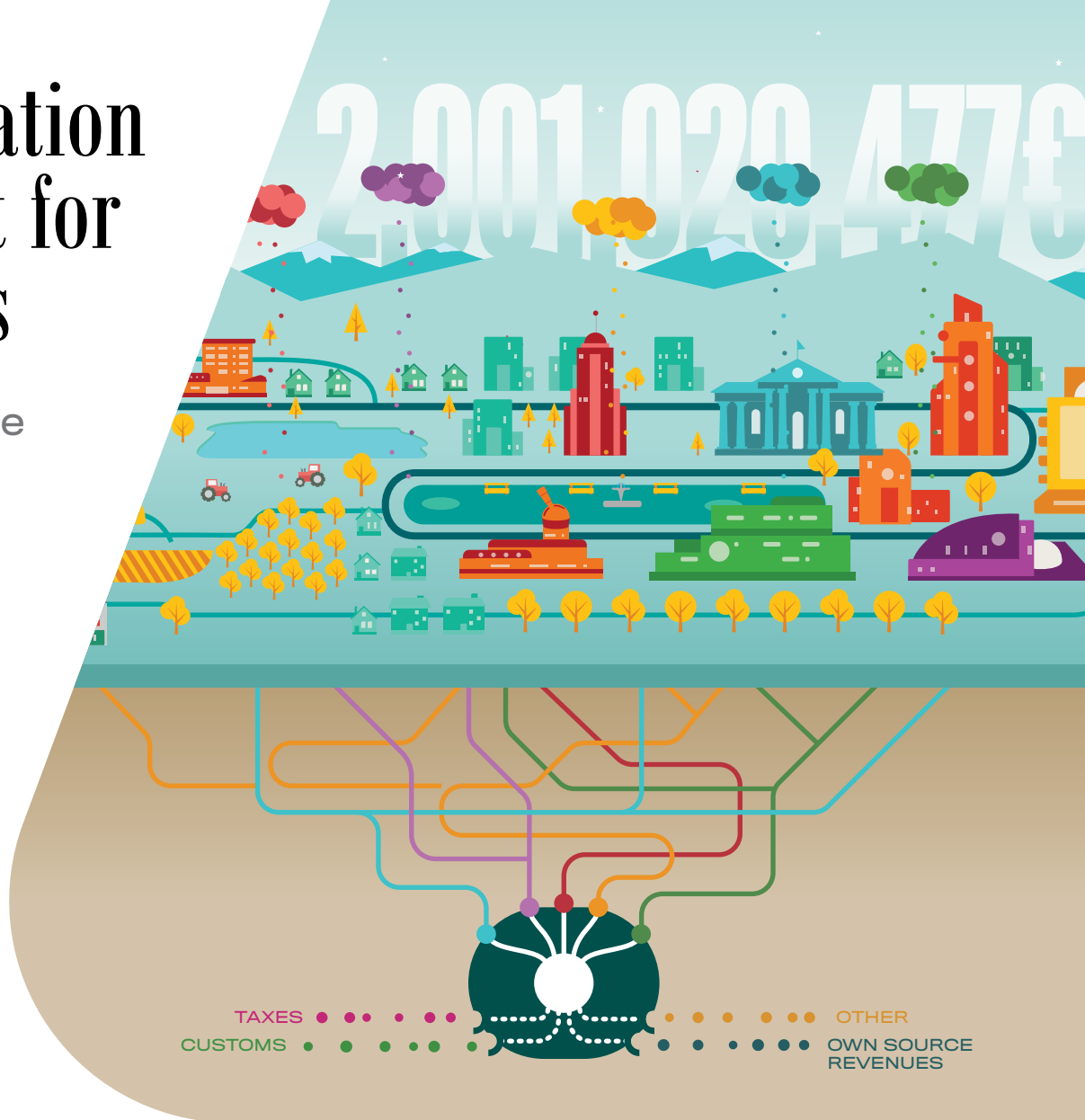


Information booklet for citizens

Budget of the
Republic of
Kosovo
2017



MINISTRIA E FINANCAVE
MINISTARSTVO ZA FINANSIJE
MINISTRY OF FINANCE



german
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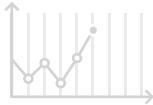
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Illustrations

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What precedes the budgetary process?

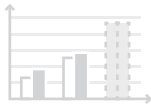
Where are we?



1

The economic situation in the country (the macro-economic framework)

Where do we want to get to?



2

The ratio between revenues and requests for expenditure in accordance with the existing policies

How do we get there?



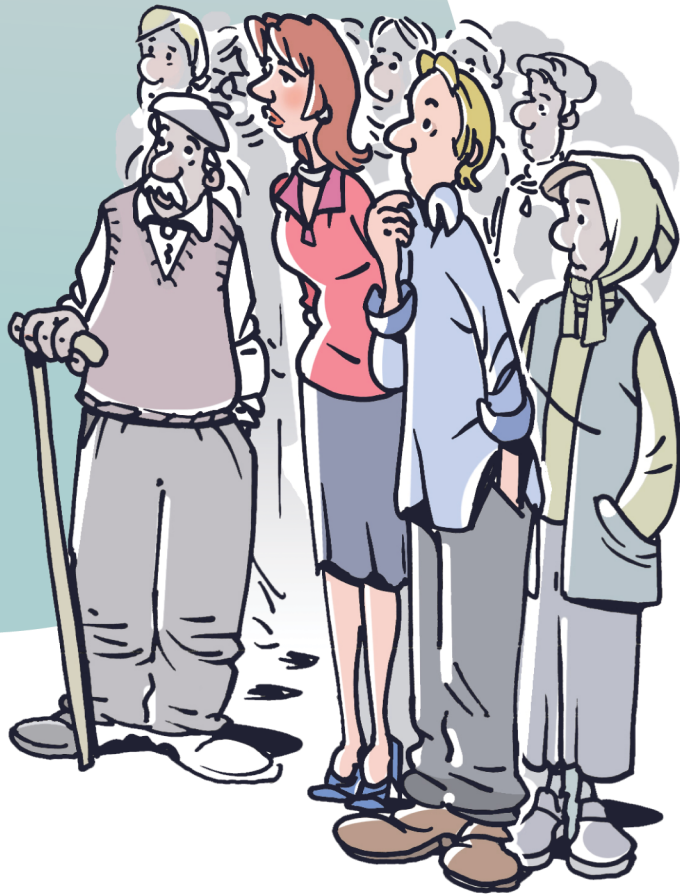
3

Policies and programs that the government wants to implement through the budget expenditures



Implementation of the Government Program

What is the budget?



