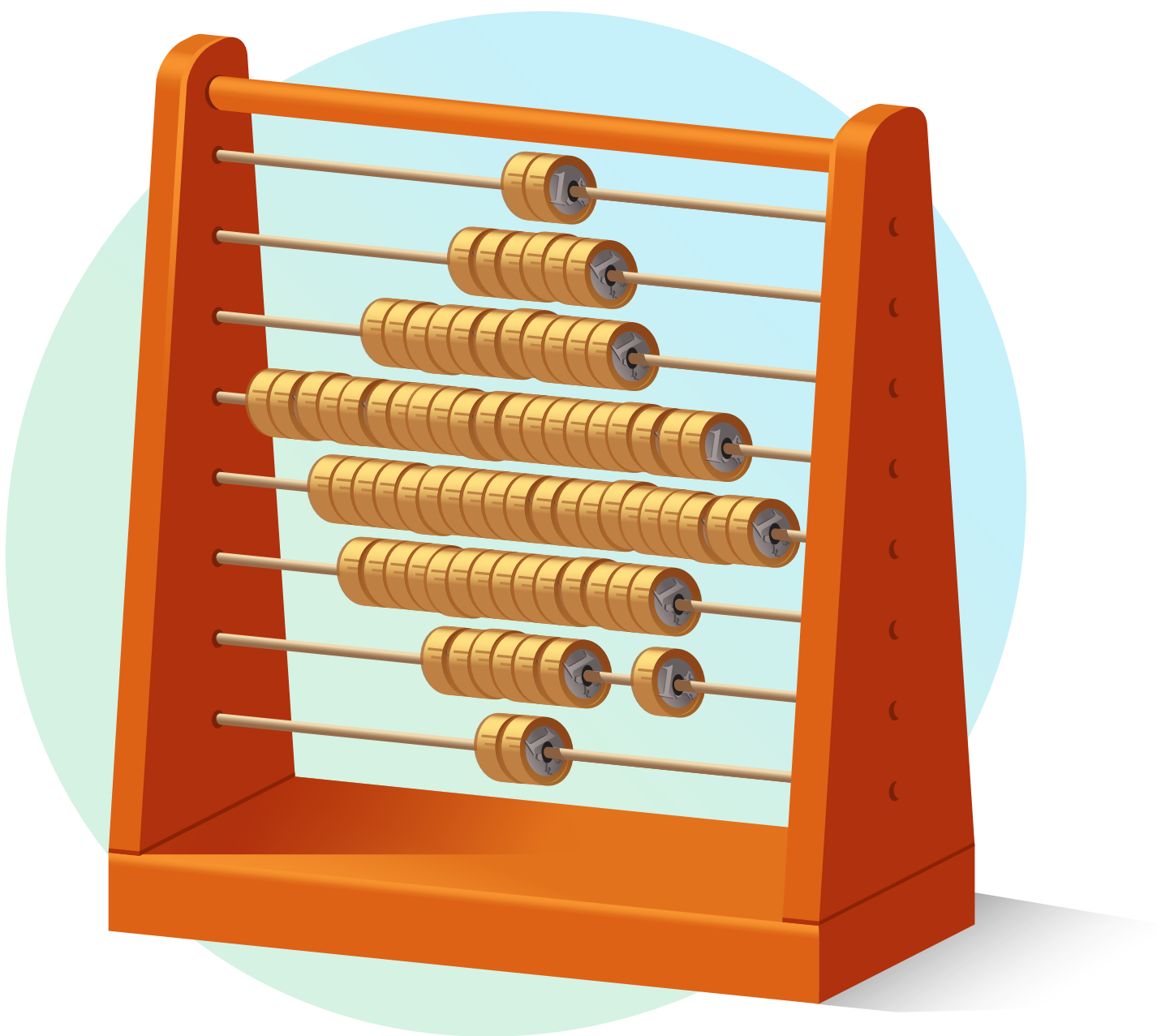


Winners and losers of capital investments: A local government perspective of the 2022 Law on State Budget



Winners and losers of capital investments:
A local government perspective of the
2022 Law on State Budget

May 2022

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Executive Summary

The purpose of this paper is to examine the distribution of capital projects of ministries in municipalities and to show whether there has been any favoritism or discrimination of municipalities on a partisan basis. The Assembly of the Republic of Kosovo, on December 17, 2021, approved the Law on Budget for 2022.¹ Kosovo's budget for 2022 according to the Law on Budget will be EUR 2.7 billion, about 8% or EUR 205 million higher than the revised 2021 Budget.

From the total budget of the ministries, about EUR 515 million are projected in capital projects of which, about EUR 97 million (19%) will be invested in 33 municipalities. The Law on Budget provides no explanation on the applicable criteria when deciding on central level investments in municipalities. About EUR 49.5 million (51%) of investments by ministries in municipalities will be covered by the Ministry of Environment, Spatial Planning, and Infrastructure (MESPI).

Due to the continuation of previous projects, there was little room in the 2022 Budget for new projects. Over EUR 8 million or 89% of the projects of ministries in the municipalities are ongoing from previous years, while about EUR 10.3 million are new projects. During 2022, the municipalities that will benefit most from new investments are Prizren (about EUR 1.9 million), Prishtinë/Priština (about EUR 1.5 million), Podujevë/Podujevo (about EUR 1.2 million), and Gjakovë /Djakovica (EUR 1 million).

Based on the 2022 Budget, same as last year, in terms of the percentage of capital investments vs. population, municipalities of Junik and Deçan/Dečani benefited the most. While the municipalities of Shtërpca/Štrpce and Graçanica/Gračanica were among those receiving the lowest amount of investment. Additionally, it should be noted that the Municipality of Junik remains the most benefiting municipality, with EUR 122.74 of ministry capital investments per capita, while the Municipality of Graçanicë/Gračanica remains as the municipality with the lowest capital investments in these terms, namely with EUR 4.11 per capita. Overall, the discrepancy between investments by ministries towards the municipalities this year is lesser than last year.

While ministry projects in municipalities worth EUR 10.3 million, scheduled to start in 2022, will be distributed across 20 municipalities. In terms of the percentage of capital investments by population, the Municipality of Kamenicë /Kamenica ranks first with EUR 27 of investments per capita, followed by the Municipality of Viti/Vitina with EUR 15.65, and Podujevë/Podujevo with EUR 14.54.

