

Open Budget Survey 2023

Kosovo

INSTITUTI GAP
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Kosovo**

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Executive summary

Accountability and transparency are key principles in public financial management, allowing citizens to stay informed regarding public finances while holding institutions responsible for their decisions. An important aspect of good practices of public financial management is public engagement in budget processes. The Open Budget Survey (OBS), developed by the International Budget Partnership, serves as a tool to evaluate the main elements of governance and accountability of governments worldwide through a comprehensive questionnaire and fact-based research. In 2023, Open Budget Survey assessed 125 countries at the central level in three main areas: public participation, budget oversight and transparency. Independent local researchers, civil society organizations or academic institutions conducted these surveys, which were then peer reviewed and reviewed by government officials.

GAP Institute carried out the OBS survey as a pilot assessment for Kosovo, focusing on documents and activities published during the budget year 2022, for the fiscal year 2023. The assessment included the Ministry of Finance, Labor and Transfers (MFLT), the Assembly of Kosovo, and the National Audit Office. This is the first time such an evaluation has been conducted in Kosovo. The survey evaluated eight budget documents to assess budget transparency.

The OBS survey¹ results show that Kosovo scored 50 out of 100 on transparency, which measures the public availability and comprehensiveness of budget documents. Kosovo performs relatively well in public availability, as six of the eight assessed documents are published on time, while one remains unpublished, and one is published late. However, it shows a lower score in comprehensiveness of assessed documents, under the OBS methodology, since some of the documents lack sufficient detail and important information regarding budget data. With regards to public participation, Kosovo performs poorly, scoring just 9 out of 100. For public participation, the OBS assesses how citizens engage in formal procedures during different phases of the budget process, and the efforts of public institutions to create mechanisms for citizens' engagement. On budget oversight from institutions, Kosovo has achieved an overall score of 59 out of 100. When analyzed closely, the results show a somewhat strong audit oversight score of 72, implying that the National Audit Office in Kosovo provides adequate oversight during the budget process. On the other hand, the score for legislative oversight is 53, indicating limited legislative budget oversight.

Considering the results of this survey, in this report, GAP Institute provides some recommendations regarding the documents assessed. The draft-law on budget appropriations of the Republic of Kosovo should be more comprehensive in its content and provide more detailed information regarding how new policy proposals may affect the budget. Moreover, it should present "quasi-fiscal activities" and include a sensitivity analysis. The Ministry of Finance, Labor and Transfers should ensure that the "Information Booklet" for citizens is published in a timely manner, at the same time as the budget it corresponds to or within three months. Regarding public participation, GAP Institute recommends that MFLT involves citizens and civil society organizations more actively in both the formulation and execution phases of the budget. Even though there are some mechanisms established, such as public hearings at the local level, the government should expand other mechanisms to engage citizens and civil society organizations during the early stages of the budget formulation.

Introduction

Ensuring that citizens are well informed and have opportunities to participate meaningfully in budget processes is crucial for budget organizations to be held accountable about their decisions. This approach helps align a country's budget priorities with the needs and expectations of its citizens.

Open Budget Survey² is an instrument that measures the main aspects of governance and accountability of governments worldwide through a comprehensive questionnaire and fact-based research. This instrument evaluates and ranks governments on various dimensions of governance and accountability. It focuses on three main areas: public participation, budget oversight and transparency. Regarding public participation, the survey measures how inclusive governments, parliaments and audit institutions are with citizens in their budget processes; more specifically, if they practice citizen engagement in the budget process, and if yes, how they do it. On oversight, it evaluates main institutions related to budget processes by analyzing the role they play in these processes and their ability to provide oversight. Regarding transparency, it evaluates the availability of the eight key budget documents and any related documents to the public.³

