



Republika e Kosovës

Republika Kosova- Republic of Kosovo

Qeveria- Vlada- Govenrment

Ministria e Financave, Punës dhe Transfereve

Ministarstvo za Finansije, Rada i Transfera

Ministry of Finance, Labour and Transfers

Medium Term Expenditure Framework 2022-2024

April 2021

List of Abbreviations

VET	Vocational Education and Training
KPCVA	Kosovo Property Comparison and Verification Agency
PAK	Privatization Agency of Kosovo
KAP	Kosovo Property Agency
EARK	Employment Agency of the Republic of Kosovo
KAS	Kosovo Agency of Statistics
TAK	Tax Administration of Kosovo
GNIA	Gross National Income Available
WB	World Bank
EU	European union
EBRD	European Bank for Reconstruction and Development
GDP	Gross Domestic Product
CBK	Central Bank of Kosovo
RES	Renewable Energy Sources
ERA	European Reform Agenda
EUROPOL	European Union Agency for Law Enforcement Cooperation
KAF	Kosovo Armed Forces
IMF	International Monetary Fund
KSF	Kosovo Security Force
HEI	Higher Education Institutions
CPI	Consumer Price Index
IFACCA	International Federation of Arts Councils and Culture Agencies
IFI	International Financial Institutions
FDI	Foreign Direct Investments
INTERPOL	International Police Organization
IPA	Instrument for Pre-Accession Assistance
NBIHS	Non-Beneficiary Institutions for Household Services
MTEF	Medium Term Expenditure Framework
KfW	Kreditanstalt für Wiederaufbau
ODC	Other Depositing Corporations
LLGF	Law on Local Government Finance
LPFMA	Law on Public Financial Management and Accountability
MEST	Ministry of Education, Science and Technology
MoF	Ministry of Finance
MKSF	Ministry of the Kosovo Security Force
MLSW	Ministry of Labor and Social Welfare
SAA	Stabilization and Association Agreement
MoH	Ministry of Health
NATO	North Atlantic Treaty Organization
POE	Publicly Owned Enterprise

SMEs	Small and Medium-Sized Enterprises
NERP	National Economic Reform Programme
NPISAA	National Program for the Implementation of Stabilization and Association Agreement
ERP	Economic Reform Program
SSSR	Strategic Security Sector Review
RTK	Radio Television of Kosovo
HIS	Health Information System
NDS	National Development Strategy
EMIS	Education Management Information System
CMIS	Case Management Information System
HUCSK	Hospital and University Clinic Services of Kosovo
IT	Information Technology
ICT	Information and Communication Technology
VAT	Value Added Tax
UNESCO	United Nations Educational, Scientific and Cultural Organization
USAID	United States Agency for International Development
WEO	World Economic Outlook

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Introduction

The Medium Term Expenditure Framework 2022-2024 presents the main document on the basis of which the Annual Budget for 2022 will be drafted. The main purpose of the MTEF is to provide an analysis, based on the macroeconomic environment in the country, to lay the groundwork for budget planning for the coming years in line with the Government's strategic priorities.

The government continues to have as its main objective the further strengthening of its fiscal position and the responsible management of public finances. In this context, budget planning and execution will be done in line with the country's fiscal rule regarding the budget deficit and bank balance sheet. Given that these rules present limitations when considering Kosovo's needs for major development projects, the implementation of the 'Investment Clause' enables the Government to finance capital projects of wide public interest, above the allowable deficit limit, provided that these projects are funded by International Financial Institutions and Development Agencies.

The economic reform priorities for the medium term stem from the National Development Strategy and the Economic Reform Program 2022-2024, which derives from the dialogue process for economic governance between Kosovo and the EU. At the same time, the situation created by the COVID-19 pandemic has pushed the government's priorities towards overcoming the crisis and economic recovery.

MTEF 2022-2024 summarizes these key government priorities in the Declaration of Medium Term Priorities and then in the relevant chapters, covering all budget sectors, describing the approach on how funds will be provided for their implementation from the Kosovo budget and financial assistance or loans by development partners.

MTEF 2022-2024 has been structured into four main parts. The first part contains the **“Declaration of Medium-Term Priorities”**, which provides a broad summary of the Government priorities in compliance with the Government Program, National Development Strategy and Economic Reform Programme. Second part consists of the **macro-fiscal framework** based on the overall economic development parameters. The third and fourth part contain the **fiscal projections**, which determine the overall expenditure limits based on which the Central and Municipal Budget is later prepared.

PART ONE

1. DECLARATION OF MEDIUM TERM PRIORITIES OF THE GOVERNMENT 2022-2024

GENERAL OBJECTIVES AND FISCAL FRAMEWORK

The Medium Term Expenditure Framework 2022-2024 is the main document on the basis of which the annual budget for the following year 2022 will be drafted. The main purpose of setting priorities is to make the link, based on the comprehensive analysis of the macroeconomic environment in the country and budget planning for the following years, with a 3 (three) year perspective in line with the strategic objectives of the Government.

The Government's priorities for the next 3 years will focus on managing the COVID 19 pandemic, with particular emphasis on the full population immunization program, and supporting the health system to cope with this situation. In addition to the need to address the economic damage caused by the pandemic, long-term reforms are needed in the sectors of justice, health, education and the economy in general. The Government's strategic objectives have been defined through the Government Program, the National Development Strategy and sectoral strategies, as well as documents derived from the European integration process such as the Economic Reform Program and the National Program for the Implementation of the SAA. Given Kosovo's current economic structure and the many obstacles to economic growth,

The Medium Term Expenditure Framework 2022-2024, summarizes these key priorities of the Government of Kosovo in the Statement of Medium Term Priorities and then in the relevant chapters, covering all budget sectors, describing the approach on how to provide funds for their implementation from the budget of Kosovo and financial assistance or loans from development partners.

The first two chapters of the Statement of Medium-Term Priorities present the general fiscal framework for the next three years and the basic principles on which it is based. The third chapter presents a summary of the Government's priorities based on the main planning documents, and which is presented similarly to the structure of the MTEF sectors.

The main priorities will guide all budget organizations in preparing their budget proposals for 2022. According to these priorities, budget organizations can include proposals for the finalization or rationalization of existing programs in order to provide funding for those programs that are a priority. high, with particular emphasis on pandemic management and the implementation of economic recovery measures.

1.1 General fiscal framework for prioritization

The Government Program 2021-2025, the National Development Strategy, the Economic Reform Program 2021-2023, as well as the Stabilization and Association Agreement between Kosovo and the EU are the main documents that define the orientation and development of government policies and provide the basis for setting policy priorities included in the Medium Term Expenditure Framework 2022-2024.

The implementation of the priorities of these documents will constitute the largest part of the budget framework that the government will undertake with the aim of economic recovery, strengthening the fiscal position of the country and creating new jobs. To achieve these, the government will focus on creating a more favorable fiscal environment, improving trade policies

and integration into the global economy, including improving the business environment, continuing existing infrastructure modernization projects, and government policies in the energy sector and the continued support of agriculture and rural development.

Adequate tax system and favorable business environment are the most important pillars for the sustainable development of the private sector in the country. Therefore, continuous improvement of the tax system and tax compliance are the basic priorities of the Government of Kosovo. In the tax context, there will be further development of taxpayer service automation, lower direct communication between taxpayers and tax officials, implementation of a risk-based approach. All this will improve the quality of service, encourage businesses to operate in the formal sector by simplifying tax filing procedures and increasing the benefits of operating in the formal sector as well as increasing voluntary compliance and reducing informality, reviewing tax legislation which would affect the improvement of domestic VAT collection.

The Government of Kosovo will take care of the gradual return to the basic limit of the fiscal rule for the deficit as well as the usable bank balance in accordance with Article 22A of the Law on Public Financial Management and Accountability.

1.2 Basic principles

The process of preparing the expenditure forecast for the period 2022-2023 is guided by the following principles:

- Greater compliance with the Government's priority policies set out in the National Development Strategy (NDS) 2016-2021, the Economic Reform Program (PRE) 2021-2023, the National Program for the Implementation of the Stabilization and Association Agreement and the Government Program 2021 -2025.
- Allocation of expenditures which are most effective in achieving the objectives of Government policies;
- Achieving greater value for funds spent by achieving specific priority goals, by shifting funds to high-level priorities;
- Liaison with external financing provided through IPA and other channels;

1.3. Priority areas

The Government of Kosovo submits the following statement of priorities regarding MTEF 2022-2024. Priorities are specifically set out considering the need to reorient priority policies in order to ensure pandemic situation management, economic recovery measures and the need to prioritize reforms in justice, health, education and the economy.