¹ The Assembly of the Republic of Kosovo in plenary session, held on December 17, 2021, approved the Law on Budget Appropriations for 2022. Source: <https://bit.ly/3Jh84WU>

Budget for ministries and municipalities according to the Law on Budget 2022

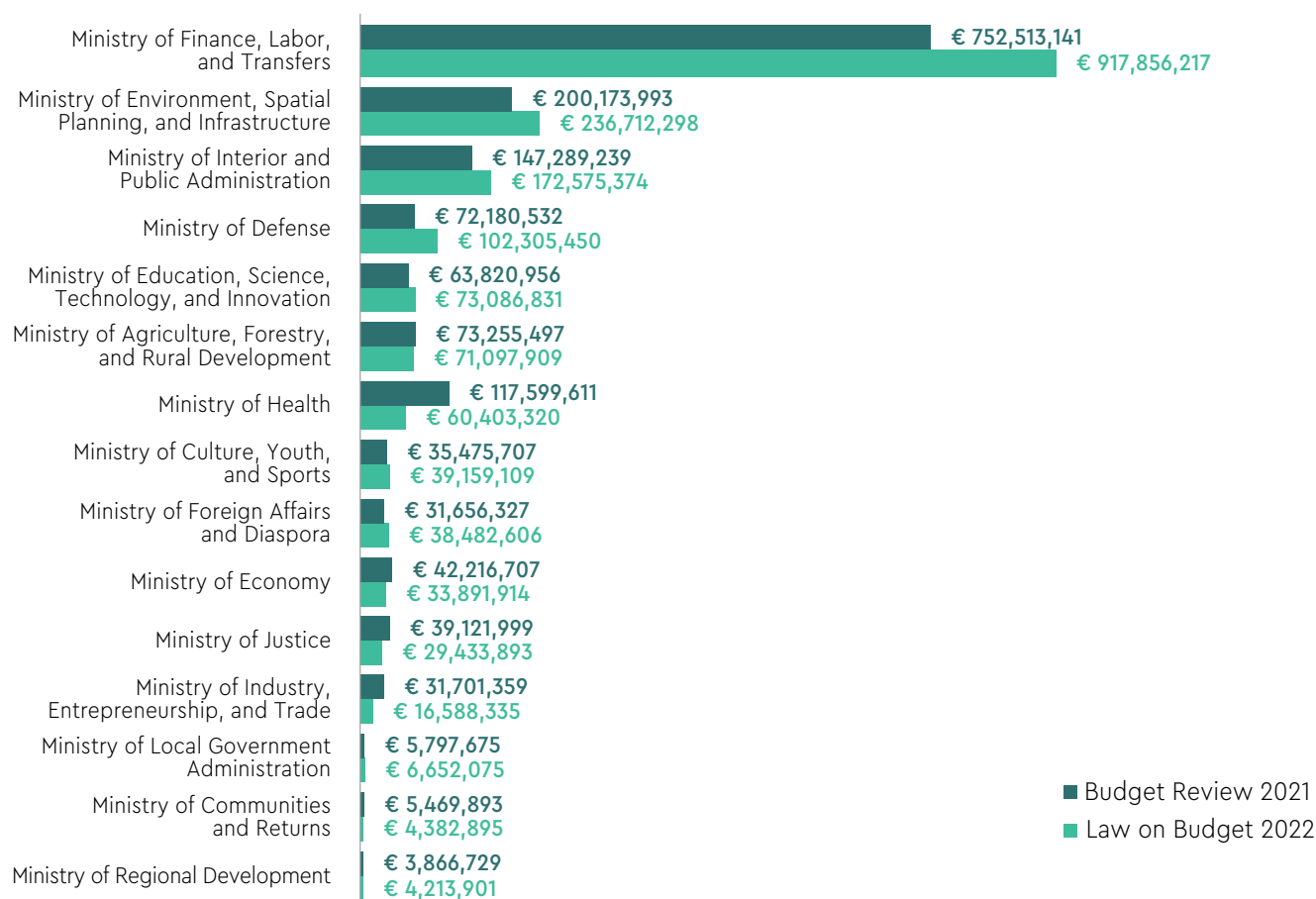
From the annual budget of about EUR 2.7 billion for 2022, central and independent institutions are expected to manage EUR 2.1 billion or 79% of the budget, while the municipal share is EUR 560 million or 21% of the budget.² Compared to the revised budget of 2021, the budget for 2022 was increased by 8% or over EUR 205 million.³

For 2022, the budget of ministries is projected to be EUR 1.8 billion, about EUR 185 million or 11% higher than the revised budget for 2021. The aggregate budget of the 15 ministries constitutes 67% of the total budget, or 85% of the central level budget. The three ministries with the highest budget share in 2022 are: Ministry of Finance, Labor, and Transfers with about EUR 918 million (51% of the budget of ministries), Ministry of Environment, Spatial Planning, and Infrastructure with about EUR 237 million (13% of the budget of ministries) and Ministry of Interior and Public Administration with about EUR 173 million (10% of the budget of ministries). While the ministries with the lowest budget share in 2022 are: Ministry of Local Government Administration with about EUR 7 million, Ministry of Communities and Returns with EUR 4.4 million and Ministry of Regional Development with EUR 4.2 million.

Compared to the revised budget of 2021, during 2022, there will be increases in the budget for the Ministry of Defense by 42% or EUR 30.1 million, for the Ministry of Finance, Labor and Transfers by 22% or EUR 165 million, for the Ministry of Environment, Spatial Planning and Infrastructure for 18% or about EUR 37 million and for the Ministry of Interior and Public Administration for 17% or EUR 25 million. While the ministries projected to reduce the budget for 2022 compared to the revised budget for 2021 are: Ministry of Health with EUR 57.2 million (49% less). Ministry of Justice with about EUR 10 million (25% less), Ministry of Industry, Entrepreneurship and Trade with EUR 15.1 million (48% less) and Ministry of Economy with EUR 8.3 million (20% less).

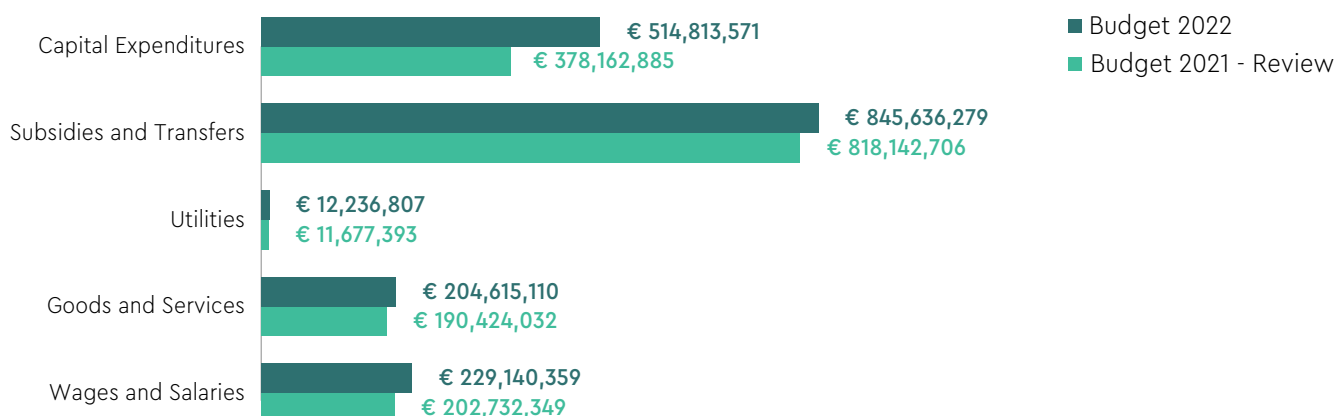
2 Assembly of Kosovo. Law No. 08/L-066 on Budget Appropriations for the Budget of the Republic of Kosovo for Year 2022 Source: <https://bit.ly/3jlsNOT>

3 Ministry of Finance. Law on Amending and Supplementing the Law No. 07/L-041 on Budget Appropriations for the Budget of the Republic of the Republic of Kosovo for Year 2021. Source: <https://bit.ly/372yPBd>

Figure 1. Ministry specific budget in 2021 and 2022

Source: GAP Institute using data from MFLT

Capital projects account for 28% of the budget of ministries, while the rest are current expenditures, such as: subsidies and transfers at about EUR 846 million (47%), wages and salaries with over EUR 229 million (13%), goods and services about EUR 205 million (11%), utilities about EUR 12.3 million (1%), and contingencies at EUR 400 thousand (0.02%). In the 2022 Budget, compared to the revised budget of 2021, there is an increase of 13% or EUR 26.4 million provided for wages and salaries; an increase by 7% or about EUR 14.2 million for goods and services; an increase by 3% or about EUR 27.5 million for subsidies and transfers. While in 2021 contingency funds were EUR 21 million, that budget line has now been reduced by 98% (EUR 20.6 million less).

