the economy, efficiency, or effectiveness of a particular aspect of the operations of the whole or part of any institution, program, or activity. The Performance Audit Guide explains the methodology in detail but does not require any gender analysis, though it could have been integrated in the audit question on whether services are of good quality and client oriented. In 2020, the General Auditor has published seven Performance Audit reports but none of those contains gender analysis or any sex disaggregated data. During discussions with representatives of the National Audit Office it was indicated that so far gender was not the focus on any performance audit reports but if such audits would be required and subject to capacities, the General Auditor would consider them. For some of the reports, gender analysis would be very relevant and easily incorporated in the assessment: for example, for the 2019

Performance Audit of the Medium-term Expenditure Framework for the Ministry of Education and Science and Ministry of Infrastructure, for the Performance Audit for Vocational Education and Training.

GRPFM ANNEX 1: SUMMARY OF INDICATORS

PEFA GRPFM INDICATOR=		SCORING METHOD	DIMENSION RATINGS		OVERALL RATING
			1	2	
GRPFM-1	Gender impact analysis of budget policy proposals	M1	C	C	C
GRPFM -2	Gender responsive public investment management	M1	C		C
GRPFM -3	Gender responsive budget circular	M1	B		B
GRPFM -4	Gender responsive budget proposal documentation	M1	D		D
GRPFM -5	Sex-disaggregated performance information	M2	B	B	B
GRPFM -6	Tracking budget expenditure for gender equality	M1	D		D
GRPFM -7	Gender responsive reporting	M1	D		D
GRPFM -8	Evaluation of gender impacts of service delivery	M1	B		B
GRPFM -9	Legislative scrutiny of gender impacts of the budget	M2	D	D	D

GRPFM ANNEX 2: Reviewed concept documents/papers

Concept documents approved by the Government			
		Gender impact analysis carried out	Evidence
Expenditure policies			
1	Concept Paper for the Agency for European Integration	It only noted that there will not be a gender impact	https://konsultimet.rks-gov.net/Storage/Consultations/15-38-06-27072020/ENG---Draft-KD-per-Themelimin-e-AIE-29.07.2020_clean.docx
2	Concept Paper on Compensation to Crime Victims	YES	https://konsultimet.rks-gov.net/Storage/Consultations/11-23-58-27042020/SHQ_KONCEPT-DOKUMENTI-PER-KOMPENSIMIN-E-VIKTIMAVE-TE-KRIMIT-27_04_2020.doc
3	Concept Document on the Field of Expropriation	It only noted that there will not be a gender impact	https://konsultimet.rks-gov.net/Storage/Consultations/08-20-00-22102020/Draft-Koncept-Dokument-per-Fushen-e-Shpronesimit-Angl..doc
4	Concept Document for Inspection in the field of Environment, Water, Nature, Spatial Planning, Construction and Housing	Not found	
5	Concept Paper on infectious diseases	No, due to lack of data	https://konsultimet.rks-gov.net/Storage/Consultations/40902-UpdEn.docx

6	Concept document for military police	It only noted that there will not be a gender impact	https://kryeministri.rks-gov.net/wp-content/uploads/2021/07/Koncept-dokumenti-per-fushen-e-policise-ushtarake-21-12-2020-Final.doc
7	Concept Document for the improvement and advancement of legislation in the field of occupational safety and health	YES	https://kryeministri.rks-gov.net/wp-content/uploads/2021/07/Koncept-Dokument-per-Permiresimin-dhe-Avancimin-e-Legjislacionit-nga-Fusha-e-Sigurise-dhe-Shendetit-ne-Pune.pdf
8	Concept document for the field of sending the Kosovo Security Force abroad 21.09.2020	It only noted that there will not be a gender impact	https://kryeministri.rks-gov.net/wp-content/uploads/2021/07/Koncept-Dokumenti-per-fushen-e-dergimit-te-FSK-se-jashte-vendit-1.docx
9	Concept document for social schemes	YES	https://kryeministri.rks-gov.net/wp-content/uploads/2021/07/Koncept-Dokumenti-per-Skemat-e-Ndihmes-Sociale.pdf
	Revenue policies		
1	Concept Paper for the Field of Precious Metals Works	It only noted that there will not be a gender impact	https://kryeministri.rks-gov.net/wp-content/uploads/2021/07/Koncept-Dokumenti-per-Fushen-e-Punimeve-nga-Metalet-e-Cmuara.docx
2	Concept document for reduction of the administrative burden	YES	https://kryeministri.rks-gov.net/wp-content/uploads/2020/04/Koncept-Dokumenti-p%C3%ABr-Zvog%C3%ABlimin-e-Barr%C3%ABs-Administrative_Shqip_.pdf