During the preparation and submission of their budget requests for 2022 with forecasts for the medium term (2022-2024), budget organizations are expected to show how their budget plan responds to the Government priorities presented below. Priorities are presented for all sectors of the Government, thus addressing the most important issues that the Government should focus on over the next three-year period. Against the given priorities, budget organizations are encouraged to improve spending efficiency through reallocation within existing boundaries.

1.3.1. Governance and public administration

The government will continue with high priority to implement public administration reform and local governance. Continuing to implement the reforms so far, the Government will prioritize

addressing the modernization of the administration through digitalization to provide better services. In this context, the government's priorities include:

- **Planning, policy making, accountability and transparency-** The main focus is the improvement of strategic planning, increasing the quality of sectoral planning with performance indicators. The development of data-based policies will be supported by applying the methodology for regulatory impact assessment. Particular attention should be paid to institutional capacity building to develop reliable statistics, in line with European practices and standards. These will also be supported by increasing transparency, the involvement of citizens, the media, civil society and the private sector in policy development. The government will support the process of reducing the administrative burden by eliminating redundant bureaucracies, simplifying, eliminating or merging permits and licenses, and reforming inspections.
- **Public Financial Management** - In line with the strategic framework and the obligations within the European integration agenda, the implementation of the priorities within a comprehensive macro-fiscal policy will be ensured, which ensures stability and economic growth. In order to maintain the sustainability of fiscal policies, work will be done on increasing transparency and accountability, reviewing the legal and strategic framework for public financial management reform.
- **Modernization of the administration** - The government aims to advance public administration reform by completing the public legal framework for salaries and public officials, as well as processing laws to streamline agencies. E-government is a priority in which we must constantly invest to enable faster delivery of services, and increase the efficiency of the administration.
- **Local administration** - Through financial support based on the performance evaluation of municipalities as well as professional capacity building will be aimed at strengthening the economic sustainability of municipalities. The digitalization of municipal services will enable citizens to be accountable, open and transparent governance by local institutions. In order to have municipalities with opportunities for all, we will work for the greatest possible inclusion of marginalized groups within municipal institutions.
- **Non-majority communities-** The government will work on drafting and implementing legislation to promote and protect the rights of communities and their members, including the right to return, in line with international standards. Mechanisms will be created for the equal integration of all communities in order to include their social and economic inclusion in Kosovo in order to improve living conditions.

1.3.2. Foreign policy and Euro-Atlantic integration

- **Foreign policy and diplomacy** -Priorities will focus on strengthening diplomatic relations with the US, EU and strategic partners, defining specific areas of cooperation with countries that have recognized the Republic of Kosovo, and setting priorities for membership in international institutions and organizations. Special attention will be paid to the five EU

countries that have not yet recognized Kosovo, and work will be done to open the doors of communication with important countries such as Brazil, Indonesia, Nigeria, Mexico, Kenya, Chile, etc. In order to strengthen the foreign diplomatic and consular service, the Government intends to review the relevant legal framework, as well as to build capacity in diplomatic missions. The Government will verify the ranks and assess the professional skills of the MFA staff.

- **Euro-Atlantic integration** -Involvement in the Partnership for Peace, as an important instrument for strengthening cooperation with NATO and direct contribution to peace and security, is a medium-term priority of the Republic of Kosovo. NATO membership is a strategic goal of Kosovo. The government will be committed to expanding military representation at NATO headquarters and member countries, as well as active participation, with its specialized military and civilian capabilities, in support of peace, stability and security around the world.
- **The European integration agenda will be an integral part of the government agenda.**European integration will be in full sync with the country's overall development agenda; Reform efforts will be intensified to meet the obligations arising from the SAA and ERA, including the visa liberalization process as one of the Government's top priorities.
- **Good neighborhood and regional cooperation** -The government aims to build good relations with all neighboring countries and those of the region, and to participate and contribute to various regional initiatives. Kosovo is committed to further deepening its strategic partnership with Albania, ensuring mutual cooperation in the fields of economy and energy, education, arts, culture, foreign and security policy, sports and tourism. The dialogue with Serbia will take place as a process where Serbia and Kosovo will be treated as equal parties, on the basis of full reciprocity and in full respect of international law.
- **Diaspora** - The government will work on engaging experts and researchers from the diaspora, to enable their engagement on the development agenda; the strengthening of the Albanian school all over the world, the development of cultural activities in order to preserve and develop the identity of members of the diaspora. The diaspora will be enabled to be part of the political process in the country through voting in diplomatic missions, and the government will provide continued support for investments from the diaspora.

1.3.3. Protection and security

The government will prioritize defense and security and increase the budget for these areas. In this regard, it will support the increase of the capacities of the country's institutions for defense and security, improve the legal framework, as well as develop security and defense policies by defining the main principles and directions of the Government in this field.

- The Government of the Republic of Kosovo is committed to increasing the capacity for defense and security, so that, in times of peace and crisis, military and civilian authorities cooperate in protecting the interests of Kosovo.

- The government will commit to the armed forces participating in joint military exercises with NATO member states. Will continue to support the professionalization and provision of military equipment in accordance with NATO standards, based on the Comprehensive Transition Plan.
- Also, the Government has as a priority the increase of professionalism and capacities for protection from possible hybrid and cyber-attacks coming from inside and outside the country.

1.3.4. Law, order and public safety

For the functioning of the rule of law, protection of freedom, economic development and equality before the law, the Government will address with priority the further improvement of the legal and institutional framework, the necessary infrastructure and the strengthening of capacities.

- **Public order and safety-** The Government's priority is to strengthen police capacities to fight all forms of crime, increase integrated financial investigations and modernize police equipment. Emphasis will be placed on strengthening capacity to prevent and combat terrorism, human trafficking, narcotics, and engaging in the implementation of the concept of integrated border management. Among other things, the Government's priority is the complete review of the strategic framework for public order and safety.
- **Human rights, gender equality and communities-** The government prioritizes the creation of equal and non-discriminatory opportunities, respect for human rights, strengthening mechanisms for gender equality, protection from domestic violence, free legal aid, compensation for victims of war crimes, integration of groups marginalized and freedom of expression. Also, special focus will be given to the establishment of mechanisms for the identification of war crimes in Kosovo.
- **Review of the justice system-** Among other priorities in the justice sector is the review of the justice system, respectively the drafting of the sector strategy for justice. Also a priority is the establishment of the Commercial Court, the strengthening of the liberal professions, the adoption of the Civil Code, the regulation of property issues, the strengthening of the State Advocacy, the review of criminal legislation and the establishment of a center for criminal records. The Law on Control and Confiscation of Unjustifiable Assets will be adopted. Vetting policies and legislation will be drafted.
- **Fighting organized crime and corruption-** is another main priority of the Government, which will be supported by increasing the capacity of institutions, strengthening the existing mechanisms. In the framework of institutional accountability, the priority of the Government is the completion of legislation for the protection of whistleblowers and capacity building for the handling of whistleblower cases.

1.3.5. Economic issues

Economic development will be one of the main priorities of the government where we will work to return economic life to normal, changing the way of doing business, in support of the private sector, where there is more production and more exports, more sustainable and dignified employment, more respect for workers' rights and no monopolies, and a profound reform of public

enterprises so that they can operate successfully. An economic development where the municipality is empowered and decides for itself its priorities.

To ensure sustainable development and reduce the damage caused by the COVID 19 pandemic, the Government will work on reviewing the legal framework for fiscal policy, working on the introduction of the fourth municipal grant and combating the informal economy. We will also strengthen the Kosovo Credit Guarantee Fund, establish a sovereign wealth fund and assistance through the community of international donors and lenders.

In this regard, Kosovo will also prepare a clear long-term strategic development orientation, setting out development priorities and economic, fiscal, budgetary and public debt policy frameworks that go beyond a governing mandate.