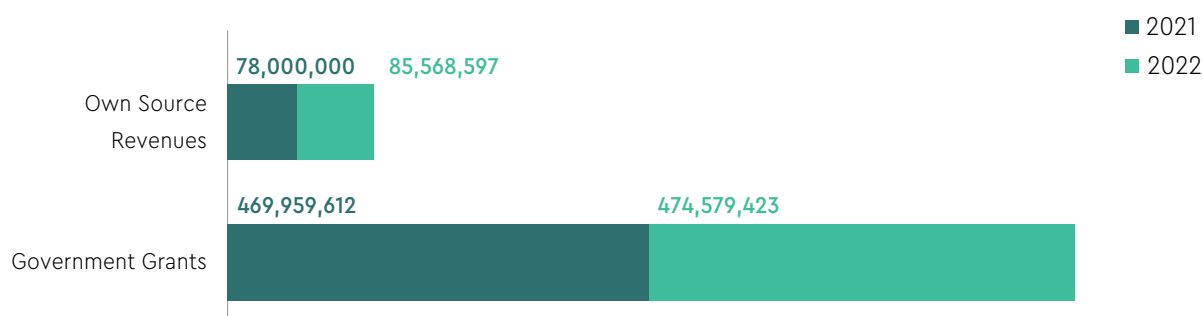
Figure 2. Current and capital expenditures of ministries

Source: GAP Institute using data from MFLT

For 2022, the budget of ministries is projected to exceed EUR 560.3 billion or about EUR 10.7 million (2%) higher than the revised budget for 2021. The municipality with the highest budget share for 2022 will be the Municipality of Prishtinë/Priština with about EUR 90.7 million. While the municipality with the lowest budget share will be the Municipality of Novobërdë/Novo Brdo with about EUR 342 thousand. According to plans, in 2022, the general grant, which constitutes 85% of municipal revenues, is about EUR 5 million (1%) higher than in 2021, while own source revenues that make up 15% of municipal revenues are forecast to increase at around EUR 8 million (10%).

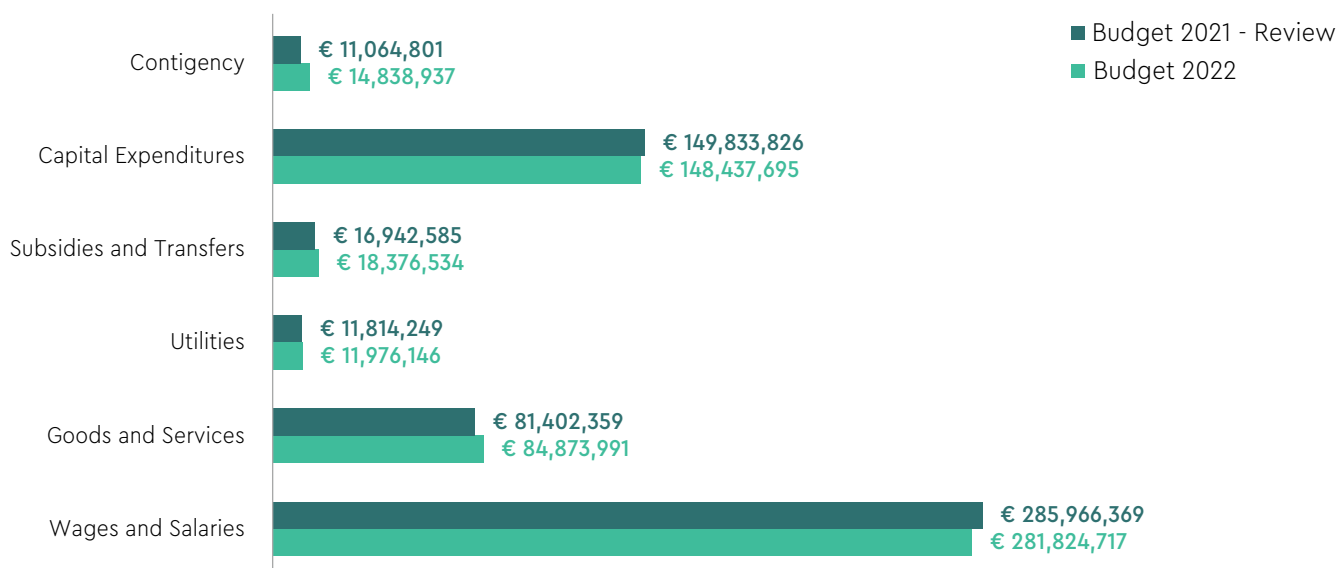
About EUR 148 million or 26% of the 2022 budget for municipalities will be allocated for capital expenditures. While about EUR 397.1 million or 71% of the 2022 budget for municipalities is expected to be allocated for current expenditures and about EUR 15 million or 3% for contingencies. Compared to the 2021 revised budget, in 2022 we will have an increase in the budget in the category of municipal capital expenditures by 5% or about EUR 7 million. There will be an increase in the budget for the category of goods and services by 4% or about EUR 3.5 million, for subsidies and transfers (8%) or EUR 1.4 million. While the budget will be reduced in the categories of wages and salaries by 1% or EUR 4.1 million and utilities by 4% or EUR 504.2 thousand. Contingency funds shall increase by 34% or about EUR 4 million.