In 2023, the Open Budget Survey assessed 125 countries, which included budgets in the amount of more than 33.5 trillion dollars. The key objectives of the OBS are: honesty, transparency, inclusiveness and public trust in government spending. The surveys were conducted by independent local researchers, such as civil society organizations (CSO) or academic institutions, and were peer reviewed and reviewed by government officials. These researchers share a common purpose: to promote transparency and responsive budgeting of public institutions. Based on the answers of the questionnaire, an overall score is set for the assessed country, and also a score for each of the main aspects evaluated (participation, oversight and transparency). Based on these scores, countries are ranked on a performance basis which provides a comparative aspect between them.⁴ According to the OBS Global 2023 report⁵, countries with more open and accountable budget systems may have stronger democratic engagement, higher equity and better development outcomes. This report also shows that higher transparency has resulted in lower deficits, lower borrowing costs and credible budgets. In addition, higher public participation has shown an increased willingness of citizens to pay taxes.⁶

This report provides an overview of the results of the pilot assessment for the Open Budget Survey for Kosovo, marking the first evaluation of this kind. Conducted by GAP Institute, which became a partner of the International Budget Partnership in 2023, the assessment pertains to documents and activities published up to December 31, 2022. The OBS Kosovo focused on three key institutions: the Ministry of Finance, Labor and Transfers, the Assembly of Kosovo and the National Audit Office. A total of eight budget documents were assessed. This report also includes a more detailed explanation of the methodology used and the results for each of the main aspects measured. In conclusion, it also provides recommendations about the relevant public institutions.

² International Budget Partnership. Open Budget Survey. May 2024. Last accessed on 12 November, 2024.

³ Ibid

⁴ Ibid

⁵ International Budget Partnership. Open Budget Survey 2023 – Global Report. May 2024. Last accessed on 15 November, 2024.

⁶ Ibid

Methodology

The Open Budget Survey (OBS) is a comprehensive questionnaire which is divided into three main sections and has a total of 240 questions. Out of these questions, 145 are scored whereas 95 are unscored but mainly used to collect background information. Out of the 145 scored questions, 109 of them assess the transparency of budget documents, 18 assess public participation in the budget process, and 18 assess the role and oversight of the Parliament and supreme audit institution. There are five options for responses in most questions, starting from "a" which means that the standard is fully met or exceeded, and ending with "d" which indicates that the standard is not met at all, or "e" which indicates that it is not applicable. There are also some questions with three options for responses, "a" (standard met), "b" (standard not met), or "c" (not applicable). In order to calculate the final results, the questions are quantified in numeric scores, from 0-100.⁷

Table 1. Five options for questionnaire responses and numeric scores

Type of response	Description of response	Numeric score
"a"	Standard fully met or exceeded	100
"b"	Standard has largely been met	67
"c"	Minimal efforts to meet the standard	33
"d"	Standard has not been met	0
"e"	Not applicable	-

The responses on the questionnaire are also supported by a source which provides evidence on the response. The sources may be budget or budget related documents, laws, or interviews with government officials, legislators or experts of the field. The research process followed the guidelines for answering the survey questions, and was reviewed firstly by IBP staff, then by an independent reviewer, and in the end also sent for comments to the Ministry of Finance, Labor and Transfers. All the comments were carefully reviewed and those considered accurate by the IBP staff were incorporated accordingly.⁸

There were eight budget documents assessed for the budget transparency section of this survey. The cutoff date for the publication of the documents/events assessed in this survey was 31 December 2022. The documents pertain to two phases of the budget process: planning phase and execution phase.

⁷ International Budget Partnership. Open Budget Survey 2023 Methodology. 2023. Last accessed on 12 November, 2024.

⁸ Ibid.

Table 2. Budget documents reviewed for the survey

Document name in OBS	Document name in Kosovo	OBS question numbers
PLANNING PHASE		
Pre-Budget Statement	Medium-Term Expenditure Framework 2022-2024	54-58
Executive's Budget Proposal (including supporting documents)	Draft-law on budget appropriations for the budget of the Republic of Kosovo for the year 2023	1-53
Enacted Budget	Law on budget appropriations for the budget of the Republic of Kosovo for the year 2023	59-63
Citizens Budget	Information booklet for citizens 2023	64-67
EXECUTION PHASE		
In-Year Reports	-Quarterly Financial Report for the budget of the Republic of Kosovo (Jan-Mar 2022) -6-month Financial Report for the budget of the Republic of Kosovo (Jan-Jun 2022) -9-month Financial Report for the budget of the Republic of Kosovo (Jan-Sep 2022)	68-75
Mid-Year Review	N/A ⁹	76-83
Year-End Report	Annual Financial Report for the budget of the Republic of Kosovo 2021	84-96
Audit Report	Audit Report for the budget of the Republic of Kosovo 2021	97-102