GRPFM ANNEX 3: SOURCES OF INFORMATION

List of sources of information used to extract evidence for scoring indicators

Indicators	Evidence
GRPFM-1 Gender impact analysis of budget policy proposals	Guidelines and Manual for Developing Concept Documents: https://kryeministri.rks-gov.net/wp-content/uploads/2018/06/Udhezuesi-dhe-Doracaku-per-Hartimin-e-Koncept-Dokumenteve-ENG-24-05-18_Publish.pdf https://mf.rks-gov.net/desk/inc/media/C967DC09-044E-4CED-8391-4DB711241381.pdf

	<p>Better Regulation Strategy 2.0 2017-2021: https://kryeministri.rks-gov.net/en/documents/better-regulation-strategy-2-0-for-kosovo-2017-2021-2/</p> <p>Kosovo Women Network-KWN, 2021, Monitoring the Implementation of SDG Indicator 5.c.1 in Kosovo: https://womensnetwork.org/wp-content/uploads/2020/11/Final-Draft-Policy-Brief_-Monitoring-SDG-5c1_ENG.pdf</p> <p>Kosovo Women Network-KWN 2020, "The Pandemic Knows No Gender"? A Gender Fiscal Budget Analysis: The Government of Kosovo's Response to the COVID-19 Pandemic from a Gender Perspective. Available at: https://womensnetwork.org/wp-content/uploads/2020/12/KWN-The-pandemic-knows-no-gender_-ENG-1.pdf</p> <p>Law No. 07/L -014 Law on Amending and Supplementing the Law No. 07/L-001 on Budget Appropriations for the Budget of Republic of Kosovo for Year 2020. https://mf.rks-gov.net/desk/inc/media/C967DC09-044E-4CED-8391-4DB711241381.pdf</p> <p>Law No. 07/L-016 on Economic Recovery - COVID-19, https://gzk.rks-gov.net/ActDocumentDetail.aspx?ActID=35478</p> <p>Law No. 05/L -020 on Gender Equality: https://gzk.rks-gov.net/ActDocumentDetail.aspx?ActID=10923</p> <p>Law No. 2004/02 on Gender Equality: https://gzk.rks-gov.net/ActDetail.aspx?ActID=2457</p> <p>Manual for Gender Equality Impact Assessment. Available at: https://abgj.rks-gov.net/assets/cms/uploads/files/Publikimet%20ABGJ/Gender%20Equality%20Impact%20Assessment%20Manual.pdf</p> <p>Regulation No. 09/2011 of Rules and Procedure of the Government of the Republic of Kosovo. Available at: https://Gzk.rks-gov.net/ActDocumentDetail.aspx?ActID=3259</p> <p>UN Women, 2021, Budget Choices in a Time of Pandemic: Advancing Gender Equality or Holding it Back? Unpublished.</p>
<p>GRPFM-2 Gender responsive public investment management</p>	<p>Administrative Instruction (AI) MF-No. 06/2019 on Selection Criteria and Prioritizing of Capital Projects: https://mf.rks-gov.net/desk/inc/media/CD375B61-5003-455F-BF97-668D1B9ABE9D.pdf</p> <p>Manual for Investment Proposal Procedures, provided by the MoFLT</p>
<p>GRPFM-3 Gender responsive budget circular</p>	<p>Budgetary Circular 2021: https://mf.rks-gov.net/desk/inc/media/0A4862AF-FF68-4C1E-BA9A-BCD1C97BB422.pdf</p> <p>Ministry of Labour and Social Welfare, 24.06.2019, Budget request-Budget Circular 2020</p> <p>Ministry of Education, Science and Technology, 25.06.2019, Budget request-Budget Circular 2020</p>
<p>GRPFM-4 Gender responsive</p>	<p>Law No. 07/L -041 on the Budget Appropriations for the Budget of the Republic of Kosovo for Year 2021. Available at: https://mf.rks-gov.net/desk/inc/media/1F14DA73-6925-49B6-883E-014550C6E3C8.pdf</p>