Figure 3. Principal sources of funding for municipalities



Source: GAP Institute using data from MFLT

Figure 4. Expenditures by economic category in municipalities



Source: GAP Institute using data from MFLT

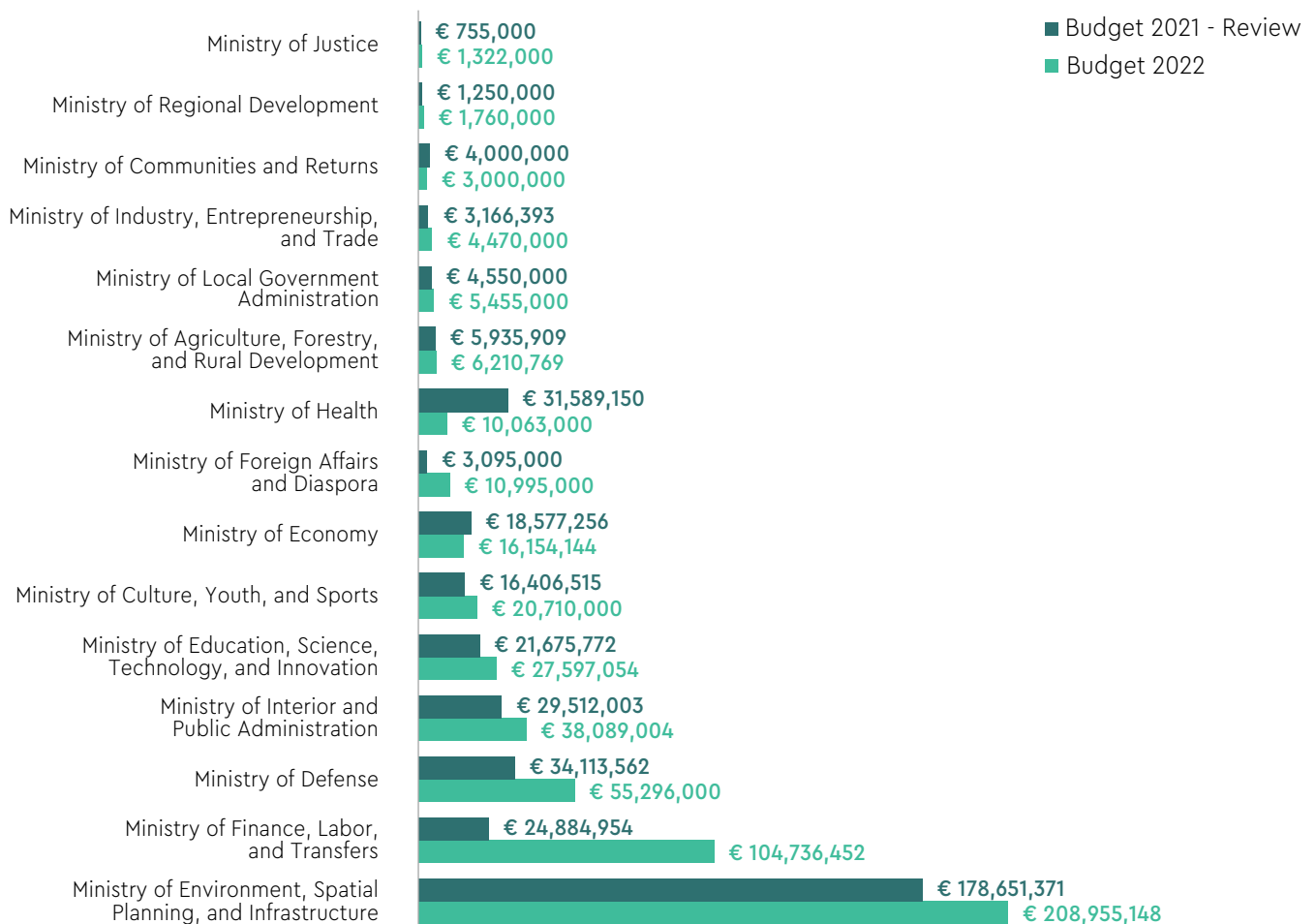
Capital investments by ministries in municipalities

Out of a total of EUR 1.8 billion in budget of ministries for 2022, about EUR 515 million are projected to be spent on capital projects for the purpose of economic development, of which, about EUR 97 million (19%) will be invested in 33 municipalities. The Law on Budget provides no explanation on the applicable criteria when deciding on central level investments in municipalities. About EUR 49.5 million or 51% of investments by ministries in municipalities will be covered by the Ministry of Environment, Spatial Planning, and Infrastructure (MESPI).

Capital project budget for most ministries during this year is forecast to be higher, whereby investments by ministries in municipalities for 2022 are expected to be greater.

Compared to the draft budget for 2021, during this year, municipal capital projects by the ministries are projected at about EUR 4 million higher (from EUR 93 million⁴ at about EUR 97 million). Ministries with the highest budget share of capital projects in 2022 are the Ministry of Environment, Spatial Planning and Infrastructure with about EUR 209 million or EUR 30.3 million (17%) more compared to 2021, the Ministry of Finance, Labor and Transfers with about EUR 105 million (EUR 54.3 million under the investment clause) or about EUR 80 million (321%) more than in 2021, the Ministry of Defense with EUR 55.2 million or EUR 8.6 million (62%) more than in 2021.

Figure 5. Capital investments by ministries

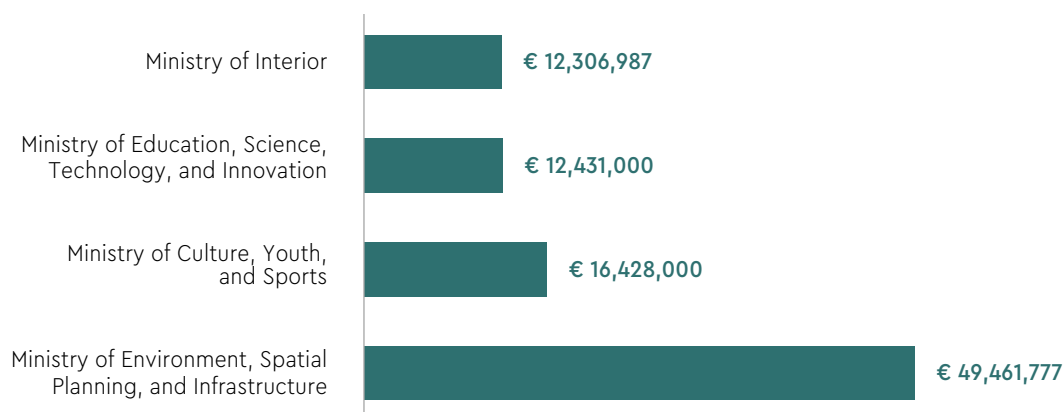


Source: GAP Institute using data from MFLT

⁴ Gap Institute. Winners and losers of capital investments: A local government perspective of the 2021 Draft-Law on State Budget. Source: <https://bit.ly/37ssEGg>

The municipalities that are expected to benefit more (in terms of amount) from the budget allocated to ministries and earmarked for municipalities for capital investments during 2022 are the Municipality of Ferizaj/Uroševac (EUR 10.7 million), Prishtinë/Priština (EUR 8.7 million), Prizren (EUR 8.6 million), and Gjakova/Djakovica (EUR 8.6 million). While if the examination is conducted in terms of investments per capita, the biggest beneficiaries are the municipalities of Junik, Deçan/Deçani, Mitrovica, and Ferizaj/Uroševac.

Figure 6. Capital investments of certain ministries in municipalities



Source: GAP Institute using data from MFLT

The project with the largest amount projected to be invested by the ministries in the municipalities is worth EUR 2.5 million by the Ministry of Environment, Spatial Planning, and Infrastructure in the Municipality of Gjakova/Djakovica. Other projects of approximate value are for the additional construction in the Kosovo Intelligence Agency compound (EUR 2.4 million) in Fushë Kosovë/ Kosovo Polje by the Ministry of Interior, the rehabilitation of R115 regional road in Prizren (EUR 2 million) by the Ministry of Environment, Spatial Planning and Infrastructure, renovation of Adem Jashari Stadium in South Mitrovica (EUR 1.6 million).