Transport and telecommunications

- **Infrastructure** - Will continue with investments in road and railway infrastructure of national and international importance, will also work to build infrastructure of national importance that connects the regions of Kosovo and those that ensure economic growth. For a sustainable infrastructure, the government will work on a long-term strategic plan, which sets out key infrastructure priorities and also to increase the level of road traffic safety by improving the planning and scheduling of road maintenance works through the Intelligent Transport System (SIT).). The government will also work on the development of civil aviation by making Gjakova Airport operational and applying for airspace control. Application for membership of Kosovo in international road transport organizations,
- **Information and Communication Technology (ICT)** - investments in ICT infrastructure constitute an important precondition for the digital transformation of the country. In addition to investments in infrastructure, it is important to prioritize digitalization in the education system, both in terms of infrastructure and skills, according to trends and demands of the technology market. In order to implement the recovery measures, technology institutions, new companies as well as existing ones dealing with technology will be supported. For a comprehensive transformation, the Government intends to develop incentive policies to support information and communication technology, especially in the case of new companies ("start-up") and existing ones by developing the Center of Excellence in ITP - Prizren, completed the park of digital technology in Bërnica

Energy and mining

- **Ensuring a stable supply of electricity** remains a priority of the Government, and this will be addressed initially through the rehabilitation of existing capacities and energy diversification in order to increase new generation capacities, including renewable energy sources. Full liberalization of the electricity market is a priority of the Government to enable a competitive, transparent and consumer-oriented market. Also, work will be done for integration in the regional market that enables optimization of Kosovo-Albania systems, as a first step towards Kosovo's integration in the regional electricity market and Kosovo's access to gas supply networks.
- **Reduce energy consumption through efficiency measures** - The Government will continue to support investments in energy efficiency as an essential component of planning and strategic

orientation for the economic development of Kosovo and in the implementation of district heating networks in the cities of Kosovo; completing the legal framework and three energy efficiency policies; and increasing incentives in the private sector and households.

- **Utilization of mineral resources** - it is important to establish a strategic mining development approach based on market mechanisms and partnerships. Work will be done on the new lignite mine to ensure a secure supply of lignite to existing capacities. The necessary analyzes to complete the feasibility study will be completed, including the assessment of the assets and responsibilities / liabilities of Trepça and other mines in Kosovo, as well as the valorization of mineral reserves through local and international expertise. Further increase of Trepça business / industrial production will be done based on the most reasonable economic, technological, social and environmental alternative.

Balanced regional development

- We will work towards the concept of balanced regional development, focusing on capacity building of municipalities that have economic potential to ensure economic and social convergence. It is necessary to take measures to increase competition between different development regions / areas of Kosovo, in order to achieve higher levels of productivity, employment, welfare and equity. The main priorities will focus on developing instruments to foster greater competition between regions and addressing regional inequality in terms of socio-economic development.

Support for industry and business

- **Agriculture and rural development** - Government policies in the agriculture and rural development sector will focus on supporting the agricultural sector, starting with production, primary, storage, processing and marketing as final products. The orientation of the government will be for the agricultural development policies to be aligned with the EU Common Agricultural Policies.

The government will provide farmers and agribusinesses with investment opportunities through grant and subsidy schemes by increasing the fund for subsidies and grants for crops with export potential. Measures will be taken to make agricultural insurance operational as soon as possible to avoid unexpected losses for farmers. Conservation of agricultural land will be followed by rigorous implementation of legal infrastructure and incentive measures for producers so that they see the interest in preserving arable land.

- **Agricultural infrastructure** - will be invested intensively in agricultural land irrigation systems. Using the agricultural land registration data, it will be possible to accurately plan the layout of the irrigation network and use it in the most efficient way. In this regard, work will be done on the functioning (rehabilitation) of existing irrigation canals and the expansion of two main irrigation systems: Iber-Lepenc to cover the irrigation system of fields in the Kosovo Plain, and Radoniq to cover the irrigation system. irrigation of fields in the Dukagjini Plain.
- **Food safety**- A functional system of food safety and consumer protection in line with EU standards will be strengthened with high priority. For this purpose, appropriate measures based

on the concept "From farm to fork" will be implemented, ensuring the effective and safe operation of the production and marketing chain.

- **Industrial policies and private sector development** - The government will facilitate doing business and strengthen the private sector as an employment generator; The advancement of industrial policies in general and the provision of quality infrastructure, the raising of production standards as well as the strengthening of industrial property rights will be supported.
- **Tourism development** - Priority will be given to projects for the improvement of infrastructure (road infrastructure, regulation of river beds and tourist paths) that enable the development of tourism, and the rivalry of tourism potential through public-private partnership, based on international standards.
- **Encouragement, promotion and support of foreign investments** - will be addressed by eliminating barriers to foreign investment; improving the legal framework; Capacities will be developed to promote and support strategic and foreign investors, especially those with an export orientation. A special package to promote diaspora investment will be developed.
- **Trade policies** - Within these policies, the priorities are the commitment of the implementation of obligations in the framework of regional cooperation, improvement of legislation, improvement of product quality, consumer protection, and intellectual property, as well as relevant areas resulting in increased production, improvement of Kosovo's trade balance, innovation and economic development in general. Priority will also be given to the development of procedures for membership in regional and international organizations, the negotiation of trade agreements with regional countries and other countries.

Research, development and innovation

- The Government of Kosovo aims to improve the environment for research and innovation as well as scientific innovation in terms of economic development of the country is one of our priorities in this area. We aim to do this by providing sustainable funding for research activities through the establishment of the Science Fund, then the establishment of the National Science Council and the Innovation Council and the drafting of the National Science Program. We also aim to integrate Kosovo into the European Research Area (REA) and obtain Horizon Europe associate status and membership in the European Innovation Scoreboard; creation of a special fund for co-financing of research projects and preparation of international scientific cooperation projects.

Labor market and employment

- The government aims to address the effects on the labor market and employment, caused by the COVID-19 pandemic, by designing a job return scheme for those who have lost their jobs.

Lending to businesses and households will also be supported, as well as support to businesses investing in training and capacity building of employees.

- Also, the Government will also focus on improving workers' rights and guaranteeing minimum standards for safety and health at work; continuous training in vocational schools for professions required in the labor market; promotion of internships in the private sector as a form of professional and practical training of interns, as well as subsidizing salaries for internships; grant support for start-up businesses for young entrepreneurs; modernization of the infrastructure of vocational training centers.

1.3.6. Environment

Kosovo needs remediation and improvement of the state of the environment. The government will focus its policies on advancing the preservation and protection of the environment, advancing water management and improving infrastructure, and developing policies to advance spatial planning, improve waste and water management, and sustainable use of water. natural resources, biodiversity protection and natural landscapes.

- **Advancing the preservation and protection of the environment** to ensure this The Government of Kosovo will do reviewing and implementing policies to improve air quality; biodiversity conservation; protection and sustainable development of the environment All these policies should be addressed horizontally in other sectors to ensure the green transition, according to the green agreement of the European Union (green deal).
- **Advancing water management and building infrastructure** - The main challenges in water management will be addressed, including the state approach in terms of water accumulation, new hydrosystems, and protective infrastructure along rivers. Drinking water will be a priority and the objective will be to involve the entire population in the supply of drinking water. In terms of wastewater, plants will be built in some municipalities of the country and the accumulation lakes used for drinking water will be protected. Agricultural land irrigation systems will be expanded, expanding the two main systems, Iber-Lepenc and Radoniq, as well as the design and construction of new irrigation systems using a large part of rivers.
- **Protection and valorization of forest resources** - For environmental, productive and other purposes, priority will be given to protection from degradation of forest resources and afforestation of new areas; will be intervened with afforestation programs of new areas, as an urgent need. Existing legislation that will enable rational use of forests will be reviewed, in addition to the continuous afforestation of new areas.
- **Development of policies for the advancement of spatial planning** -regarding the development and advancement of spatial planning, the Government plans the drafting of the spatial plan of Kosovo and the Zonal Map of Kosovo; review of the Spatial Plan of the Sharri National Park; Spatial Plan of the National Park "Cursed Mountains"; as well as the functioning and advancement of the SPAK system for the needs of MESP.

1.3.7. Global Health

The Government's focus will be on fighting and managing the pandemic. This will be done by vaccinating the population and bringing the pandemic under control. We aim to vaccinate 70% of the population according to the State Plan for vaccination against COVID-19; we will increase hospital and human capacities; we will establish and operate the COVID-19 electronic surveillance system, as well as provide and provide mental health services to those affected by COVID. In addition, the Government's health reforms and priorities will focus on:

- Reorganizing the health sector and preserving the health of the population - through improving the quality of health services, with a focus on vulnerable groups in society; amending the legal framework; the functioning of palliative care as well as the strengthening of inspection and monitoring capacities; extension and functioning of the unique and integrated health information system; increasing HR in health and improving medical infrastructure and equipment as well as developing evidence-based health policies; advancing the concept of family medicine, networking Kosovar doctors in the diaspora and liaising with organizations and chambers of health professionals; strengthening capacities to fight communicable, non-communicable diseases and rare diseases;

Ensuring sustainable health funding - this priority aims to reform the financing of the health sector through functionalization of the Health Insurance Fund through the Health Insurance Scheme) by amending the Law on Health Insurance and starting with the collection of premiums.