budget proposal documentation	<p>MTEF 2020-2022, https://mf.rks-gov.net/desk/inc/media/21391F7F-A1DC-47B2-B8FB-BE821847FC37.pdf</p> <p>MTEF 2021-2023: https://mf.rks-gov.net/desk/inc/media/032A817F-BA29-4F56-A031-C44CB9F1F7EA.pdf</p>
GRPFM–5 Sex-disaggregated performance information for service delivery	<p>Administrative Instruction (Grk) No. 07/2018 on Planning and Drafting Strategic Documents and Action Plans. Available at: https://gzk.rks-gov.net/ActDetail.aspx?ActID=18813</p> <p>Government Annual Plan 2020 and Indicative Plan 2020-2021. Available at: https://kryeministri-ks.net/documents/plani-i-punes-se-qeverise-per-2020-2022/</p> <p>Manual for Planning, Developing and Monitoring Strategic Documents and their Action Plans. Available at: https://kryeministri.rks-gov.net/wp-content/uploads/2019/02/MANUAL-FOR-PLANNING-DEVELOPING-AND-MONITORING-STRATEGIC-DOCUMENTS-AND-THEIR-ACTION-PLANS-.pdf</p> <p>Ministry of Agriculture, Program for Rural Development 2020-2021. Available at: https://www.mbpzhr-ks.net/repository/docs/PZHR_202021_final_7.pdf</p> <p>National Programme for Implementation of the Stabilisation and Association Agreement (NPISAA) 2017 – 2021. Available at: https://www.mei-ks.net/repository/docs/pkzmsa20172021ang.pdf</p> <p>Program for Rural Development 2019. Available at: https://www.mbpzhr-ks.net/repository/docs/</p> <p>Sectoral Health Strategy 2017-2021. Available at: Ministry of Health, Health Strategy 2017-2021. https://kryeministri.rks-gov.net/wp-content/uploads/docs/Strategjia_sektoriale_e_shendetesise_final-nentor_2016_ENG.pdf</p> <p>Kosovo Education Strategic Plan 2017-2021. Available at: https://masht.rks-gov.net/uploads/2017/02/20161006-kesp-2017-2021-1.pdf</p> <p>Sectoral Strategy 2018-2022. Available at: https://mpms.rks-gov.net/wpdm-package/strategjia-sektoriale-2018-2022/#</p> <p>Economic Reform Programme 2020-2022. Available at: https://mf.rks-gov.net/desk/inc/media/8578F7DC-479A-4C30-BE55-69D44F7988C7.pdf</p> <p>Action Plan for Increasing Youth Employment. Available at: https://kryeministri.rks-gov.net/wp-content/uploads/2019/08/Plani-i-Veprimit_Punesimi-i-te-Rinjeve_ENG-1.pdf</p>
GRPFM–6 Tracking budget expenditure for gender equality	<p>Agency for Gender Equality, 2019, Kosovo Program for Gender Equality 2020-2024. https://abgj.rks-gov.net/assets/cms/uploads/files/AGE%20Kosovo%20Program%20for%20Gender%20Equality%202020-2024.pdf</p> <p>Ministry of Agriculture, Forestry and Rural Development, 28.09.202, Request for Budget Circular 2021/02.</p> <p>Ministry of Education, Science and Technology, 25.06.2019, Budget request-Budget Circular 2020</p> <p>Ministry of Labour and Social Welfare, 24.06.2019, Budget request-Budget Circular 2020</p>

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<p>GRPFM–7 Gender responsive reporting</p>	<p>Annual Financial Report Budget of the Republic of Kosovo for the year ending December 31, 2020. https://mf.rks-gov.net/desk/inc/media/B805BE58-DD6E-454E-A730-10922B74DD4A.pdf</p> <p>Citizen Budget of the Republic of Kosovo – 2019. Available at: https://mf.rks-gov.net/desk/inc/media/B7810352-192E-427D-BB51-07C30D77FEA9.pdf</p> <p>Citizen Budget of the Republic of Kosovo – 2020. Available at: https://mf.rks-gov.net/desk/inc/media/990ED02D-D5E5-4075-B961-544E95E9970E.pdf</p>
<p>GRPFM–8 Evaluation of gender impacts of service delivery</p>	<p>Strategy for Integration of Roma, Ashkali and Egyptian communities in Kosovo Society 2017-2021: Mid-term evaluation 2017-2019</p> <p>MoFLT, Economic Reform Programme 2021-2022. Available at: https://mf.rks-gov.net/desk/inc/media/8578F7DC-479A-4C30-BE55-69D44F7988C7.pdf</p> <p>Ministry of Education, Science and Technology, 2021, Evaluation of the Implementation of the Kosovo Education Strategic Plan 2017 – 2021 Insufficient achievement: Available at: http://kosovoprojects.eu/wp-content/uploads/2020/02/Implementation-of-Kosovo-Education-Strategic-Plan.pdf</p> <p>Ministry of Education, Science and Technology, 2020, Mid-term Evaluation of the Implementation of the Kosovo Education Strategic Plan 2017 – 2021: Available at: http://kosovoprojects.eu/wp-content/uploads/2020/02/Implementation-of-Kosovo-Education-Strategic-Plan.pdf</p> <p>Ministry of Education, Science and Technology, 2018, Scholarship programs for Roma, Ashkali and Egyptian upper secondary education students in Kosovo, Available at: https://kosint2020.net/site/assets/files/1420/scholarship_programs_for_roma-ashkali_and_egyptian_upper_secondary_education_students_in_kosovo.pdf</p>