Each individual or family plans their expenditure based on the funds at disposal. A family calculates the cost of living such as food, clothing, rent payment, utilities expenses, entertainment, recreation, etc. Therefore, the budget is the planning of revenues and expenses for a certain period of time.

Accordingly, the government plans its expenses depending on the available revenues. The government plans as to what portion of its revenues will be spent on the different needs of the state, such as education, health, pensions, poverty alleviation, improving the welfare of citizens, capital investments, economic development, etc.

Unlike the individual or family budget, the state budget is planned for a certain period called the “annual budget“. The period of the “annual budget” lasts 12 months and, according to the standards set in our country, it coincides with the calendar year, i.e. starting on January 1 and ending on December 31.

The process of budget planning

1 Mid-Term Expenditure Framework

APRIL 30

The government will submit to the Assembly of Kosovo the Mid-term Expenditure Framework (MTEF) covering the following fiscal year and carries out the estimates for the next two fiscal years.

2 The budget circulars

MAY 15

The deadline when MoF submits the budget circulars to budget organizations. Within circulars, the budget ceilings are issued for each budget organization.

3 The Budgetary proposals

JUNE 15- OCTOBER 31

During the July-August period, MoF considers proposals and organizes budgetary hearings with budget organizations. No later than October 31, the MoF prepares a proposal with the budgetary allocations for each budget organization. The government approves it.

GOVERNMENT PRIORITIES



4

The deadline for the budget proposal

SEPTEMBER 30

The date by which municipalities must complete their budget proposals and the requests for budget allocation and submit them to MoF. For budget organizations other than municipalities, the deadline for submission of such documents will be specified in the budget circular.

The direct participation of citizens in municipal budgetary hearings

5

Mid-year review of the current budget

MAY- JUNE

The government carries out the semi-annual review to refine the budgetary priorities.

6

Audit

AUGUST 31

On August 31 the Auditor General shall submit to the Assembly the Annual Audit Report for the previous year, which the Assembly shall consider and approve together with the financial statements of the government no later than October 31.

7

Assembly

OCTOBER 31

The Government approves the proposed budget and submits it to the Assembly.

Kosovo Budget

8

DECEMBER 31

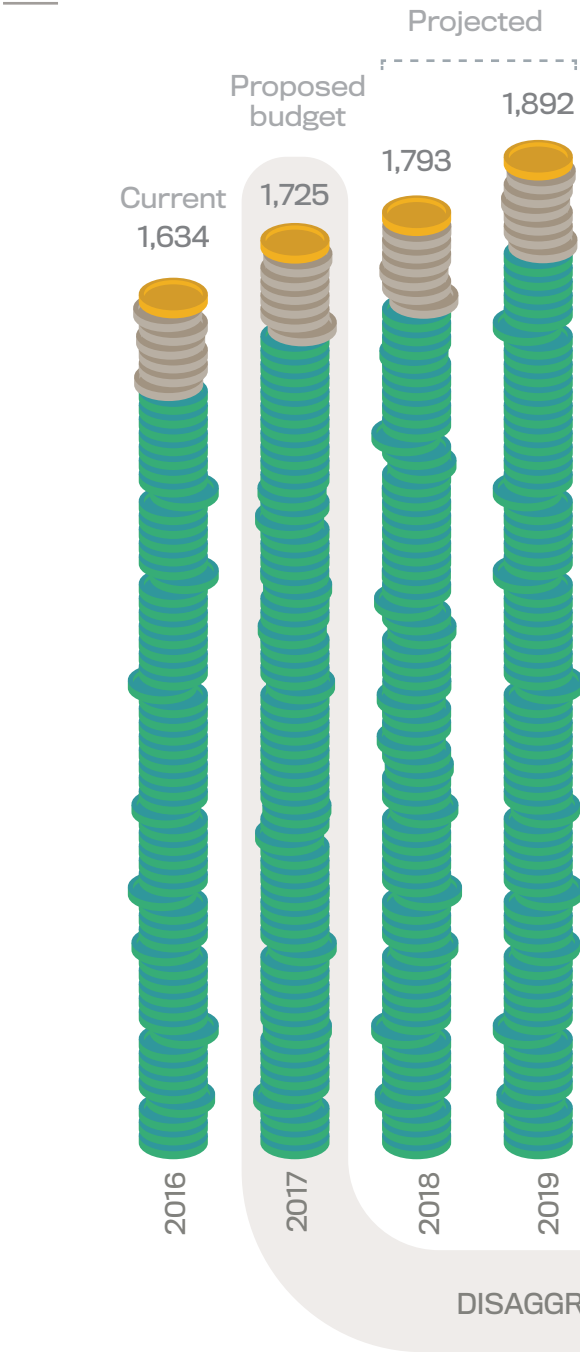
The deadline by which the Assembly approves the Kosovo Budget.

How does the state collect money?

The state collects revenue from its citizens, and returns these revenues by offering services such as: constructing roads, hospitals, schools, provision of health, education and other services. The state collects the revenue through tax and non-tax revenues, and they are divided into:

- Designated donor **Grants** (yellow coin)
- Non-tax** Revenues (grey coin)
- Tax** Revenues (green coin)

Revenues without other funding
in millions of euros



Non-tax revenues

201,000 EURO

Excise 422

Other indirect taxes 19

Fees, charges, and
other from BOs of the
Central Government 100

Fees, charges, and
other from the Local Government 54

Concession fees 9

Mining royalties 33

Designated Donor Grants 12

Corporate income tax 84

Personal
income tax 135

Tax on property 25

Other direct taxes 7

748 Value added
tax (VAT)

Customs
duty tax 116

Tax revenues

1,512,000 EURO



The Kosovo budget

2017

2,001,020,477

.....
Increase from 2016

15.5% ▲

“ Two billion
and one million twenty
thousand, four hundred and
seventy seven Euros