1.3.7. Youth, culture and sports

As part of its medium-term policies, the Government will continue to support the development and promotion of culture, youth and sports. The priorities for this medium-term period are:

- In the field of youth, the legal framework will be completed in accordance with the policies of the European Union; drafting and implementing the Youth Strategy and Action Plan; increase the active involvement of young people in the labor market through non-formal education, active policies, the provision of employment services, and facilitating access to finance for entrepreneurship, as well as public decision-making at central and local levels, by strengthening councils of youth action and functioning of the Central Council; promotion of volunteer work; access to information on the rights, freedoms and opportunities of young people in Kosovo and the Diaspora; creating opportunities that strengthen the cooperation of young people in Kosovo with young people in the Diaspora; increase the number of programs dedicated to young people in marginalized groups focusing on young women,
- In the field of culture we will make efficient management of cultural heritage through the revision of the Legal framework (primary and secondary) for the protection and management of cultural heritage in accordance with European Conventions and International Charters; functionalization of mechanisms for systematic management and monitoring of the condition of cultural heritage monuments; regulating the status of permanent protection for all categories of cultural heritage as well as improving the physical condition of endangered cultural heritage monuments and their functioning; Promoting spiritual heritage; capacity building in the field of culture and art as well as awareness raising in the field of cultural and natural heritage.
- Regarding sports, we will undertake the consolidation of national policies for sports and the completion of the legal sports framework in harmonization with the standards of

intergovernmental organizations and world sports organizations; implementation of the principles of good governance as well as human capacity building and staff with professional knowledge; development of sports medicine; strengthening physical education as an integral part of the education system through school sports and university sports (in coordination with MEST); active involvement of the community in recreational and health sports activities; the development of elite sports and the increase of culminating sports results in the international arena;

1.3.8. Education and science

The government in the next three years, in addition to the measures envisaged to address the effects caused by the COVID-19 Pandemic, will focus on increasing the quality of education at all levels as well as linking the skills acquired in the education system with the needs of the market. of work. A greater role will also be devoted to science by strengthening the relevant mechanisms and policy framework. The Government's priorities for education for the next three years will focus as follows on:

- Early childhood education - increase the inclusion of children in preschool education aged 0-5 years by expanding the network of institutions in pre-primary and preschool education by building new kindergartens and adapting existing spaces to the needs of this level of education, providing conditions preferential payment or exemption for families in need; and reviewing early childhood education standards.
- Better management and quality of teaching in primary and secondary education - aims to achieve through: building an effective system for school management, quality assurance in pre-university education institutions, by increasing the capacity of the Education Inspectorate and external evaluations as well as strengthening the role of quality coordinators; reviewing the roles of MEST subordinate agencies and restructuring the ministry; advancing policies and legislation in the field of education; creating safe and child-friendly environments in schools by improving hygienic-sanitary conditions and building a system for identifying and preventing violence and responding to violence in schools; providing opportunities for teacher professional development, including VET, and establishing an effective teacher licensing system; full implementation of competency-based curriculum; effective work with students with special needs; increasing the reliability of national test results and using them for policy making; increase cooperation with the Ministry of Education of the Republic of Albania and subordinate institutions in terms of harmonization of pre-university education curricula and exchange of experiences and educational materials; greater adult participation in lifelong learning; review of the methodology and formula of financing pre-university education as well as decision-making in data-based education by advancing the EMIS; data digitization,
- Harmonization of vocational education and training with the demands of the labor market through the interconnection of curricula with the labor market; functionalization and capacity building of KAAPARr; finalizing the core curriculum for VET and providing training for teaching staff for its implementation; review of VET curricula and development of NQF / EQF level 5 programs; development of professional standards as well as a one-year master program

for VET teachers; adequate conditions for the development of practical work by providing on-the-job learning, equipping schools with workshops and the necessary tools for practical work; developing and implementing a model of career guidance and counseling in VET as well as conducting tracer studies at national and school level.

- Better quality and management in higher education - this is intended to be achieved by improving the quality of higher education by adapting programs to the demands of the labor market and profiling of public institutions of higher education; the engagement of academic staff from the Diaspora; providing access to contemporary literature; improving the academic infrastructure and applying the highest quality assurance standards according to ESG; review of the financing system of public institutions; increase integrity and transparency through the application of anti-plagiarism control and the publication of data and documents of HEIs; improving conditions for students; professional practice in public and private institutions;

1.3.9. Social protection

The Government considers that the state of general social welfare and inter-social solidarity, built on the principles of social dialogue between the main participants and on the basis of the free market, will be the basic principle of the construction and implementation of the Government's social policies. .

Through reviewing the existing legal framework, restructuring existing schemes and introducing new ones, the Government aims to fight poverty and improve social welfare. This will also be done, by improving the data on social schemes, aiming at creating an integrated information system, social register and digitization of data on social and pension schemes.

The COVID-19 pandemic has highlighted the importance of health in particular and the impact it can have on socio-economic development. Therefore, it is necessary to continue investing in health, to ensure effective policies for social protection, poverty reduction and various forms of income discrimination.

PART TWO

2. MACRO-FISCAL FRAMEWORK

The Medium Term Expenditure Framework 2022-2024 is built on a macroeconomic scenario projects a recovery of economic growth in 2021 in the country from the crisis created by the COVID-19 pandemic, to be followed by a normalization trend towards historical levels in the next two years.

Economic growth relies on a combination of domestic and foreign demand growth. However, there are many uncertainties and downward risks over the medium term, which are mostly related to the duration and magnitude of the current pandemic situation, the dynamics of vaccination in Kosovo and other countries, and the measures or policies undertaken by the relevant authorities to combat this situation and dynamics.

The Government of the Republic of Kosovo is continuously oriented towards macro - fiscal stability, and in the medium term it is projected that the deficit level will return within the fiscal rules. It is worth noting, however, that the crisis caused by COVID-19 has made it necessary to temporarily change the fiscal rules in order to overcome this crisis. According to the Government Decision, no. 03/02, dated 05.06.2020, has approved the request for temporary overcoming the budget deficit ceiling up to 6.5 percent of GDP and lowering the useful banking balance ceiling up to 3 percent of GDP, due to the deterioration of macro-fiscal parameters from the global situation with COVID-19 pandemic.

In this context, the Government's medium-term fiscal targets aim to address the crisis created by the COVID-19 pandemic and the recovery of the economy after the pandemic.

2.1. MACROECONOMIC FRAMEWORK

2.1.1 External economic environment

It has been more than a year since the economic crisis caused by the COVID-19 pandemic began. Because this global crisis, unlike the global financial crisis of 2008, has had and continues to have a significant impact on our economy, the external economic environment during this period deserves more detailed attention and analysis as there are several channels through which the effects of the crisis from abroad can be transferred to our country, such as: trade, remittances, foreign direct investment and eventually the financial sector.