Table 1. Investment projects with the highest budget

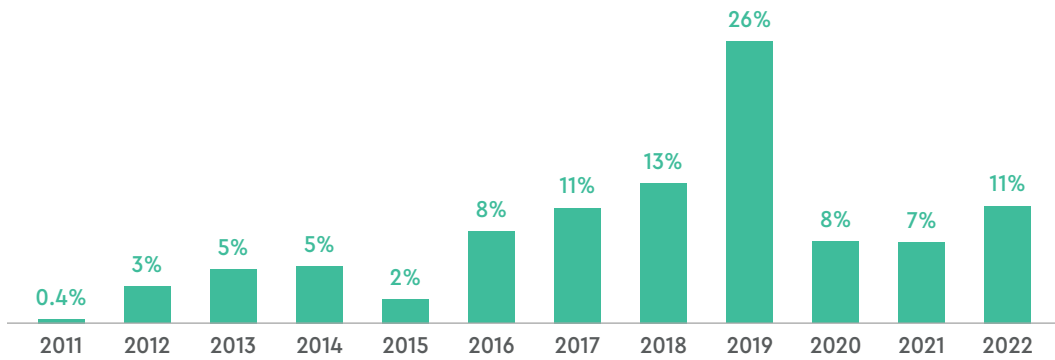
Project	Municipality	Project Start Year	Amount
Widening of the Dollc-Gjakovë road – MESP	Gjakovë/Djakovica	2018	€ 2,500,000
Construction of support facilities KIA – MIA	Fushë Kosovë/Kosovo Polje	2013	€ 2,409,068
Rehabilitation of regional road R115 – MESP	Prizren	2017	€ 2,000,000
Renovation of the "Adem Jashari" Stadium – MCYS	Mitrovicë J/S/S. Mitrovica	2012	€ 1,600,000
Renovation of the City Stadium – MCYS	Gjilan/Gnjilane	2016	€ 1,500,000

Source: GAP Institute using data from MFLT

As most capital investments are continued projects from previous years, the current Government has had less room for introducing new projects. Over EUR 86.6 million or 89% of projects by ministries in the municipalities are ongoing from previous years, while EUR 10.3 million are new projects. During 2022, the municipalities that will benefit the most (by amount) from new investments are Prizren (about EUR 1.9 million), Prishtinë/Priština (about EUR 1.5 million), Podujevë/Podujevo (about EUR 1.2 million), and Gjakovë/Djakovica (EUR 1 million).

According to the Law on Budget 2022, more than half of these projects have started in 2018 and 2019. On the other hand, EUR 200 thousand have been allocated for the 'Construction of new infrastructure and refurbishment of existing facilities of the University of Prizren' project, which appears to have started 11 years ago.

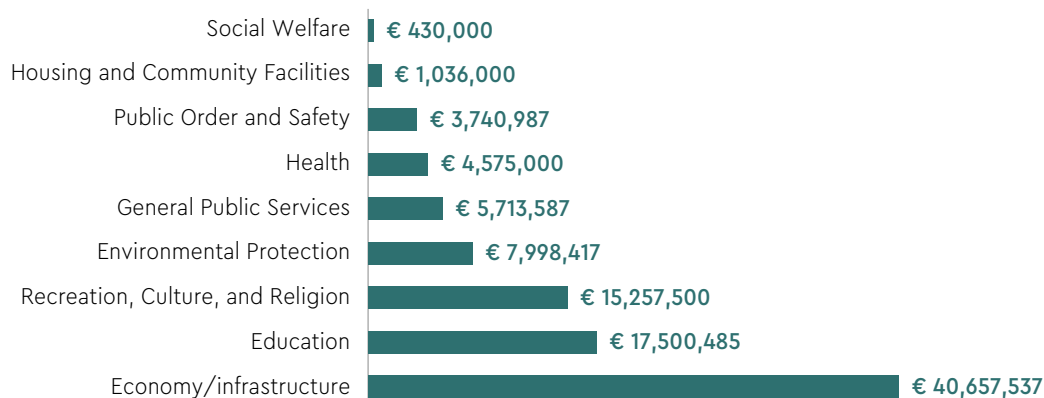
Figure 7. Capital projects by ministries in municipalities based on the year they started



Source: GAP Institute using data from MFLT

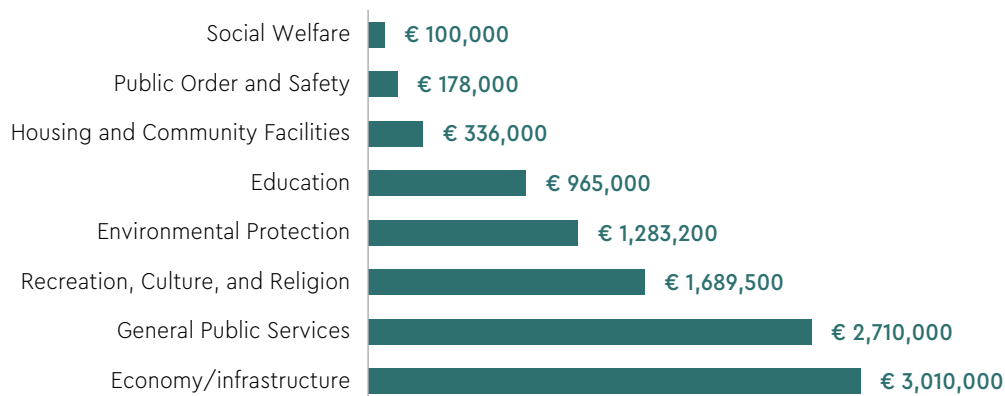
According to function, the ministries have planned to invest in the economy/infrastructure (paving, construction, rehabilitation, and widening of roads) of municipalities with about EUR 41 million (new projects: EUR 3 million); education with about EUR 18 million (new projects: EUR 965 thousand); recreation, culture, and religion with about EUR 15.2 million (new projects: about EUR 1.7 million). By contrast, less funds were allocated for housing and social welfare. In terms of new projects in municipalities, ministries have also prioritized general public services with EUR 2.7 million, while less funds (EUR 430 thousand) were allocated for social welfare.

Figure 8. Capital projects by ministries in municipalities by function (EUR 96.9 million)



Source: GAP Institute using data from MFLT

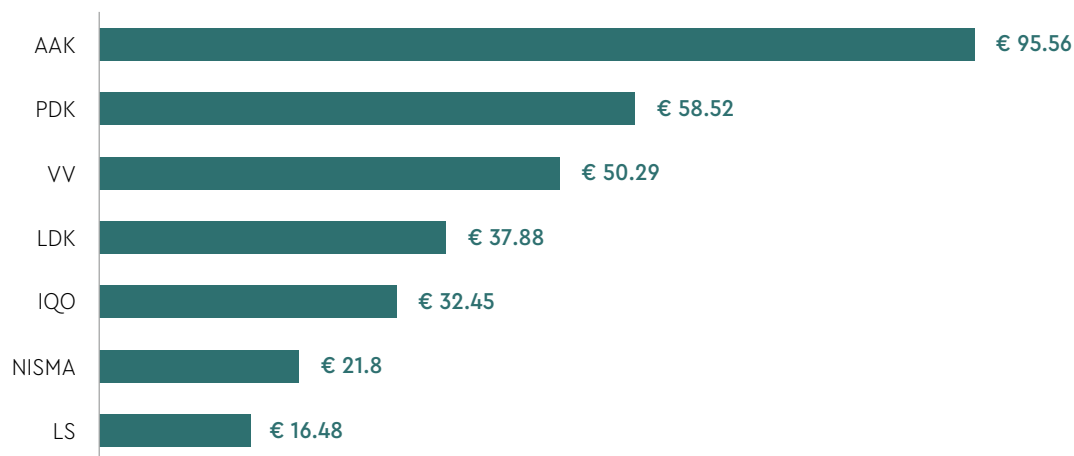
Figure 9. New projects by function (EUR 10.3 million)



Source: GAP Institute using data from MFLT

Based on existing data, it could be said that same as last year (2021), the municipalities of Junik and Deçan/Deçani remain most favored in terms of the percentage of capital investments vs. population. Conversely, the municipalities of Shtërpca/Štrpce and Graçanica/Gračanica were among those receiving the lowest amount of investment. Municipality of Junik remains the most privileged in terms of investments from the central level (ministries), with EUR 122.74 of investments per capita, while the Municipality of Graçanicë /Gračanica remains as the municipality with the lowest capital investments with EUR 4.11 per capita. Overall, the discrepancy between municipalities that benefit from investments by ministries this year is lesser than last year.