The central level 2017

1,560,789,611€

The municipal level 2017

440,230,866€

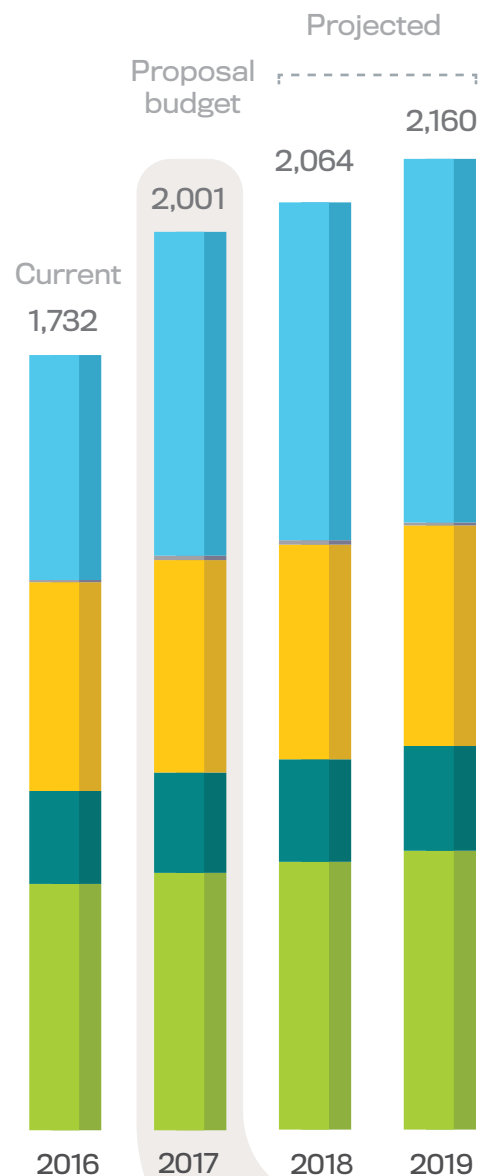


Where does the state spend our money?

The funds collected (revenues), are distributed by the state for the needs of its citizens according to priorities determined by the Government at the beginning of the budgeting process. Allocation of the budget is based on priorities. Budgetary expenditures for 2017 are planned in the amount of 2 billion euros.

Compared to 2016 these expenditures increased by 15%, whereas compared to 2015 they increased by 28%.

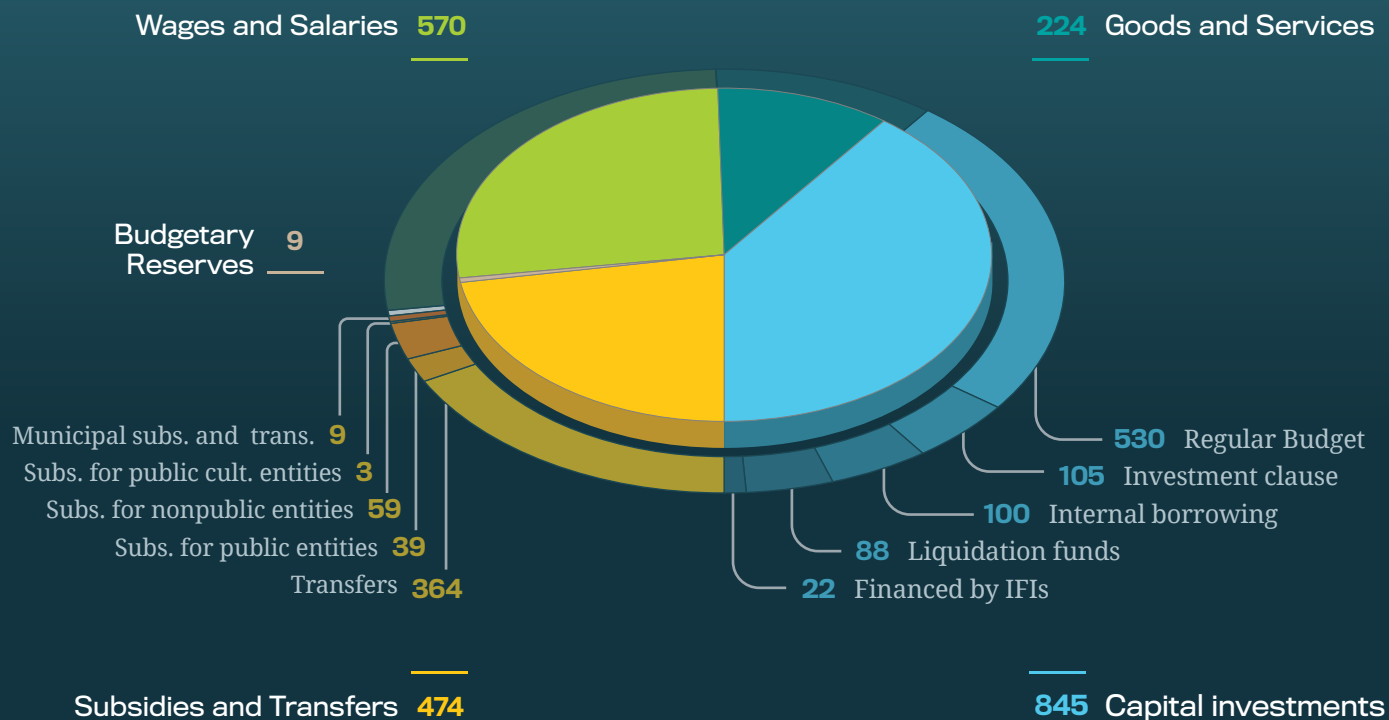
Capital Expenditures —
Other —
Subsidies and Transfers —
Goods and Services —
Wages and Salaries —