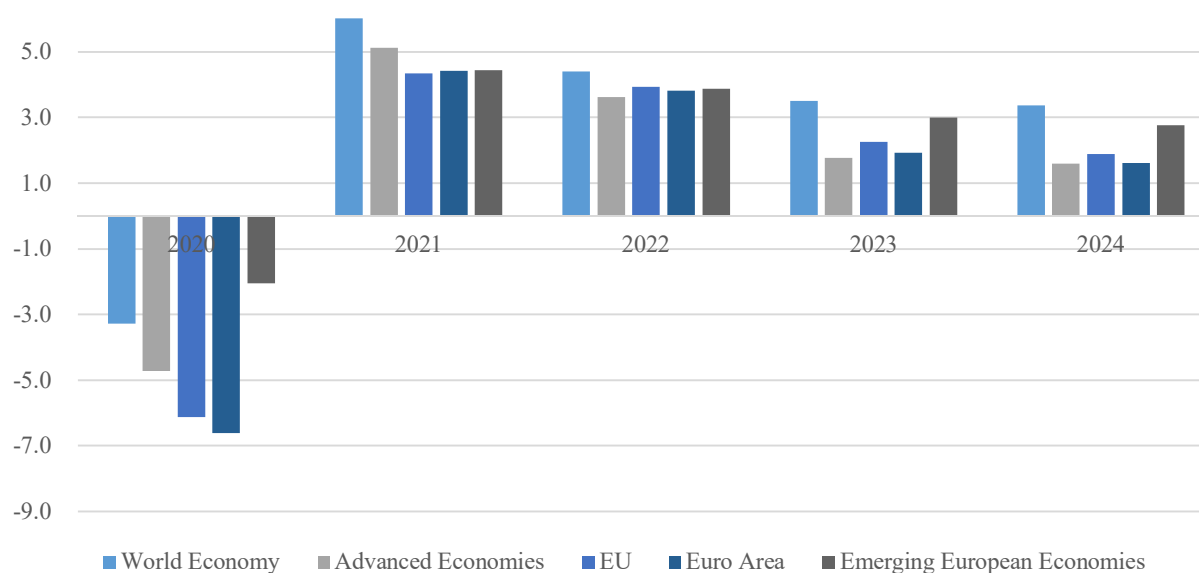
Uncertainty and ambiguity continue to be part of the global economy, but recently have shifted to another level - while until now there was ambiguity about how long the lockdown could last and to what extent the economic crisis would affect, there is now more uncertainty about the recovery: respectively, how fast and at what level the recovery will be.

However, the latest signals globally are positive. These positive signals come as a result of the introduction of the vaccine and vaccination, as well as the effect of some fiscal packages

(especially from the US). This means that the recovery will be faster than originally expected. To better illustrate the expectations about recovery, it is worth mentioning the real global growth figures from the onset of the pandemic to the present. In April 2020 (always according to WEO publications) global growth during 2021 was expected to reach 5.8 percent.¹ From the October 2020 publication, this figure dropped to 5.2 percent. As of now, according to the April 2021 publication, after the above-mentioned positive signals, this figure is 6.0 percent - the highest of all publications. In the medium term (2022-2024) - the average global growth is expected to average 3.8 percent.

Economic growth during this period in the EU will be on average 2.7 percent. Whereas the group of emerging and developing European countries is expected to have an average economic growth of 3.2 percent, during the same period. As mentioned earlier - the economic crisis caused by COVID-19 has also affected the potential GDP decline, and now the IMF recommends more comprehensive economic policies, which aim at sustainable development without degrading the environment in order to recover and to increase potential GDP.

Figure 1 Economic growth in other countries (y-o-y)



Inflation, based on the projections published in the WEO of April 2021, in developed economies it is expected to be 1.6 percent during 2021 and on average 1.8 percent over the medium term. On the other hand, in developing economies, inflation of 4.9 percent in 2021 is expected to fall to an average of 4.1 over the medium term. While, in the European Union, during 2021 and during the medium term, an average inflation of 1.6 percent is expected.

Prices in general have had a downward trend during 2020. The price index of all commodities fell by 6.2 percent (y-o-y) during 2020. The price of oil has fallen sharply, by 29.4 percent (y-o-y)

¹Publication of the World Economic Outlook - April 2021; available at: <https://www.imf.org/en/Publications/WEO/Issues/2021/03/23/world-economic-outlook-april-2021>

during 2020. While, food and beverage prices have increased by 3.7 percent (y-o-y) during 2020. Finally, regarding nickel², its price during 2020 has increased by 2.3 percent compared to 2019.³ Whereas, in terms of price forecast over the medium term - is expected to have an upward trend in energy prices and base metals; while, commodity prices (excluding energy) are expected to decline (food, beverages, etc.).

Table 1 Prices in international markets⁴

Forecast of commodity price index (2010 = 100) - in real terms (USD)	2020	2021	2022	2023	2024
Energy	51.6	55.6	61.2	62.7	64.2
Basic goods without energy	83.4	83.5	83.3	83.1	82.9
Food	90.9	90.7	90.6	90.3	90.1
Base metals	79.2	80.3	80.5	80.7	80.8

As mentioned above, some channels through which the effects of the crisis can be transmitted from abroad to our country are: trade, remittances, foreign direct investment and eventually the financial sector.

So far there is no signal that the *global financial sector* has suffered any shocks that can be transmitted to our country. Our financial sector also remains solid after a pandemic year.

As for the other channels - the positive signals mentioned above affect the potential negative effects, which may pass through these channels in our country to be more mitigated. However, it should be noted that it often happens that the negative or positive effects of **the remittance channel** are carried over to the following year of the economic crisis (2021 in our case), although during 2020 remittances to Kosovo increased.

Trade, given that after the start of vaccination all over the world, it is unlikely to worsen, since the disruption of supply that occurred during the year left behind (2020), is unlikely to be repeated because no further closures are foreseen (of the level that have occurred over the past year).

Finally, in terms of **foreign investment** - it is known that investments as a macroeconomic variable are the most difficult to predict - as they often depend on other indicators, which are difficult to quantify (such as: market sentiment, discretion of investors, etc.). Consequently, this channel may have uncertainties during 2021 and possibly even in the medium term.

2.1.2. Recent Economic Developments in Kosovo

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.

² More than 35% of Kosovo's exports are within the economic category of 'Base metals and articles thereof' - a category which is dominated by nickel exports.

³IMF Commodity Price Database; found at: <https://www.imf.org/en/Research/commodity-prices>

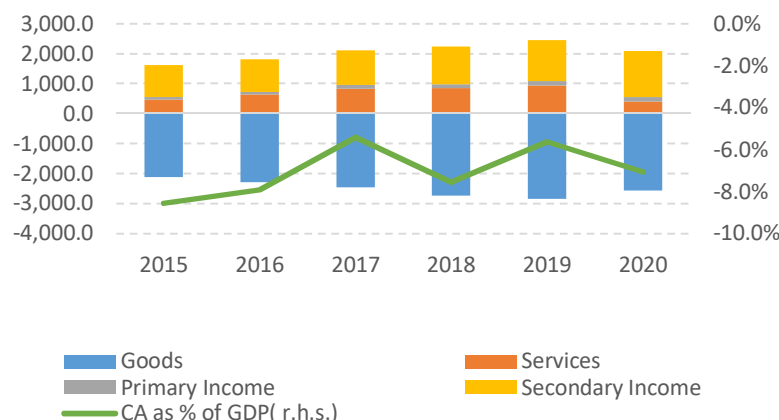
⁴World Bank Publication - Commodity Markets Outlook (October 2020); found at: <https://openknowledge.worldbank.org/bitstream/handle/10986/34621/CMO-October-2020.pdf>

According to preliminary data for 2020, **consumption** is estimated to have had a positive contribution to economic activity of 6.7pp, marking an increase of 6.5% in real terms compared to last year, this increase comes as a result of increased private consumption by 7.2% and public consumption with 2.3%. The most accelerated growth in private consumption 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 law, is estimated to have contributed to the growth of private consumption. On the other hand, the increase in public consumption is attributed to government spending under the fiscal emergency package and the law on economic recovery. **Investments** during 2020 have decreased by 18.8% (y-o-y), having a negative contribution of 5.7 pp. This decline is mainly due to the uncertainties created due to restrictive measures caused by the situation created by the COVID-19 pandemic, but also due to the political situation in the country. These factors played a key role in reducing total investment, especially private investment.

Net exports during 2020, marked an annual increase of 17.6%, while in economic activity they had a negative contribution of 4.7 pp

Inflation measured by annual changes in the consumer price index, increased on average by 0.2% in 2020, 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 during this year came from the category "Health", "Communication" and "Food and Non-alcoholic Beverages", while the category "Transport" (especially transport services) has had a significant negative contribution to inflation being consistent with the developments of the oil price in the international markets during this period and the decline of the economic activity.