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<p>GRPFM–9 Legislative scrutiny of gender impacts of the budget</p>	<p>General Auditor, 2016, Main Manual for Performance Audit. Available at: https://www.zka-rks.org/wp-content/uploads/2017/05/Manuali-i-Auditimit-t%C3%AB-Performanc%C3%ABs.pdf</p> <p>General Auditor, 2019, Annual Audit Report 2019. Available at: https://www.zka-rks.org/wp-content/uploads/2020/09/RaportiVjetor_ENG_PRESS_01.pdf</p> <p>General Auditor, 2020, Performance audits conducted in 2020. Available at: https://www.zka-rks.org/en/publications/</p>

	Law No. 03/L-048 on Public Financial Management and Accountability Law No. 05/L-055 on the Auditor General and the National Audit Office of the Republic of Kosovo
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List of persons interviewed

Name	Position	Institution
Edi Gusia	Chief Executive Officer	Agency for Gender Equality/Prime Minister's Office
Adil Bytyqi	Senior Officer for Policy Coordination	Government Coordination Secretariat/Office of the Prime Minister
Armend Muja	Chairperson of Commission for Budget, Labour, and Transfer	Kosovo Assembly
Hykmete Bajrami	Chair of the Commission for Public Finance Oversight	Kosovo Assembly
Mehmet Simnica	Senior Officer for Field of Economy to the Commission for Public Finance Oversight	Kosovo Assembly
Mimoza Kusari	Head of the Vetevendosje Parliamentary Group	Kosovo Assembly
Nicole Farnsworth	Program Director, Lead Researcher	Kosovo Women Network
Blerim Hasani	General Secretary	Ministry of Agriculture, Forestry and Rural Development
Besim Imeri	Head of Unit for Monitoring of Publicly Owned Enterprises	Ministry of Economy
Filloreta Gashi	Analyst/ Unit for Monitoring of Publicly Owned Enterprises	Ministry of Economy
Adem Ahmetaj	Analyst/ Unit for Monitoring of Publicly Owned Enterprises	Ministry of Economy
Fadile Dyla	Acting General Secretary ADD THE REST	Ministry of Education, Science and Technology
Murtez Zekolli	Senior Officer/ Budget and Finance Department	Ministry of Education, Science and Technology
Vebi Ismajli	Director of Internal Audit Unit	Ministry of Education, Science and Technology
Fehmi Zylfiu	Head of division/ Budget and Finance Department	Ministry of Education, Science and Technology
Bashkim Shala	Senior Legal Officer/ Legal Office	Ministry of Education, Science and Technology

Kushtrim Kozmaqi	Senior Budget Officer/ Budget and Finance Department	Ministry of Education, Science and Technology
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Naim Bardiqi	General Secretary	Ministry of Health
Naim Baftiu	Director of Legal Department	Ministry of Health
Ismet Hyseni	Head of Procurement Division	Ministry of Health
Mentor Sadiku	Head of European Integration Department	Ministry of Health
Deme Rexhepi	Head of Internal Audit Unit	Ministry of Health
Kadrije Berisha	Chief Financial Officer of Budget and Finance Office	Ministry of Health
Fatlinda Ramosaj	Director of Quality Control	National Audit Office
Ilir Salihu	Deputy Auditor General	National Audit Office
Qendresa Mulaj	Director of International Cooperation Department	National Audit Office
Blerinda Idrizi	International Expert to Agency for Gender Equality	UN Women
Linda Sanaja-Ukmata	Gender Responsive Budgeting Project Coordinator	UN Women Kosovo Office
Ermira Lubani	Gender Responsive Budgeting - Programme Specialist	UN Women, Europe & Central Asia Regional Office