DISAGGREGATED

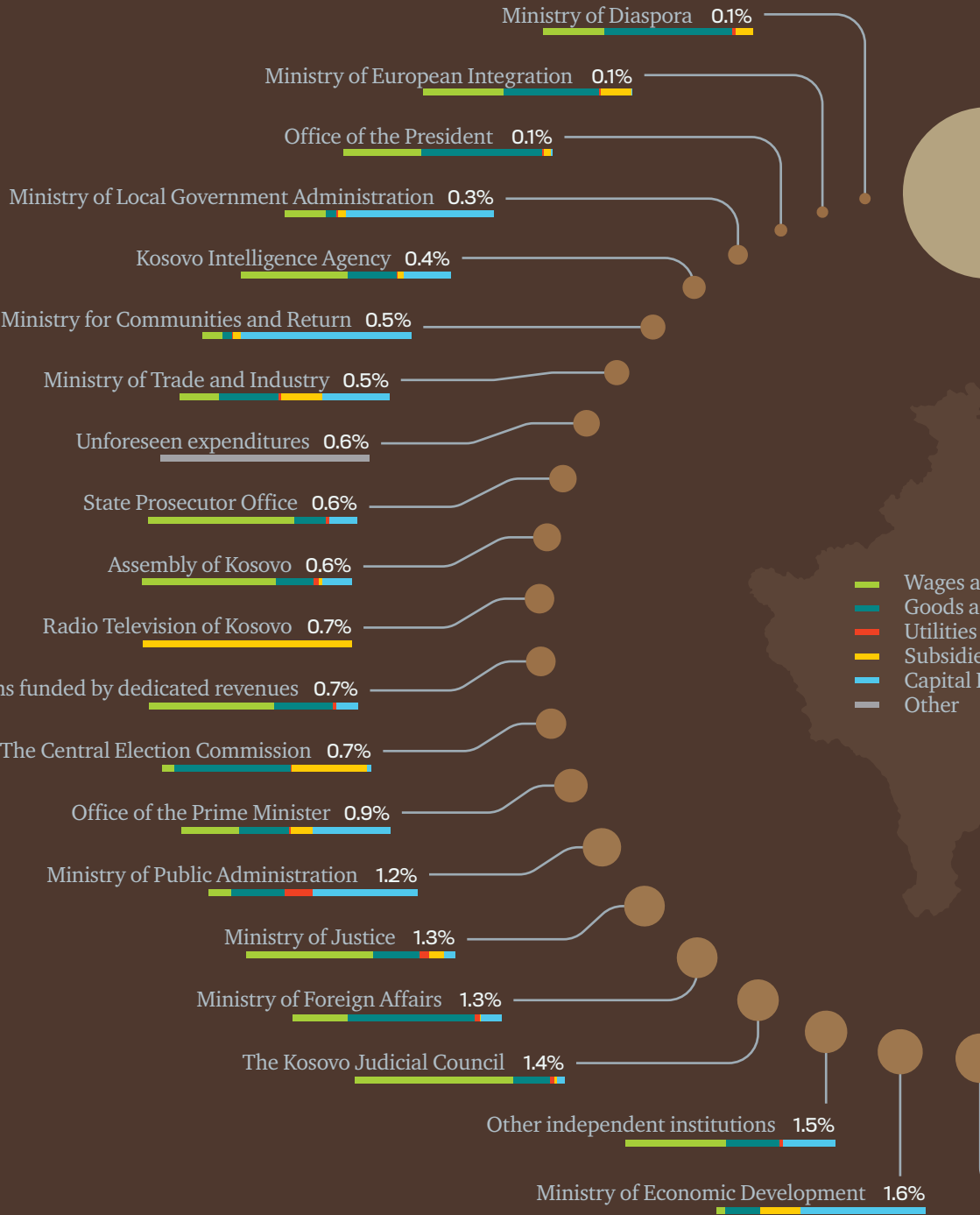
Budgetary expenditures 2017

in millions of euros



INDEPENDENT INSTITUTIONS

- Public Procurement Regulatory Commission
- Kosovo Academy of Sciences and Arts
- Regulatory Authority of Electronic and Postal Communications
- Anti-Corruption Agency
- Energy Regulatory Office
- Procurement Review Body
- Agency for Free Legal Aid
- The Constitutional Court of Kosovo
- Kosovo Competition Authority
- The Kosovo Council for Cultural Heritage
- Election Complaints and Appeals Panel
- The Independent Oversight Board for Civil Service of Kosovo
- The National Audit Office
- Regulatory Office for Water and Waste
- Railways Regulatory Authority
- The Civil Aviation Authority
- The Independent Commission for Mines and Minerals
- The Independent Media Commission
- Institution of Ombudsman
- Kosovo Judicial Institute
- Kosovo Comparison Agency and Verification of Property
- The National Agency for
- Protection of Personal Data
- Agency for the Management of Memorial Complexes