Figure 2 Current Account Balance



The current account balance during 2020 is estimated to be -7.1% of GDP⁵, while the trade deficit of goods and services about 32.0% of GDP. Both of these indicators represent a deterioration compared to last year. Exports of goods and services marked an annual decline of 29.5%. Compared to the previous year, exports of goods were 21.4% higher, while exports of services

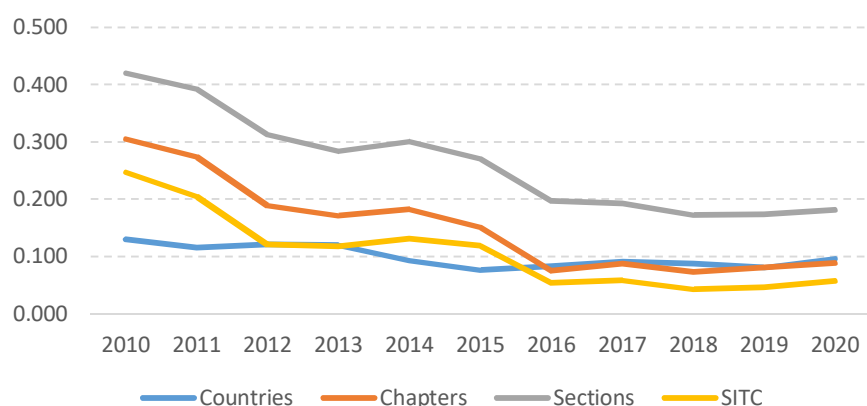
decreased by 41.4%, with the largest decrease recorded in the travel category (52.5%). Exports of goods to CEFTA countries account for 44.4%, while exports to EU member states account for about 37.6% of all exports. Whereas, from exports to countries other than the EU and CEFTA, the largest share was those to Switzerland with 8.2% and the US with 5.0%.

Diversification of exports⁶ is a good way to ensure the sustainability of exports, thus contributing to improving the country's trade balance. Kosovo's export structure is currently still focused on the export of base metals, which account for 36.6% of all exports of goods. However, as can be seen in Figure 3, the concentration of the export structure is gradually decreasing over time. Important sectors with a steady growth over the last two years are the plastic and rubber sector as well as the prepared food sector, which account for about 12.0% and 9.2% respectively.

⁵ Preliminary value of GDP for 2020, based on quarterly KAS data.

⁶ The Herfindal Hirschman index was used to represent the diversification of exports according to four different dimensions for the export of goods and the export of services.

Figure 3 Export diversification

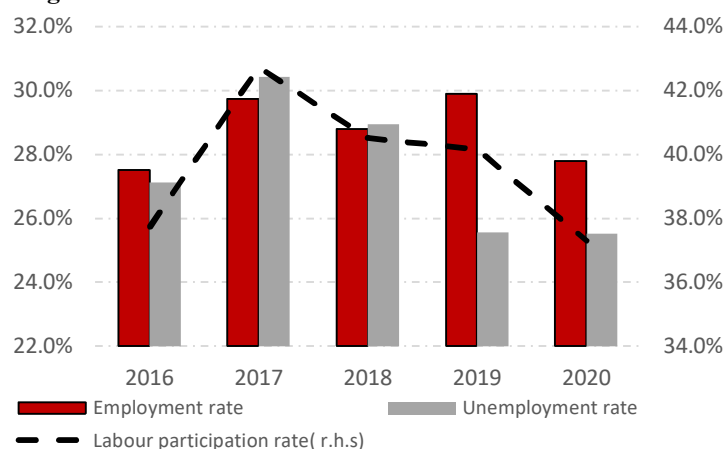


Imports of goods and services marked an annual decline of 6.9%, with imports of goods declining with 3.8% and imports of services declining with 19.9%. Imports of goods from EU countries account for about 46.7% of total

imports, with 27.8% dominated by Germany, followed by Italy with 12.1%. Imports from CEFTA member countries account for about 18.7% of total imports, those from Turkey 12.4% and those from China 9.8%. The balance of goods during 2020 marked an annual decline of 9.4%, while the balance of services during 2020 declined by 57.7%. Despite the significant decline during 2020, travel services continue to dominate with a share of about 63.2% of total exported services and about 34.2% of total imported services

Primary income balance marked an annual increase of 2.3% mainly driven by the category of employee compensation (contribution of 3.3 pp and increase of 2.0%). The secondary income balance had an annual increase of 13.5%. An important role in this increase came from net remittances which increased by 15.4% and had a positive contribution of 9.4 pp.

Figure 4 Labor market



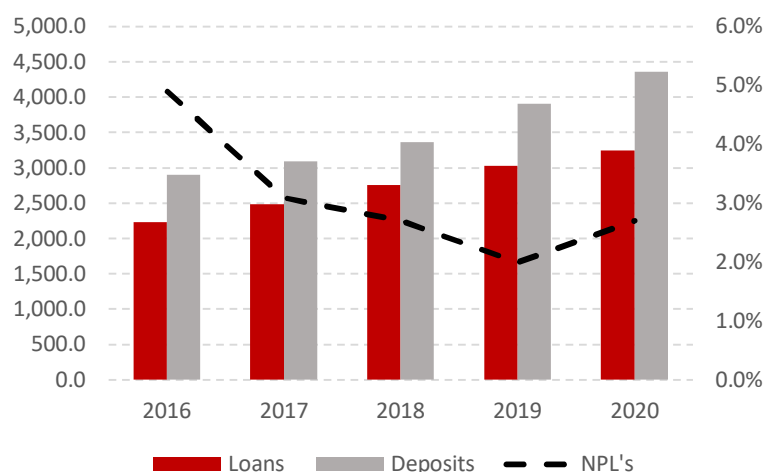
The latest labor market data show that the employment rate during January-September 2020 was 27.8%. The employment rate has deteriorated especially in the second quarter, when it recorded a value of 24.1%, marking a deterioration of 2.1 pp compared to the same period of 2019. The labor force participation rate during this period (January-September 2020) has marked a decrease to 37.3% from 40.2% in the same period of 2019. As

a result, the unemployment rate for this period is 25.5%, maintaining a level almost the same as the same period of last year.

Employment by educational level during the period January-September 2020 has changed. The employment of the uneducated, those with primary education and vocational secondary education

has decreased, while the employment with high school and tertiary education has increased compared to the same period last year. The structure of employment by activities remains almost the same as in previous years, where employment leads in trade, construction, manufacturing and education activities.

Figure 5 Loans, deposits and non-performing loans



The banking sector continues to grow lending. At the end of 2020, the stock of loans reached the value of about 3.246 billion Euros, marking an increase of 7.1% compared to the previous year. Corporate loans increased by 7.2%, while those of households increased by 7.1%. At the end of 2020, total deposits reached the value of about 4.359 billion Euros, thus marking an annual increase of 11.5%, of which corporate deposits increased by 10.9% (y-o-

y), while those of households marked an annual increase of 12.9%. Also, the level of non-performing loans has deteriorated reaching 2.7% at the end of 2020 from 2.0% at the end of 2019. The average interest rate on loans during 2020 was 6.0%, about 0.4 pp lower than in last year. While, the average interest rate on deposits was 1.5%, marking a decrease of 0.1 pp.

Information Box 1. Comparison of initial macroeconomic forecasts in previous MTEFs with current ones

Figure 1 presents the comparison between the forecasts of key macroeconomic indicators presented in previous MTEFs and their current performance during the period 2014-2019⁷ and helps to identify if there is systematic bias (either upwards or downwards) in the projections.

As shown in Figure 1, the projected nominal GDP growth rate for the first two years (2014 and 2015) is higher than the actual data mainly due to higher growth in consumption, exports and lower growth in imports; while in 2016 this gap narrows considerably with GDP forecasted being very close to the actual values. In 2017, the forecasts for GDP were more conservative by being lower than the actual performance. While in 2018, the projected nominal GDP is higher than the current one, although the gap between the two is narrower than in the past. It is worth noting that the gap between total export projections and inflation is at levels close to zero during 2018.

Year 2019 was characterized by a nominal GDP rate similar to forecast and realization (by about 0.3 percentage points difference), but with significant changes in the components of GDP.

⁷ No comparison is given for 2020 because the quarterly data for this year are preliminary until the publication of annual data by the Kosovo Agency of Statistics (September 2021).

Consumption and investment were projected to increase more than they actually did (with a gap between realization and forecast of around 2.8 pp and 1.2 pp, respectively). As for imports and exports, the projections were significantly more conservative, being lower than the current performance (0.5 pp and 12.1 pp difference, respectively). Exports in 2019 increased significantly above expectations and were mainly driven by exports of services. In terms of inflation, the discrepancy between previous and current forecasts is due to lower (than materialized) expectations on inflationary pressures that the tariff imposed on goods from Serbia and Bosnia & Herzegovina could have, at the time when the initial forecasts for 2019 were realized.