Figure 10. Average investments of ministries in municipalities per capita (by political entity)



Source: GAP Institute using data from MFLT

Figure 11. Investments of ministries in municipalities per capita (€)

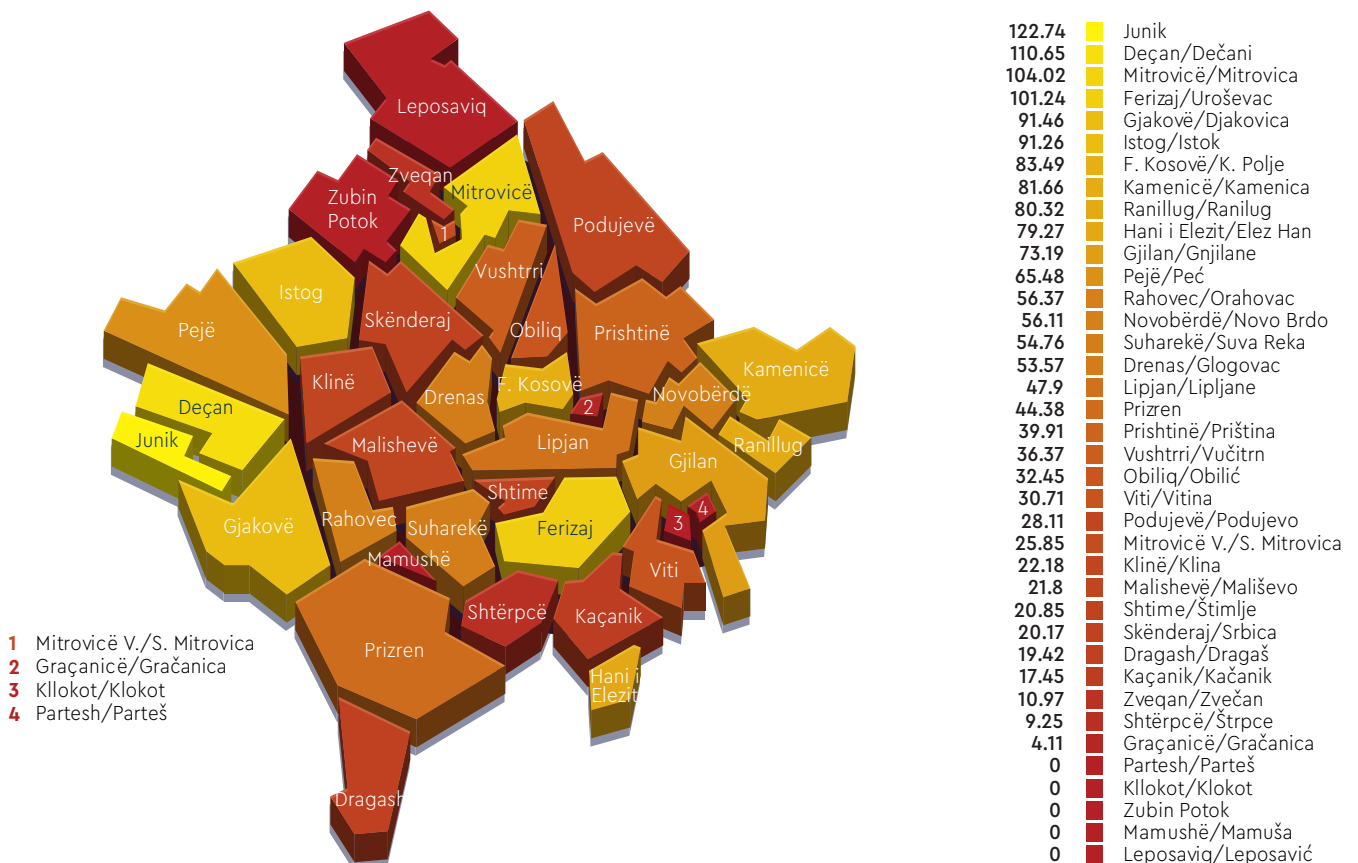


Table 2. Investments by ministries in municipalities

Municipality	Investment per capita (%)	Political entity	Population (%)	Territory (%)	Investment per capita (EUR)
Ferizaj/Uroševac	5.83	PDK	5.91	3.17	€ 101.24
Prishtinë/Priština	2.30	LDK	12.16	4.72	€ 39.91
Prizren	2.55	PDK	10.82	5.53	€ 44.38
Gjakovë/Djakovica	5.26	AAK	5.25	5.39	€ 91.46
Mitrovicë/Mitrovica	5.99	PDK	3.86	3.04	€ 104.02
Pejë/Peć	3.77	LDK	5.49	5.53	€ 65.48
Gjilan/Gnjilane	4.21	VV	4.27	3.60	€ 73.19
Deçan/Dečani	6.37	AAK	2.37	2.72	€ 110.65
Istog/Istok	5.25	LDK	2.29	4.17	€ 91.26
Fushë Kosovë/Kosovo Polje	4.81	LDK	2.19	0.76	€ 83.49
Drenas/Glogovac	3.08	PDK	3.41	2.53	€ 53.57
Rahovec/Orahovac	3.24	AAK	3.17	2.55	€ 56.37
Suharekë/Suva Reka	3.15	AAK	3.22	3.31	€ 54.76
Lipjan/Lipljane	2.76	LDK	3.23	3.10	€ 47.90
Podujevë/Podujevo	1.62	VV	4.58	5.81	€ 28.11
Vushtrri/Vučitrn	2.09	PDK	3.49	3.17	€ 36.37
Kamenicë/Kamenica	4.70	VV	1.55	3.89	€ 81.66
Viti/Vitina	1.77	LDK	2.67	2.48	€ 30.71
Malishevë/Mališevo	1.25	NISMA	3.17	2.81	€ 21.80
Skënderaj/Srbica	1.16	PDK	2.95	3.43	€ 20.17
Klinë/Klina	1.28	AAK	2.25	2.83	€ 22.18
Hani i Elezit/Elez Han	4.56	PDK	0.56	0.76	€ 79.27
Junik	7.06	LDK	0.35	0.68	€ 122.74
Dragash/Dragaš	1.12	LDK	1.89	3.95	€ 19.42
Kaçanik/Kaçanik	1.00	PDK	1.93	1.94	€ 17.45
Obiliq/Obilić	1.87	IQO	1.01	0.96	€ 32.45
Shtime/Štimlje	1.20	VV	1.52	1.23	€ 20.85
Novobërdë/Novo Brdo	3.23	LS	0.40	1.87	€ 56.11
Mitrovicë Veriore/Severna Mitrovica	1.49	LS	0.67	0.05	€ 25.85
Ranillug/Ranilug	4.62	LS	0.21	0.63	€ 80.32
Zveçan/Zvečan	0.63	LS	0.41	1.13	€ 10.97
Shtërpcë/Štrpce	0.53	LS	0.37	2.28	€ 9.25
Graçanicë/Gračanica	0.24	LS	0.68	1.20	€ 4.11
Partesh/Parteš	0.00	LS	0.09	0.27	€ 0.00
Klllokot/Klokot	0.00	LS	0.15	0.21	€ 0.00
Zubin Potok	0.00	LS	0.37	3.06	€ 0.00
Mamushë/Mamuša	0.00	KDPT	0.33	0.29	€ 0.00
Leposaviq/Leposavić	0.00	LS	0.73	0.05	€ 0.00