Central Budget

1,560,789,611 EURO

presented as a percentage of
the total Kosovo Budget

24.1% Ministry of Labor and Social Welfare

17.9% Ministry of Infrastructure

7.3% Ministry of Internal Affairs

6.7% Investment clause

4.5% University Clinical Center of Kosovo

3.7% Ministry of Agriculture, Forestry and Rural Development

3.6% Ministry of Health

3.3% Ministry of Kosovo Security Force

3.2% Ministry of Finance

3.1% Ministry of Environment and Spatial Planning

3.0% Ministry of Education, Science and Technology

2.1% Ministry of Culture, Youth and Sports

2.0% University of Prishtina

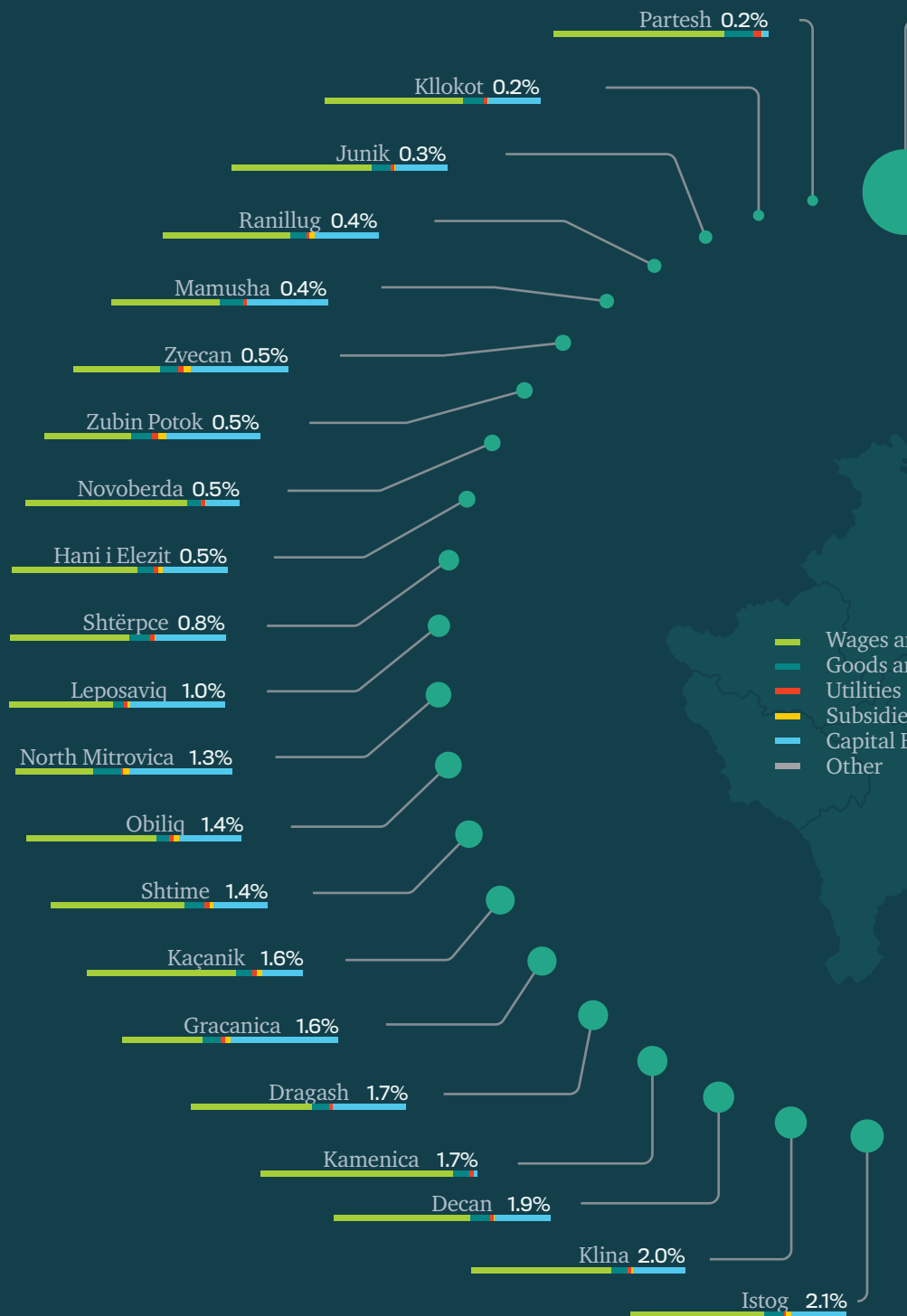
and Salaries
and Services

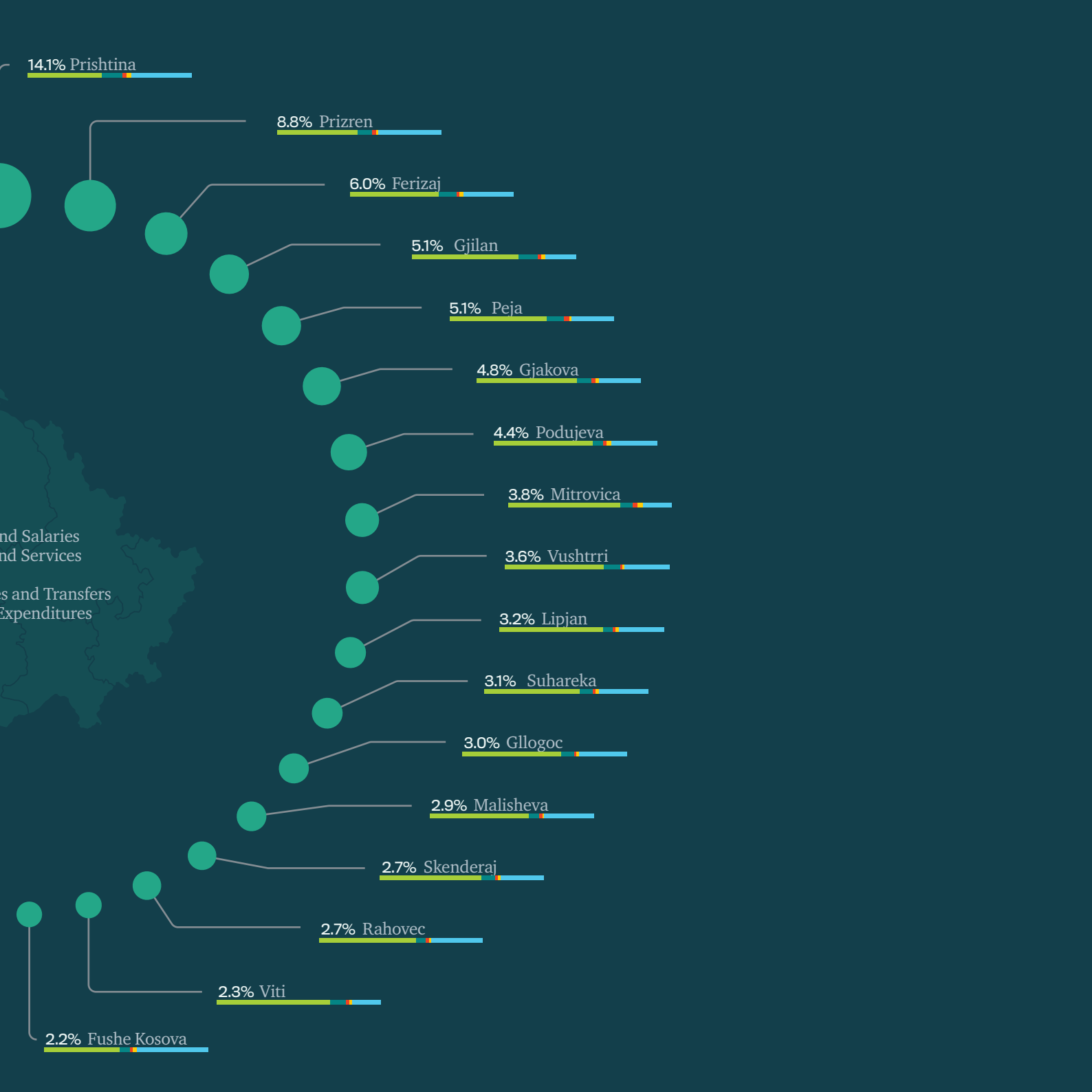
s and Transfers
Expenditures