The assessment for the questions was calculated as a simple average of the scores for each budget document. However, since the number of questions for the 'Executive Budget Proposal' was much higher compared to the other documents, it carried more weight to it, and therefore considered the most important budget document. Regarding the sections of public participation and oversight, there were 36 questions that measured the timely release of information to the public and the role of the Parliament and National Audit Institution in the budget process.¹⁰

The performance of each country's overall score, along with the scores for each of the three sections, is ranked in a list, allowing comparisons to be made for each of them. Scores are categorized into three performance levels: weak (0-40), limited (41-60) and adequate (61-100).¹¹

⁹ The Mid-Year Review in Kosovo was not assessed since it does not fulfil the OBS criteria of a Mid-Year Review document, and therefore we considered that there is no Mid-Year Review.

¹⁰ International Budget Partnership. Open Budget Survey 2023 Methodology. 2023. Last accessed on 12 November, 2024.

¹¹ International Budget Partnership. Rankings. May 2024. Last accessed on 12 November, 2024.

OBS pilot survey results for Kosovo

The OBS pilot survey results show that Kosovo's overall score in the Open Budget Index (OBI) for budget transparency is 50 (out of 100). The transparency score measures the availability, timeliness and comprehensiveness of the main listed budget documents. This score indicates that transparency in Kosovo is in a limited level.

Figure 1. Open Budget Index scores for Kosovo



Budget Transparency

When analyzing public availability of public documents, Kosovo's performance is relatively good, with only one document not published at all, and one document published late. The Citizens Budget document, which in Kosovo is named as Information Booklet for Citizens 2023 has been published in May 2023, which is considered late according to the OBS methodology. The latest period that this report should be published in order to serve its purpose is at the same time as the budget proposal (December 2022 in this case). Regarding the Mid-year report, it was found that there is no such document available as per the requirements of the OBS methodology (see figure 2 below).

Figure 2. Public availability (transparency) and comprehensiveness of budget documents in Kosovo

Budget document	Fiscal year assessed	Transparency Score	Comprehensiveness score
Executive Budget Proposal	2023	Published online	47
Audit Report	2021	Published online	89
Citizens Budget	2022	Published late or for internal purposes	0
Enacted Budget	2023	Published online	95
In-year report	2021-2022	Published online	67
Mid-year report	2022	Not published	0
Pre-budget statement	2022-2024	Published online	89
Year-end report	2021	Published online	46

■ Published online
 ■ Published late or for internal purposes
 ■ Not published

However, when analyzing the comprehensiveness of the budget documents, various scores have been noticed. Based on the results above, the document with the highest score is the Enacted Budget (Law on budget appropriations for the budget of the Republic of Kosovo 2023) with a score of 94.3. This score shows that the budget has been approved by the legislature on time. Two other documents with high scores are the Pre-budget statement (Medium-term Framework 2022-2024) and the Audit Report, with a score of 89. These scores imply that the documents' purposes and contents are fulfilled. The Executive's Budget Proposal (Draft-law on budget appropriations for the budget of the Republic of Kosovo 2023) has an average score of 47.3, which implies that its comprehensiveness is limited. According to OBS' methodology, this document should provide more details for the sources of revenue, categorization of expenditures according to functional classification, allocations to ministries and budget assessments of proposed policy changes. More specifically, the budget proposal does not disclose 'quasi-fiscal activities', which include a range of activities that are not agreed during the budget approval process, and are exercised by state-owned enterprises or in some cases private companies. These activities may include services provided at a price lower than the market rate, or in some cases activities that do not require a regular approval process for expenditures. For example, a public financial institution may offer loans indirectly at a price below market rate in the form of a subsidy.¹² In addition, the budget proposal does not include a 'sensitivity analysis', which shows the effect of possible macroeconomic changes on the budget. It may analyze for example the effect of lower collected revenues, or higher inflation on the budget. Other different macroeconomic factors could be included in this analysis to understand the impact of the economy on the budget. Furthermore, the draft-law on budget appropriations presents expenditures by administrative unit and economic classification only, and does not show them by functional classification. Two of the reports have a score of 0, due to the fact that one of them is not published at all (the Mid-Year Review), and the other is published late (Citizens Budget). The Mid-Year Review was not assessed since it does not fulfil the OBS criteria of a Mid-Year Review document, it only specifies which articles of the Law on budget have been amended, and therefore we considered that there is no Mid-Year Review.