Figure 1. Main macroeconomic variables 2014-2019: Projections for MTEF to realization (actuals)



The figures above present some important issues for the budget forecasting process. Given that nominal GDP is used as a key macroeconomic variable affecting budget revenues, the lower

current values of GDP than those normally projected⁸ have a negative impact on revenue collection for those years compared to forecasts, especially for the categories of personal income taxes and corporate income;

Although the difference (gap) between projected and current consumption has narrowed, it still leads to higher expectations for revenues collected from domestic VAT. Imports, with the exception of 2015, have been underestimated leading to lower forecasts for revenues collected from VAT at the border and from customs duties. However, this is partially offset by the positive effect that such an understatement of imports has on projected GDP and consequently on projections for other budget revenues (excise).

These divergences between projections and current figures of economic variables may have contributed to lower-than-expected revenues. However, the budget balance and bank balance continued to remain within fiscal rules throughout this period, where the budget deficit was less than 2% of GDP and the bank balance was not less than 4.5%⁹ of GDP.

2.1.3. Macroeconomic Perspective 2021-2024

According to previous projections of the Ministry of Finance and other domestic and foreign institutions, 2021 was expected to be the year of recovery, although accompanied by high uncertainty. Currently, due to the time delay in publishing official data, the only data available for 2021 are fiscal data (revenues and expenditures), trade in goods (based on Customs data), inflation and indicators of balance of payments (although the latter are only available for January).

As it also shows table 2, imports of goods during the first quarter of 2021 marked a significant increase, culminating in March, mainly as a result of the base effect in 2020, which reflects the expectations for the recovery of economic activity during this year. The decline in imports is reflected in almost all categories of imported goods. The performance of exports of goods (both in quantity and value) during the first three months of this year has continued to be satisfactory as in the previous year, mainly as a result of increased exports of basic goods, various items produced, textiles and textile articles.

After an upward (but slow) performance in January, the dynamics of budget revenues has accelerated significantly in the two following months, especially in March 2021 as a result of the base effect, given that in March last year there was a total closure of the economy and deferral of tax payments by TAK. Also, during the period January-March 2021, the execution of capital expenditures was higher than in the same period last year, by about 29.5 million Euros more.

⁸ In the Kosovo context, the benefits of meeting direct tax liabilities and domestic VAT may overlap with the effects of macroeconomic variables affecting tax revenues.

⁹ The limit of 4.5% of the bank balance as a percentage of GDP is applied only in those years when funds from the privatization of SOEs have been used.

Inflation fluctuated in negative territory during January (by about -0.2%), to be followed by a positive and upward rate in the two following months (February and March) reflecting the recovery of economic activity and rising prices in international markets.

Table 2 Some Economic Indicators

<i>Indicator, y-o-y, % unless otherwise stated</i>	<i>January '21</i>	<i>February '21</i>	<i>March '21</i>
Import of Goods_Quantity	-8.9%	5.4%	42.5%
Import of Goods_Value	6.8%	14.8%	51.7%
Export of Goods_Quantity	20.0%	11.8%	68.5%
Export of Goods_Value	51.7%	38.0%	104.1%
Total Budget Revenues	1.3%	4.0%	51.5%
Revenues_TAK	-4.6%	0.4%	85.4%
Revenues_Customs	-1.0%	9.2%	36.0%
Capital expenditures (<i>difference mln EUR</i>)	0.8	14.6	14.1
HCPI	-0.2	0.7	1.2

Taking into account the performance of economic activity in 2020 and the performance of the above indicators at the beginning of 2021, according to the latest estimates of the Ministry of Finance, Labor and Transfers, **Kosovo's economy during 2021 is expected to grow by 5.0% in real terms and 6.5% in nominal terms, returning to the similar level recorded before the COVID19 crisis (year 2019)**. However, forecasts are surrounded by high uncertainties. The baseline scenario depends on factors related to public health and other economic factors that in this period are very difficult to predict. First, the dynamics of the pandemic, the need to re-impose (partial) restrictive measures, and developments in the economic activity of sectors that have more physical contact, present uncertainties in the projections for 2021. Second, uncertainties also come from the external sector which may contribute to lower tourism or lower remittances. However, uncertainties surrounding the baseline projections are lower than in the previous round of projections (October 2020), as a result of vaccination dynamics in neighboring and other European countries and expectations for acceleration of vaccination in Kosovo in the coming months.

The main contribution **to economic growth in 2021** comes mainly from total exports, especially services (by about 3.9 percentage points); private investment (by about 2.0 percentage points); to be followed by private consumption (with a total contribution of about 0.76 percentage points). During 2021, a faster dynamics of public investment execution is also expected, with a contribution of about 1.4 percentage points.

Whereas, **in the medium term (2022, 2023 and 2024), real economic growth** will fluctuate around its historical level of 4.2%. It is important to note that the assessment for the medium-term outlook of the economy depends significantly on whether the recovery in 2021 will be slow and partial or vice versa.

Total exports are expected to increase by about 18.2% in real terms in 2021, continuing to remain below the level recorded before the pandemic (2019). Exports of services during 2021 will not be able to fully compensate for the decline that occurred in 2020, due to the continuation of travel restrictions/obstacles in Kosovo and also in neighboring countries, but also due to the fear or reluctance of people to be exposed to the virus. Exports of goods, as in 2020, are expected to

continue double-digit growth during 2021 (of 20% in real terms), mainly as a result of expectations for increased exports in the wood processing, food processing and basic metals industry. Expectations for economic recovery in trading partner countries and the upward trend of prices in international markets (especially the price of nickel) will contribute to higher exports of goods, even in the medium term (8.4% in real terms)

Public investment during 2020 is expected to make a significant contribution to real economic growth, mainly as a result of the base effect in 2020, during which the decline in budget revenues and higher spending to mitigate the immediate impact of the pandemic, significantly limited space for public investment. Even during 2021, this space will continue to be limited due to the continuation of measures taken in the context of economic recovery, but still higher than in the previous year, while in the medium term (2022-2024), public investments are expected to grow at an average real rate of 9%.

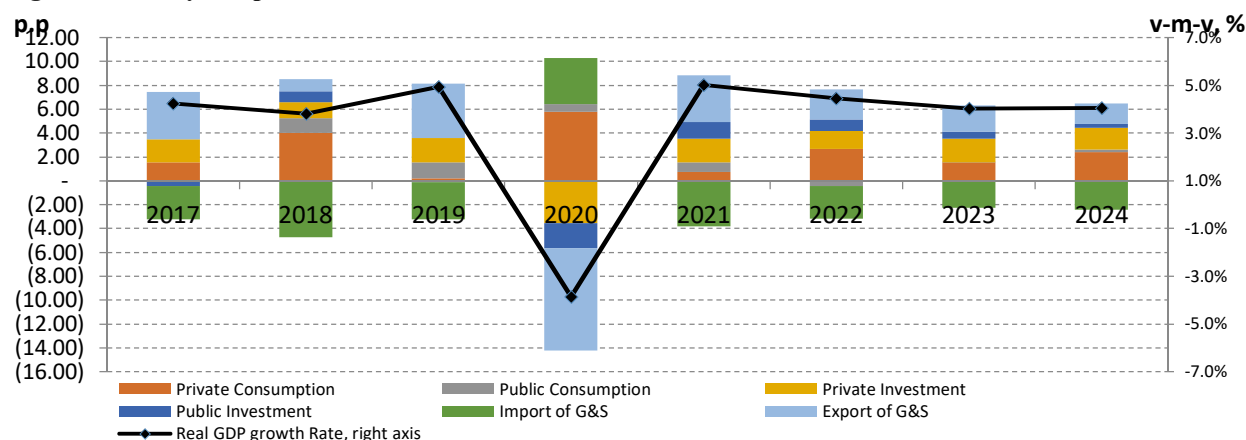
Public consumption in 2021 is expected to have a similar positive contribution as in the previous year, marking a real increase of 4.88%, mainly as a result of additional expenditures for wages and salaries in the management of the negative consequences of the pandemic and measures taken to prevent it and the growth of goods and services in line with the return of public administration activity to normalcy. In the medium term, public consumption is expected to decline in real terms, on average, by 0.4%.

Private consumption is expected to continue its growth even during 2021 – even though at a lower rate than in 2020 - marking a real growth rate of 0.8%, as a result of increased remittances, continued government support in the form of transfers, and reducing the level of uncertainty in the economy, especially at the end of the year when a more accelerated dynamics of vaccination of the population is expected. In the medium term (2020-2024), real private consumption is expected to increase at a rate of 2.56%.

After a drastic decline in 2020, a rebound of **private investments** is expected in 2021 (real growth of about 10.2%) and in the period 2022-2024 (average real growth of about 8.7%), mainly as a result of reduced uncertainty and improvement of business environment not only in Kosovo but in other countries as well.