Budget of Municipalities

440,230,866 EURO

presented as a percentage of
the total Kosovo Budget





14.1% Prishtina

8.8% Prizren

6.0% Ferizaj

5.1% Gjilan

5.1% Peja

4.8% Gjakova

4.4% Podujeva

3.8% Mitrovica

3.6% Vushtrri

3.2% Lipjan

3.1% Suhareka

3.0% Glogoc

2.9% Malisheva

2.7% Skenderaj

2.7% Rahovec

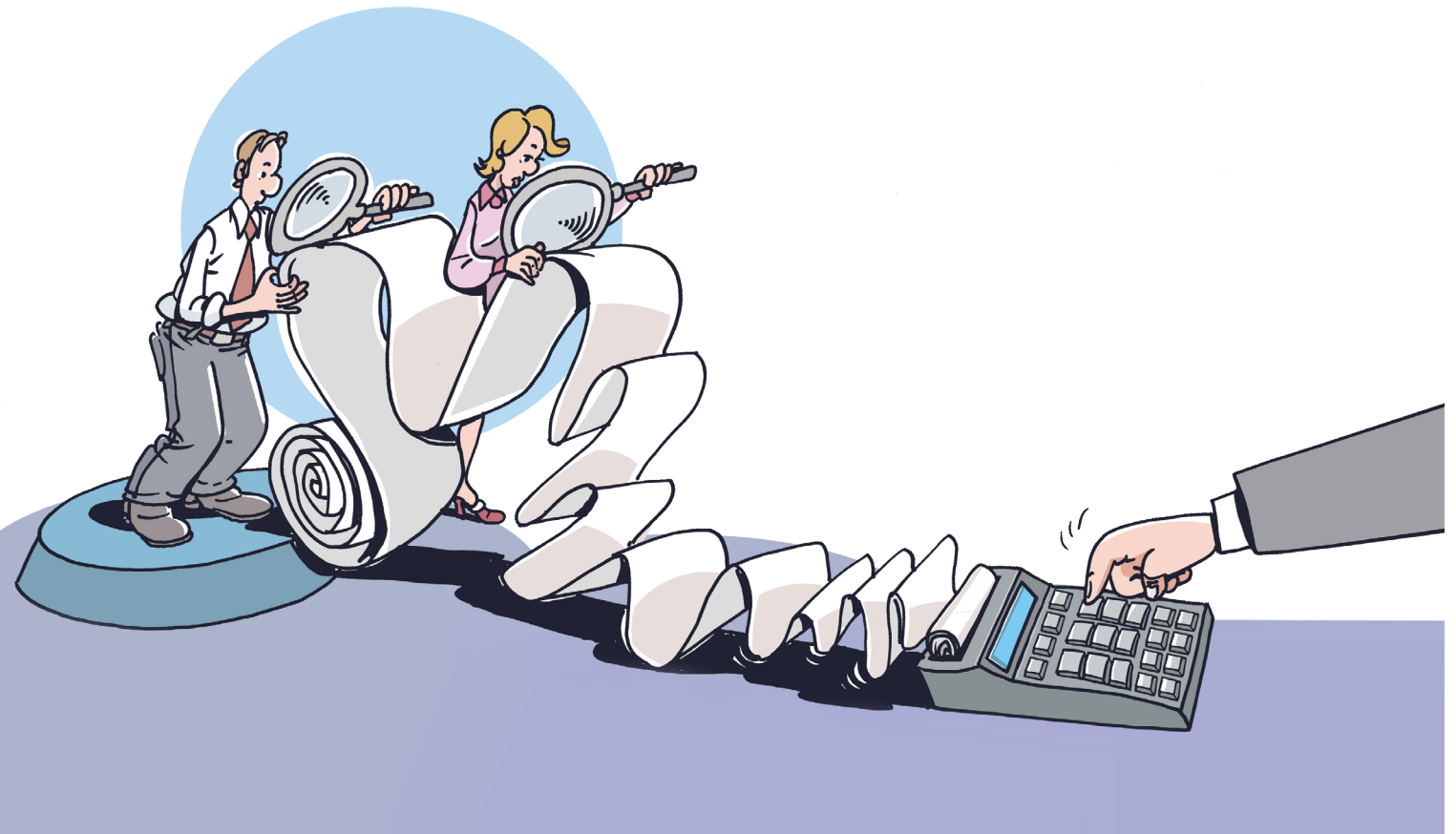
2.3% Viti

2.2% Fushe Kosova

Gross Domestic Product (GDP)

Gross Domestic Product (GDP) is an economic indicator that represents the value at market prices of all goods and services produced within a country in a given period (usually a year).

According to projections for the year 2017, the ratio between total revenues to GDP is 26.9%, whereas the ratio of expenditure to GDP is 31.2%.