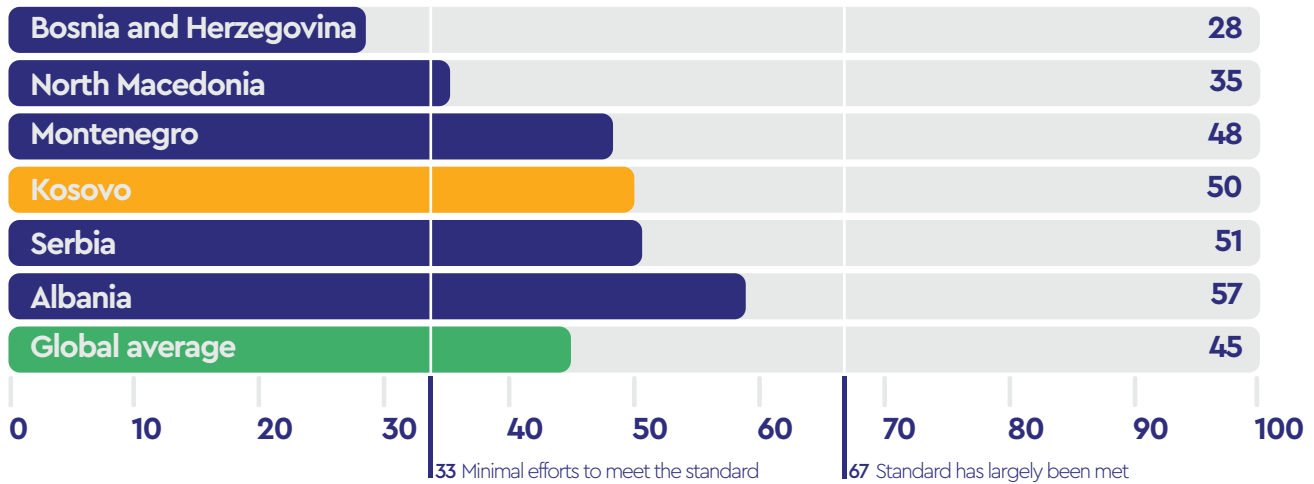
In terms of transparency, Kosovo ranks third among Western Balkans (WB) countries, following Albania (57) and Serbia (51). When comparing specific budget documents, Albania shows a better performance mainly in comprehensiveness of some documents. More specifically, compared to Kosovo, it has a higher score in Executive's Budget Proposal (59), Pre-Budget Statement (95), Enacted Budget (95), In-year reports (74) and Year-End report (50). In addition, it produces a Mid-Year Review (for which Kosovo scores 0).¹³ Whereas, Serbia with just one point more in the overall score, shows a better performance than Kosovo in Executive's Budget Proposal (53) and Enacted Budget (95). Serbia also scores 25 in the Citizens Budget, compared to Kosovo that scores 0 (since this document is published late).¹⁴ Nevertheless, it is considered that since all the countries have an average score of lower than 61, transparency is sufficient. When compared with the global average in transparency, WB countries have an average score of 45, which is the same as the global one. Albania, Serbia, Kosovo and Montenegro have a higher score than the global average, while North Macedonia and Bosnia and Herzegovina perform worse.