Source: GAP Institute using data from 2022 Budget, KAS, and MLGA

Municipalities governed by AAK (Gjakovë /Djakovica, Deçan/Dečani, Suharekë /Suvareka, Rahovec/Orahovac, and Klinë/Klina) comprise about 16% of the population and occupy 16.81% of Kosovo's territory. Out of the total of EUR 96.9 million of central level capital investments in municipalities, 28.8% will go to the municipalities governed by this party. The average investment per capita in these municipalities is EUR 95.56. While at the level of ministries, it is expected that MESTI will invest 33.78% of its capital projects in these municipalities, MAFRD will invest 100% of its capital projects in municipalities governed by AAK, MFLT 28.57%, MCYS 13.76% , MESPI 26.92%, as well as MIA which will invest 3.61% of its allocated funds for capital projects in municipalities.

Municipalities governed by LDK (Prishtinë/Priština, Pejë/Peć, Lipjan/Lipljane, Istog/Istok, Viti/Vitina, Fushë Kosovë/Kosovo Polje, Junik, and Dragash/Dragaš) comprise about 30% of the population and occupy 25.38% of Kosovo's territory. Out of the total of EUR 96.9 million of central level capital investments in municipalities, 21.25% will go to the municipalities governed by this party. The average investment per capita in these municipalities is EUR 37.88. While at the level of ministries, it is expected that MESTI will invest 18.82% of its capital projects in these municipalities, MoJ 57.86%, MoE 60.27%, MFLT 28.57%, MCYS 27.80%, MESPI 23.61%, MIA 60.14%, as well as MoH which will invest 24.36% of its allocated funds for capital projects in municipalities.

Municipalities governed by PDK (Ferizaj/Uroševac, Mitrovicë/Mitrovica, Prizren, Skenderaj/Srbica, Vushtri/Vučitrn, Drenas/Glogovac, dhe Kaçanik/Kaçanik) comprise about 32% of the population and occupy 22.80% of Kosovo's territory. Out of the total of EUR 96.9 million of capital investments by ministries in municipalities, 35.71% will go to the municipalities governed by this party. The average investment per capita in these municipalities is EUR 58.52. While at the level of ministries, it is expected that MESTI will invest 30.49% of its capital projects in these municipalities, Ministry of Economy 39.72%, MFLT 42.85%, MCYS 44.01%, MESPI 32.04%, MIA 32.57%, as well as MoH which will invest 75.63% of its allocated funds for capital projects in municipalities.

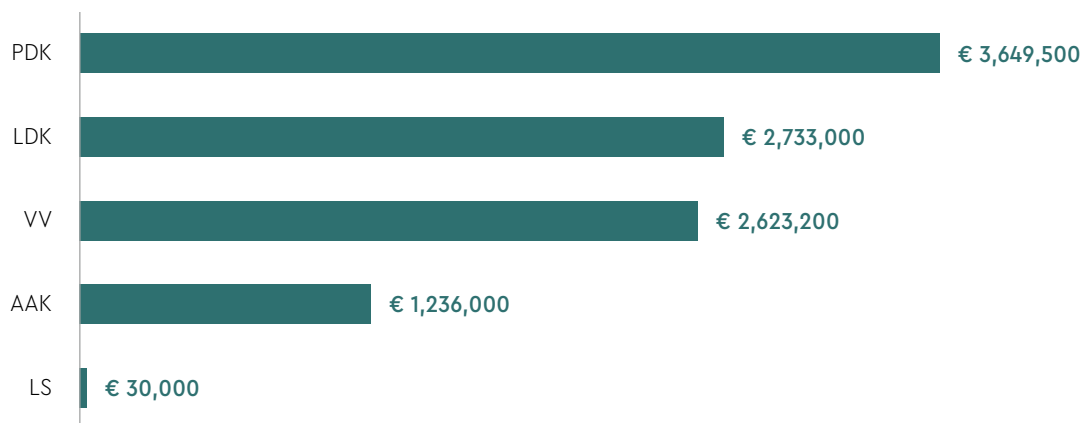
Municipalities governed by VV (Gjilan/Gnjilane, Kamenicë/Kamenica, Podujevë/Podujevo, and Shtime/Štimlje) comprise about 11% of the population and occupy 14.52% of Kosovo's territory. Out of the total of EUR 96.9 million of central level capital investments in municipalities, 11.11% will go to the municipalities governed by this party. The average investment per capita in these municipalities is EUR 50.29. While at the level of ministries, it is expected that the Ministry of Education, Science, Technology, and Innovation will invest 12.06% of its capital projects in these municipalities, MoJ 42.13%, MIET will invest 100% of its capital projects in municipalities governed by VV, MCYS 13.39% , as well as MESPI which will invest 13.74% of its allocated funds for capital projects in municipalities.

Although LS governs the most municipalities in Kosovo (ten municipalities in total), due to the small population, namely only 4.07% of the total population of the country, the number of capital investments by ministries in these municipalities is only 1.24% of the total amount of EUR 96.9 million. While at the level of ministries, MCYS is projected to invest 0.42% of its funds allocated for capital projects in municipalities.

The only municipality governed by NISMA, Malishevë/Mališevo comprises 3.17% of the total population and occupies 2.80% of Kosovo's territory. Out of the total of EUR 96.9 million of capital investments by ministries in these municipalities, 1.28% will go to this municipality, which means EUR 21.80 investment per capita. Whereby it is expected that MESTI will invest 4.82% of its capital projects in this municipality, as well as MCYS which will invest 0.60% of its allocated funds for capital projects in municipalities.

In the Municipality of Obiliq/Obilić, which is governed by Iniciativa Qytetare për Obiliqin (Civic Initiative for Obiliq) and comprises 1.01% of the population and occupies 0.96% of Kosovo's territory, the amount of capital investments by ministries will be 0.60% of the total amount of EUR 96.9 million, specifically EUR 589,363.00 for two projects funded by MESPI, or 1.19% of its funds allocated for capital projects in municipalities.

Figure 12. New projects of ministries in municipalities by political entity



Source: GAP Institute using data from MFLT

Capital projects by ministries in municipalities which are scheduled to start in 2022 are worth about EUR 10.3 million and will be distributed across 19 municipalities. In terms of the percentage of capital investments by population, the Municipality of Kamenicë/Kamenica (governed by VV) ranks first with EUR 27 of investments per capita, followed by the Municipality of Viti/Vitina (governed by LDK) with EUR 15.65, and Podujevë/Podujevo (governed by VV) with EUR 14.54.