Gross Domestic Product **2017 (projection)**

6,410,000,000€

“ Six billion
four hundred and
ten million Euros

Gross Domestic Product **increase from 2016**

3.9%

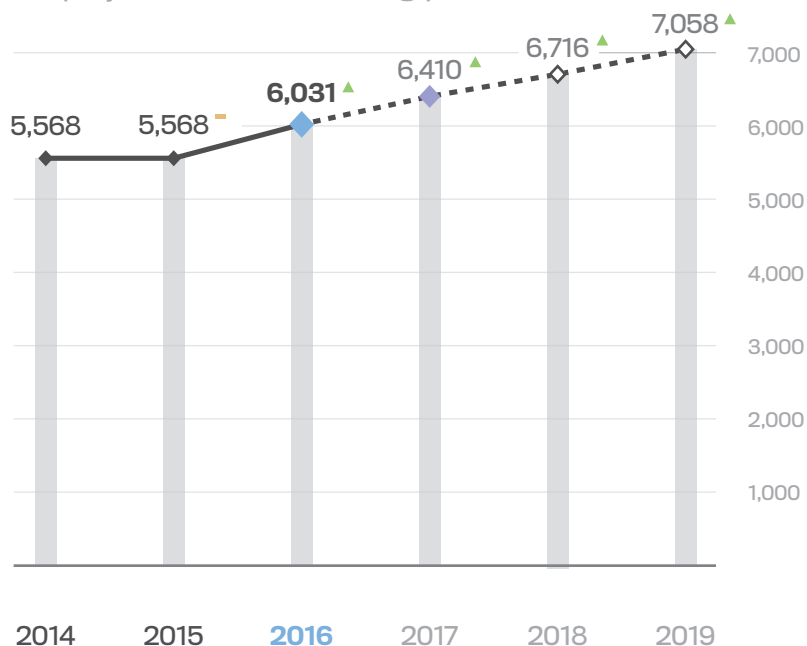


The projected increase
in real terms
compared to 2016

6,031,000,000€ - GDP 2016

Gross Domestic Product **trend**

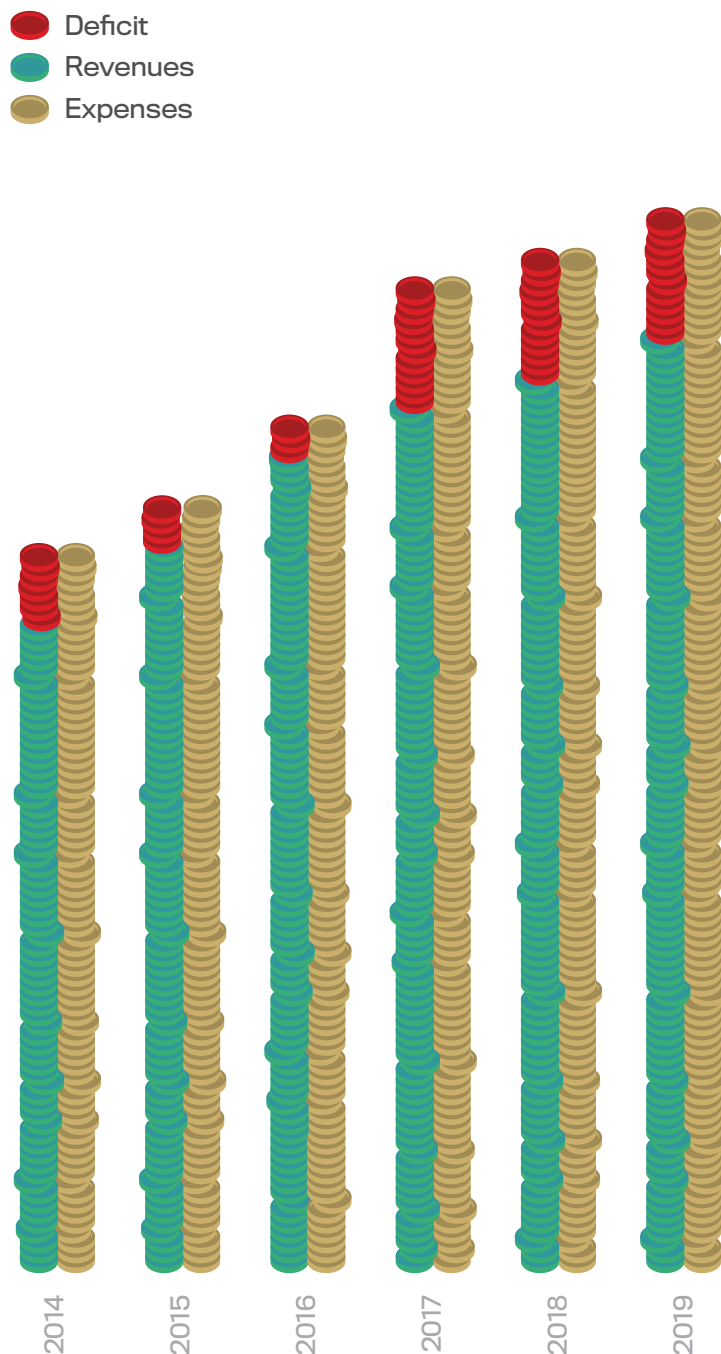
The GDP increase trend from 2014 and
the projection for the following years



Source:
Ministry of Finance, Law on Budget 2017

Deficit of Kosovo

When revenues are greater than expenditures, we have a budget surplus. Whereas, when revenues are less than expenditures, we have a budget deficit. Same as with the family budget, to cover the budget deficit the state must go into debt.



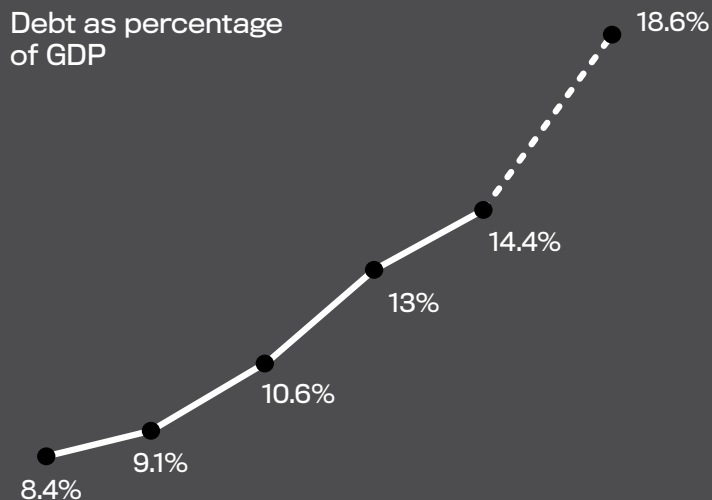
Borrowing

Citizens might borrow from friends or banks, whereas the state borrows in the financial market from international financial institutions, such as: The European Bank for Reconstruction and Development (EBRD), International Monetary Fund (IMF), the German Development Bank (KfW), the World Bank (IDA) or from other banks, which is called external debt.