¹² International Budget Partnership. Guide to the Open Budget Questionnaire. January 2023. Last accessed on 12 November, 2024.

¹³ International Budget Partnership. Open Budget Survey 2023 – Albania. May 2024. Last accessed on 15 November, 2024.

¹⁴ International Budget Partnership. Open Budget Survey 2023 – Serbia. May 2024. Last accessed on 15 November, 2024.

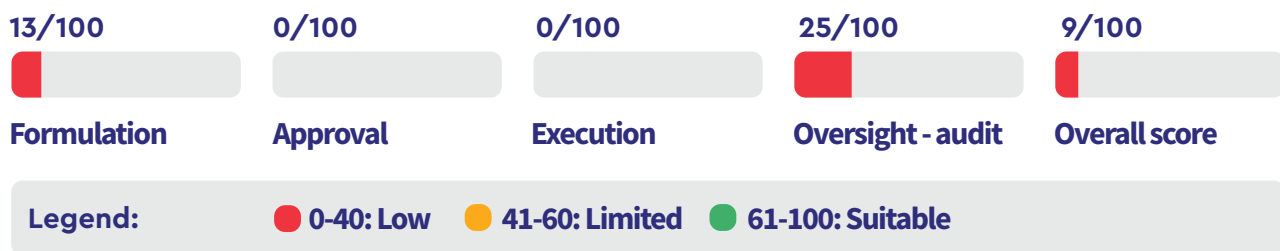
Figure 3. Transparency scores (OBI) in the Western Balkans countries in 2023



Public Participation

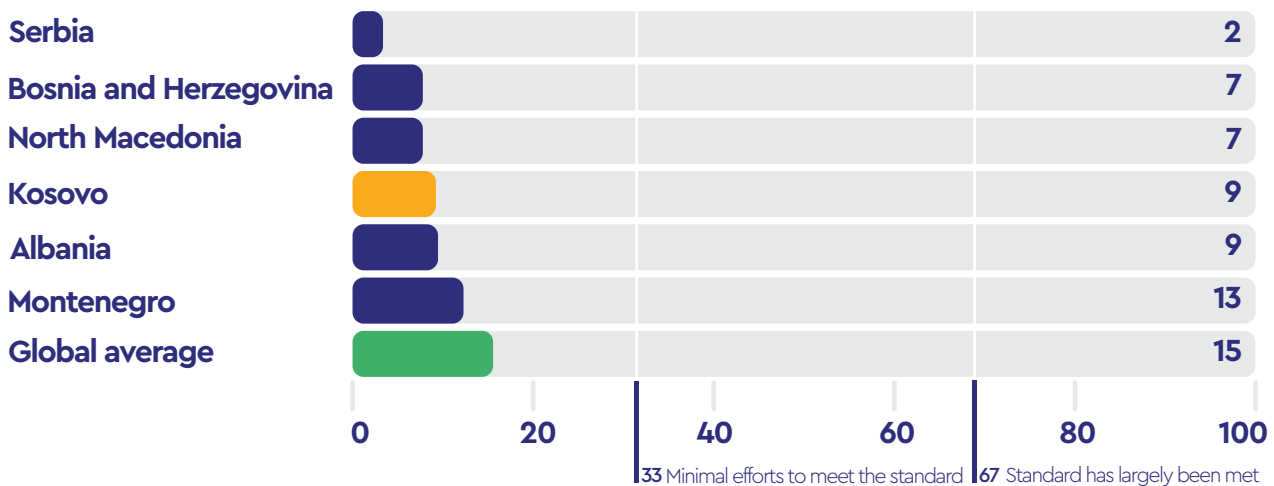
In terms of public participation, Kosovo received a low score, averaging just 9 out of 100. Through the public participation score, the OBS assesses the extent of citizens' engagement in formal procedures of different phases of the budget process. It measures the formal efforts of the government, Parliament and the audit institution to include citizens in the budget process. Kosovo's results show that the highest score in public participation is in the audit phase, with a score of 25. This score is a result of the mechanism that the National Audit Office uses when planning their audit program; they invite CSOs in roundtables where they can propose new topics to be included in the audit program. The budget formulation phase has achieved a score of 13.2 in public participation, whereas the approval and execution phases have scored zero. These results indicate that while public consultation mechanisms are in place, the government needs to make greater efforts to enhance public participation, starting with the budget drafting process and continuing throughout the year during the implementation phase. In this way, citizens will continuously be informed on the governments' budget execution and can actively participate in the process. Moreover, the Parliament has to provide feedback to citizens who have provided input on the public consultations platform and if their input has been included in the budget.