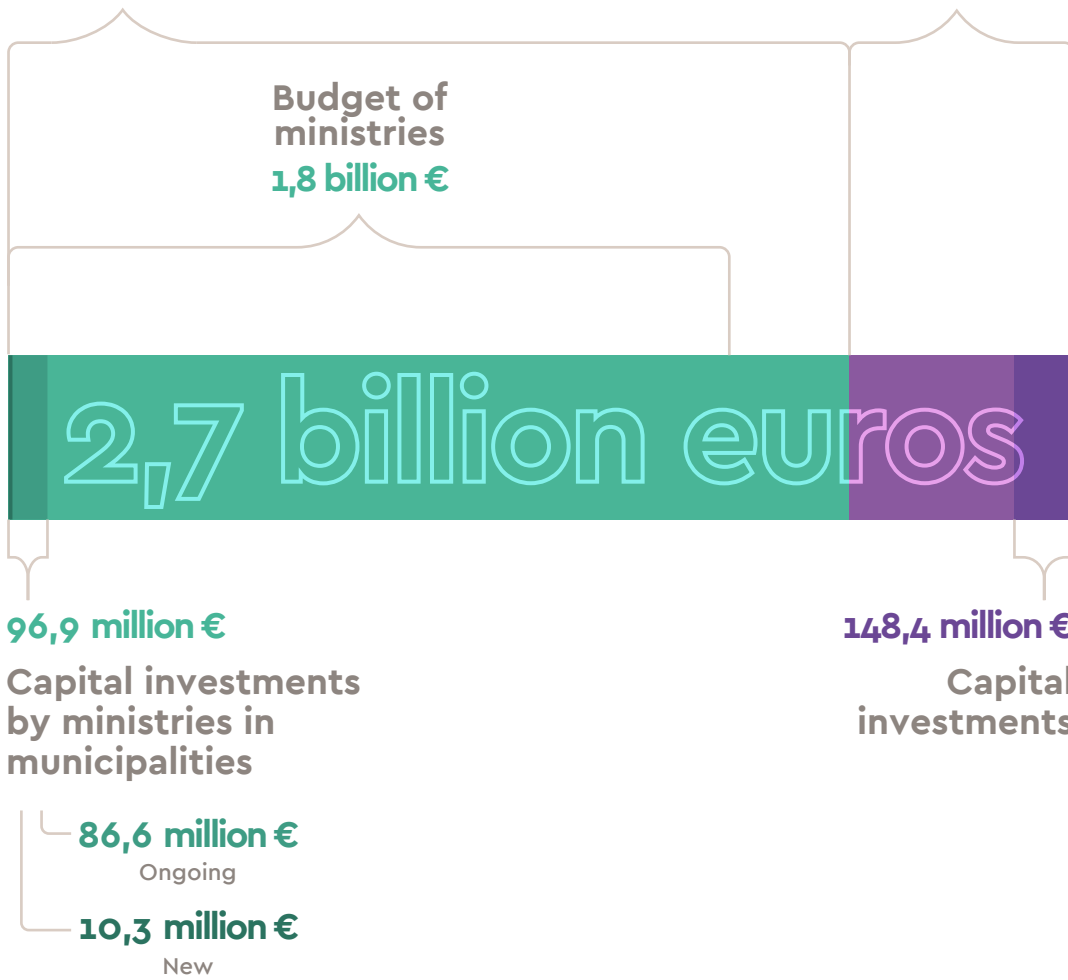
Table 3. New investments by ministries in municipalities

Komuna	New investments (€, '000)	Investment per capita (%)	Political entity	Population (%)
Deçan/Deçani	36	1%	AAK	2%
Drenas/Glogovac	100	1%	PDK	3%
Ferizaj/Uroševac	385	2%	PDK	6%
Fushë Kosovë/Kosovo Polje	400	6%	LDK	2%
Gjakovë/Djakovica	1000	7%	AAK	5%
Gjilan/Gnjilane	478.2	4%	VV	4%
Hani i Elezit/Elez Han	100	6%	PDK	1%
Istog/Istok	58	1%	LDK	2%
Junik	65	6%	LDK	0%
Kamenicë/Kamenica	750	17%	VV	2%
Mitrovicë/Mitrovica	395	4%	PDK	4%
Podujevë/Podujevo	1195	9%	VV	5%
Prishtinë/Priština	1460	4%	LDK	12%
Prizren	1850	6%	PDK	11%
Rahovec/Orahovac	200	2%	AAK	3%
Shtime/Štimlje	200	5%	VV	2%
Skënderaj/Srbica	190	2%	PDK	3%
Viti/Vitina	750	10%	LDK	3%
Vushtrri/Vučitrn	629	6%	PDK	3%
Zveçan/Zvečan	30	3%	LS	0%

Source: GAP Institute using data from MFLT

CENTRAL
level budget
2,1 billion €

LOCAL
level budget
560,3 million €



Source: GAP Institute using data from MFLT



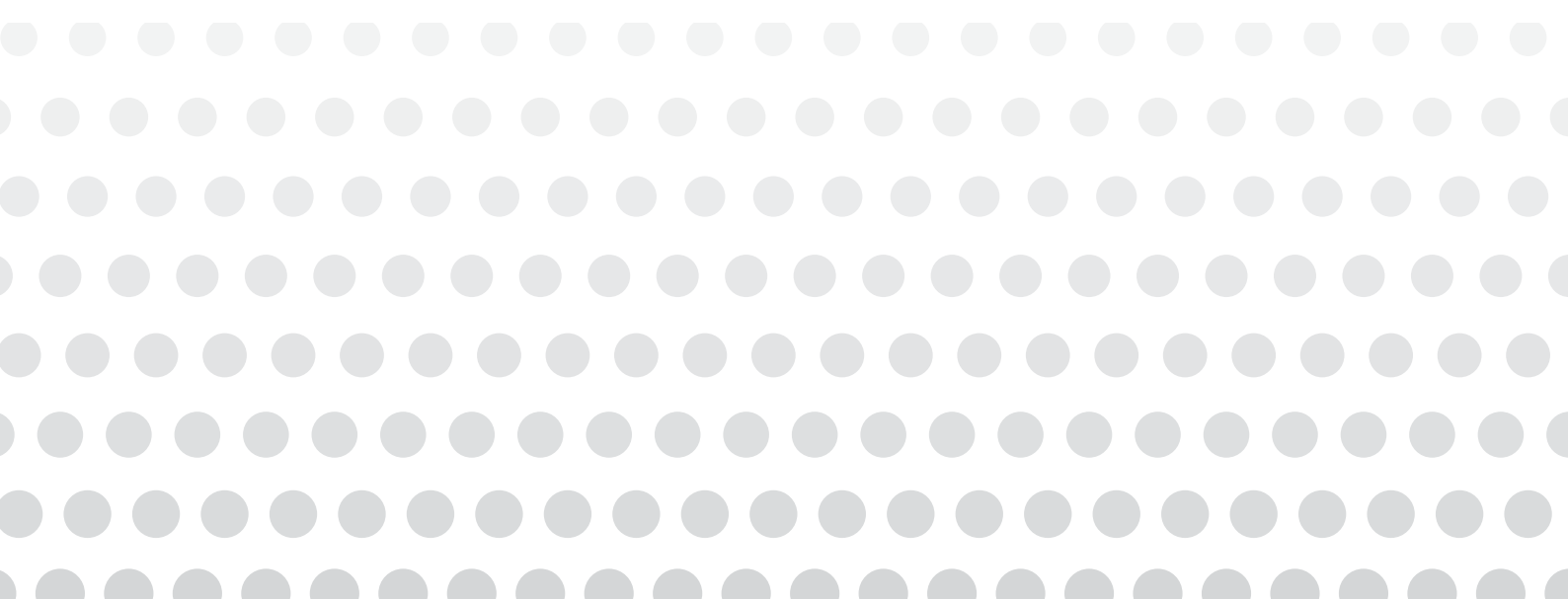
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