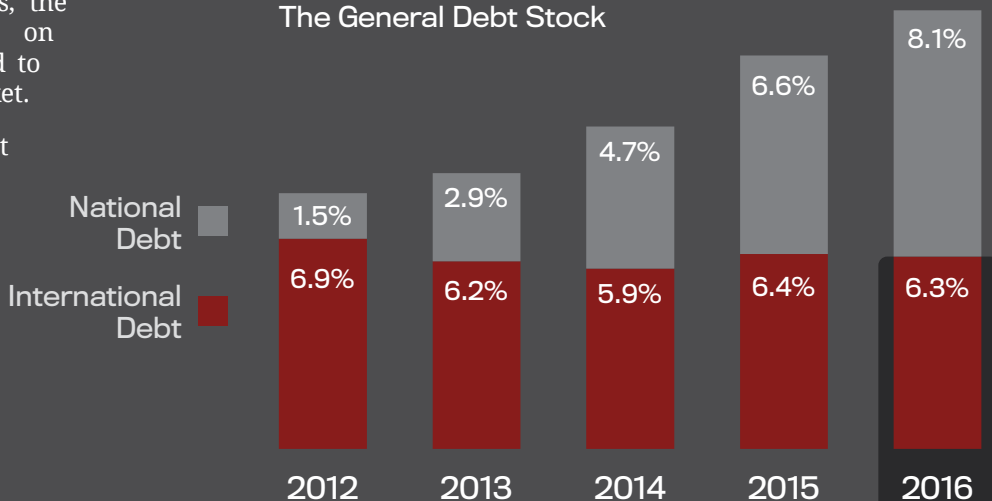
By the end of 2017, the external state debt stock is foreseen to reach 572 million euros or 8.92% of Gross Domestic Product (GDP).

Government can also borrow domestically by issuing securities, which can be bought by natural and legal persons, and are known as domestic debt. Through securities, the Government has borrowed funds on favorable terms, and has contributed to the development of the securities market.

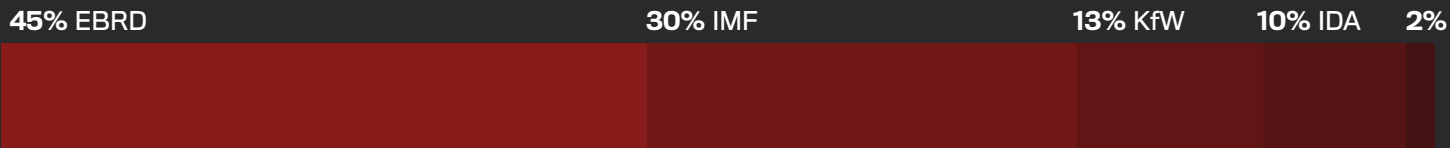
By the end of 2017, it is expected that the domestic debt will reach 579 million euros or 9.03% of GDP.



The General Debt Stock



International Debt 2016



Glossary and definitions of the Public Finance Management

Budget the comprehensive plan of revenues and expenditure for a certain period, usually a year.

Budget review amendment to the Law on Budget of the Republic of Kosovo.

Budget ceilings are limits within which a budget organization shall prepare its budget.

Budget organization means an authority or public enterprise that directly receives a budget appropriation in accordance with the Law on Budget Appropriations, and this budget appropriation is not part of another general budget appropriation, which was allocated to another public authority or enterprise.

The Budget deficit is the amount by which government expenditures exceed the government revenues in a fiscal year.

The Budget surplus is the amount by which the government revenues exceed government expenditures in a fiscal year.

Public policies are activities of the government and public authorities, with the aim of achieving economic and social objectives which are in the best interest of the society. Some examples of public policy are education, health, unemployment, defense, etc.

Mid-Term Expenditure Framework MTEF is a statement of the government's policy priorities aimed at orientation of the allocation of budgetary funds during the next budgetary process. It supports the predictability in the budget process by ensuring that the budget is based on mid-term macroeconomic and fiscal forecasting.

Public revenues all revenues generated by mandatory payments by taxpayers, legal and natural persons that use certain public goods or public service, as well as all other revenues generated by budget beneficiaries.

Revenue from privatization means all revenues that may be received in the Budget of the Republic of Kosovo as a result of privatization of publicly owned enterprises and/or revenues from the Privatization Agency of Kosovo, excluding the PAK's dedicated revenues.

Excise consumption tax, which is calculated (applied) for certain goods (luxury goods) such as; tobacco, vehicles, fuel, alcoholic beverages, coffee etc.

Tax is a state obligation to which persons and goods are subject as defined in the government administrative laws. The state collects payments from taxpayers for property tax, goods and services expenditure and income and assets of natural persons and companies.

Value Added Tax (VAT) is calculated for goods and services at all stages of production and sales, ranging from raw materials up to the final product.

Non-tax revenues a type of public revenues collected by legal or natural persons for the use of public goods (fees), provision of certain public services (fees), for breach of legal or contractual provisions (penalties and fines), as well as revenues realized using public funds.

Fiscal policy represents the decisions or actions taken by the authorities in relation to public revenue and expenditure, in order to influence economic movements and achieve fiscal policy objectives.

Fiscal rules principles that ensure medium to long term sustainability and public finance transparency of a country.

Fiscal consolidation a series of measures by which the amount of government revenues and expenditures is balanced;

State guarantee an insurance instrument by which the Republic of Kosovo guarantees the fulfillment of obligations for which a guarantee is given;

Donations (Grants) designated non-repayable revenues, which are executed on the basis of a written contract between grant donors and grant recipients.

European union Financial Aid European Union funds which are used for purposes and implemented in accordance with the rules set out in an agreement between the Republic of Kosovo and the European Union.

Expenditure Categories categories of “Wages and Salaries”, “Goods and Services”, “Utilities”, “Subsidies and Transfers”, “Capital Expenditures” and “Reserves”.

Subsidies government-provided funds to assist companies, natural persons or particular sectors of the economy such as agriculture.

Capital Expenditures means payments for purchase of fixed capital assets, strategic or emergency stocks, land or intangible assets, or non-recoverable payments that allow the recipient to purchase those assets, to compensate the recipient for damage or destruction of capital assets, or to increase the recipient’s financial capital.

Investments based on the investments clause specified capital expenditures for the purposes of the Investment Clause; Expenditures for capital projects financed by foreign funds, by supra-national financial institutions, the European Union or its institutions, or foreign governments or their development agencies.

Financial statements are a structured presentation of an economic entity’s financial position and financial performance. The objective of general purpose financial statements is to provide information about the financial position, financial performance and cash flow of an economic entity that is useful for a wide range of users in making economic decisions. Financial statements also show management results related to the management of the resources entrusted to them.

Audit official examination of financial accounts of natural persons, legal persons or the state.

Accountability the ability to explain and justify choices and activities, as well as a description of what has happened. Government accountability to citizens is a fundamental principle of good governance.

Transparency means “Sharing information and acting openly”. Transparency and accountability together form the basic principles of good governance.

2.001.020.477€





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Illustrations

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