Figure 4. Extent of opportunities for public participation in different phases of the budget process



Although Kosovo's average score for public participation is quite low, it is similar to the average scores of other Western Balkan countries, which also remain low. Globally, public participation scores are low as well, with a global average of 15 in 2023.

Figure 5. Public participation in Kosovo compared to other Western Balkans countries



As shown in Figure 5, Kosovo and Albania have the second highest scores in public participation (both have a score of 9), after Montenegro which is the first, with a score of 13. Montenegro has resulted with a higher score in this aspect due to a good performance in the approval stage of the budget process (score of 78), which corresponds to the legislature. More specifically, the Parliamentary Committee for Economy, Budget and Finance in Montenegro organizes public hearings where members of the public and CSOs are invited to discuss on the budget proposal. Finally, a report that summarizes the discussion is published.¹⁵

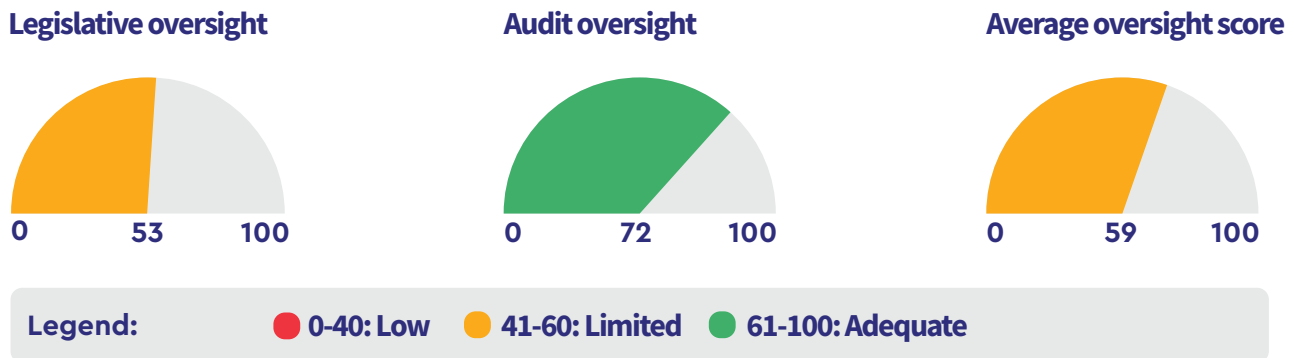
North Macedonia and Bosnia and Herzegovina have a lower average with a score of 7 each, whereas Serbia has the lowest score in the region, with an average of 2. Therefore, it is observed that the whole region has work to do towards improving the engagement of their citizens in the budget processes.

Budget Oversight

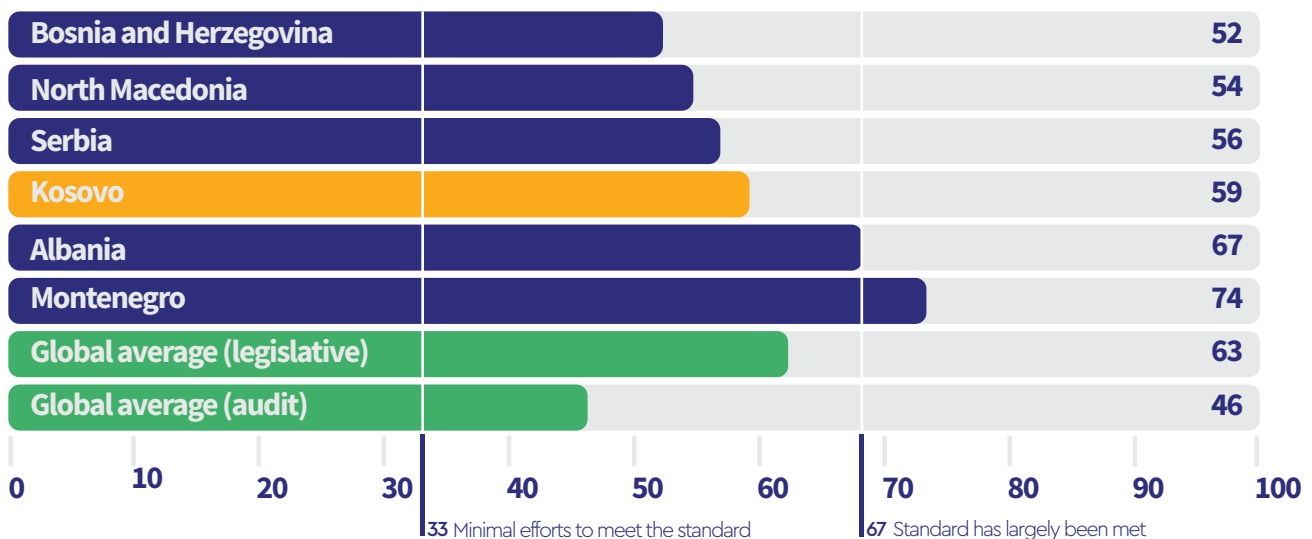
Budget Oversight assesses the oversight that the Parliament and audit institutions provide in the budget process, and the role they have. There is a separate score calculated for each of them: legislative oversight and audit oversight. The average score for Kosovo on this indicator according to the survey results is 59. Even though it is close to 61 (which is the threshold for a score to be considered adequate), it implies that the extent of oversight level in Kosovo in general is limited.

When analyzed individually, the results show that the score for audit oversight is 72, which implies that there is adequate oversight by the National Audit Office in Kosovo during the budget process. On the other hand, the score for legislative oversight is 53, which shows that there is limited legislative oversight in Kosovo.

¹⁵International Budget Partnership. Open Budget Survey 2023 Questionnaire – Montenegro. May 2024. Last accessed on 15 November, 2024.

Figure 6. Legislative and audit oversight score in Kosovo

When compared to the other Western Balkans countries, Kosovo's overall score on oversight is equivalent to the average of the region (59), with three countries ranked below (Serbia (56), North Macedonia (54), and Bosnia and Herzegovina (52)). On the other hand, the country with the highest score was Montenegro with a score of 74, followed by Albania with a score of 67. Montenegro and Albania's higher scores in oversight result from a better legislative oversight. Unlike Kosovo, specialized budget committees in these countries, after examining the budget proposal, also publish a report with findings and recommendations before the budget is approved. In addition, the budget proposal is also examined by specific committees for particular sectors, for the fields they are responsible, and reports with findings and recommendations are published. When compared to the global average, Kosovo's score on audit oversight is 26 points higher, whereas legislative oversight is 10 points lower.¹⁶

Figure 7. Oversight scores in Western Balkans countries

¹⁶International Budget Partnership. Open Budget Survey 2023 – Global Report. May 2024. Last accessed on 15 November, 2024.

With regards to budget oversight institutions, in Kosovo there is no independent fiscal institution monitoring institutions about implementation of fiscal policies and rules. GAP Institute recently raised the need for establishing such an institution¹⁷ which discussed challenges in the budget process and proposed possible solutions. Some of the main challenges mentioned are: inconsistency of strategic or medium-term documents with annual budget, financial assessments of new proposed policies, optimistic macroeconomic forecasts, etc. Regarding these challenges, GAP has proposed that Kosovo needs an independent fiscal institution, which could be established in three options: as a standalone institution, or as a part of the National Audit Office, or under the Parliament of Kosovo. In the Western Balkans, most of the countries have already established such institutions or councils, except for Kosovo and Albania.

¹⁷GAP Institute. The need for establishing an Independent Fiscal Institution in Kosovo June 2024. Last accessed on 26 November, 2024.

Conclusion and recommendations

Having transparent and inclusive budget processes is of high significance, as they have a positive effect on citizens by promoting accountability and ensuring public trust. Transparency allows governments to keep citizens informed on public revenues and expenditures, and also make just and inclusive decisions for everyone. The Open Budget Survey, conducted in 125 countries, assesses the openness, inclusiveness and oversight of institutions in budget processes. It provides a detailed manual which shows how budget processes in each aspect should be provided. Based on a score system, countries are ranked in a list.

The results of this pilot survey in Kosovo, show that Kosovo's performance in budget transparency is similar to the other Western Balkans countries, and a little better than the global performance, with an overall score of 50. Kosovo performs relatively well in public availability of budget documents; however, it has a lower score in the comprehensiveness of those documents. In budget oversight, Kosovo's overall score is 59, which implies that there is still limited oversight of the Parliament and National Audit Office in budget processes. However, this score is very close to the threshold (61) of being considered that there is adequate oversight. Regarding public participation, the survey has resulted in quite a low score, which shows that Kosovo has work to do towards engaging the public in different stages of budget processes. The score for 2023 for Kosovo is 9 out of 100, while the global score is also low, in a value of 15.

Considering the results of this survey, GAP Institute provides a number of recommendations regarding some of the documents analyzed. The first set of recommendations refers to the draft-budget, more specifically:

- The draft-law on budget appropriations for the budget of the Republic of Kosovo (Executive Budget Proposal) should:

- Include more information and details on how new policy proposals may affect expenditures and revenues of the budget. Moreover, in accordance with the OBS methodology, the budget document should include "quasi-fiscal activities".
- Include a sensitivity analysis which shows the effect of possible macroeconomic changes on the budget.
- Be more comprehensive in its content. More specifically, expenditures shown for the budget year and at least previous year, should be presented by functional classification as well. Moreover, revenues shown for the previous year should reflect actual revenue collections.

- The Citizens' Budget (Information booklet for citizens) should be published in a timely manner to ensure it is useful and informative for the citizens. For the budget of 2023, this document was published in May 2023, nearly six months after the budget's approval. According to international good practices, this document should be published simultaneously with the approved budget document, or within three months.

- If there is a need for a Mid-Year Review, it should be more comprehensive and include more details, and not limited only on which articles of the Law on budget appropriations have been amended. As per the OBS methodology, the Mid-Year Review should be a comprehensive report which includes a macroeconomic forecast and provide differences with the initial forecast provided on the budget document. The estimates of the differences should be provided, along with a narrative discussion. In addition, it should provide updated estimates of expenditures and revenues, and differences between initial and updated proposed estimates.

- The Annual Financial Report (Year-End Report) should also provide estimates of differences between initial macroeconomic assumptions and the actual amounts for that year. It also should provide estimations on differences in nonfinancial data on inputs. This report should provide separately the level of funds approved for policies that have an impact on the most impoverished citizens.

- Regarding public participation, the Ministry of Finance, Labor and Transfers should include citizens and civil society organizations more in the budget formulation and execution phase. Even though there are some mechanisms established, such as public hearings in the local level, the government should expand mechanisms during early stages of the budget formulation to engage citizens and civil society organizations. Moreover, citizens and civil society organizations should be engaged in the execution phase as well, for example, in monitoring the implementation of the annual budget and having the chance to have a dialogue with the government.

- Another recommendation which is also a good practice of open budgets is to establish an Independent Fiscal Institution and involve them in different stages of the budget process. For more information on establishing an IFI in Kosovo, please refer GAP Institute's report¹⁸ on this.

¹⁸GAP Institute. The need for establishing an Independent Fiscal Institution in Kosovo June 2024. Last accessed on 26 November, 2024.



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

www.institutigap.org

Rr. Sejdi Kryeziu, Blloku 4, Nr.4,
10000 Prishtine

+383 38 609 339

info@institutigap.org