The Consumer Price Index is expected to fluctuate around the level of 1.9% during 2021, staying significantly higher than the level recorded in 2020 (about 0.2%). These expectations are in line with the recovery of the economy and the return of commodity prices in foreign markets to their historical levels. In the medium term (2022-2024), inflation is expected to fluctuate on average around 1.1%.

Figure 6 GDP by components



2.2. FISCAL FRAMEWORK 2022-2024

2.2.1. GOVERNMENT REVENUES AND EXPENSES

2.2.1.1. Revenues and expenditures in 2021

In 2021, the economic situation and prospects in Kosovo still remain affected by the COVID-19 pandemic. According to the Law on Budget for 2021, estimates from the Ministry of Finance for 2021 show that budget revenues will mark an annual increase of 9.6%, driven by the recovery of economic activity and the low base of last year.

On the other hand, budget expenditures in 2021 are expected to increase by about 9.8% compared to last year. This is as a result of accommodating all costs arising from the Economic Recovery Program (with a total value of 222.4 million euros).

During the first quarter of 2021, there is a significant increase in total revenues compared to last year, by about 14.6% (better than expected). This increase is reflected in all revenue categories, both tax (14.3%, y-o-y) and non-tax (16.4%, y-o-y).

Also, during this period, budget expenditures have marked a significant increase compared to last year, by about 29.6% in total expenditures. A more significant increase was recorded in capital expenditures (about 100% higher) and in the category of subsidies and transfers (over 30%).

It should be noted that the significant increase in the performance of fiscal indicators during this period and especially during the month of March as in revenues as well as expenditures is attributed to the base effect. This is given since in the same month of the last year the government took decisions within general measures in preventing and combating the COVID-19 pandemic which included the postponement of tax and non-tax payments, while in March of this year (2021) a series of measures of the Program were implemented on Economic Recovery.

Information Box 2. Comparison of macroeconomic forecast for MTEF 2022-2024 with other institutions

The following tables present the projections of the real GDP growth rate (if available) among the various institutions¹⁰ for the medium term. Such a comparison enables the judgment whether the macroeconomic projections of the MFPT are in line with those of other institutions (local and international).

As Table 1 shows, all institutions for 2020 have expected a decline in economic activity as a result of measures taken to prevent COVID-19. The Ministry's data for 2020 reflect the preliminary KAS data, while those of other institutions are still forecasts.

All institutions point out that their baseline scenario is surrounded by a high degree of uncertainty and a balance of risks shifted significantly downwards.

Ministry's projections are more optimistic than the average of the evaluations of other institutions, mainly as a result of the time of preparation of these projections. The Ministry of Finance updated its macro-fiscal projections during April 2021, consequently has available data on the performance of all economic indicators for 2020 and some indicators for the first three months of 2021. While the projections of other institutions (except those of the World Bank which were updated in March 2021) were prepared earlier, at a time when national accounts data for 2020 had not yet been published and in the absence of key data for the first quarter of 2021. Also, MFPT expects a higher inflation rate than other institutions.

In terms of nominal GDP, the projections of the Ministry of Finance are higher than those of the International Monetary Fund for 2021 and 2022, while lower in 2023 and 2024.

Table 1: Real GDP growth projections among institutions

Year	2020	2021	2022	2023	2024
MF (April '21)	-3.9%	5.0%	4.5%	4.0%	4.1%
Central Bank of Kosovo	-6.0%	4.3%			
World Bank (January '21)	-6.9%	4.0%	5.5%	4.0%	4.0%
IMF (February '21)	-6.0%	4.5%	4.0%	3.8%	3.9%
EBRD	-5.0%	4.0%			
The average of others	-6.0%	4.2%	4.7%	3.9%	3.9%

Table 2. Nominal GDP projections (in mil euros) among institutions

Year	2020	2021	2022	2023	2024
MoF	6803.5	7243.3	7658.5	8033.3	8458.0
IMF	6,817	7,101	7,606	8,051	8,533

Table 3. Inflation rate projections among institutions

¹⁰The projections of other institutions have been taken from their recent updates and not all of them cover the same forecast horizon. The parentheses in the tables represent the date of the last update for each institution.

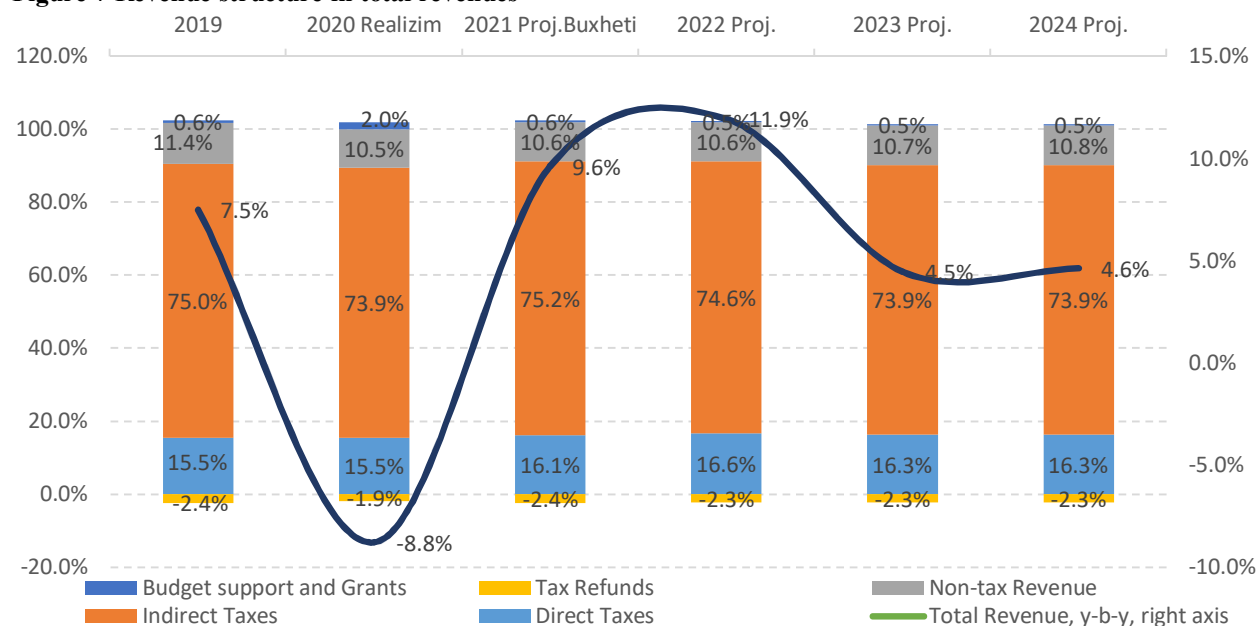
Year	2020	2021	2022	2023	2024
MoF	0.2%	1.9%	1.2%	1.0%	1.0%
World Bank	0.20%	0.70%	1.0%		
IMF	0.2%	0.3%	1.5%	1.7%	1.9%
The average of others	0.5%	1.0%	1%	0.9%	1.0%

2.2.1.2. Revenue projections for the period 2022-2024

Budget revenues for the medium term are expected to stabilize, based on macroeconomic projections. However, it should be noted that there are uncertainties stemming from the situation created by COVID-19, which may affect the change (review) of revenues in the medium term.

Based on current forecasts, **total budget revenues** are expected to increase by 7.0% on average over the medium term. The projected growth is most pronounced in 2022 mainly due to the base effect as well as expectations for continued economic recovery after the pandemic.

Figure 7 Revenue structure in total revenues



Revenues from indirect taxes continue to have the highest share in total revenues and are expected to increase by about 6.4% in the medium term. VAT is expected to increase by an average of 6.2%, driven by increased imports of goods and general consumption. Excise revenues are expected to increase by an average of 6.0% in the medium term, while customs duties are expected to increase by an average of 8.5% in the same period, based on increased imports and reduced negative effect of the SAA.

On the other hand, **direct tax revenues** are expected to increase on average by about 7.6% in the medium term. The most significant growth is in 2022 as a result of the base effect and a potential

recovery of the economy after the contraction in 2020 onwards, caused by the pandemic itself and the measures taken to combat the COVID-19 pandemic.

Non-tax revenues are projected to have an increase of 7.3% in the medium term and are expected to have a percentage of GDP of 2.9% on average over the medium term. The forecast reflects a more dynamic implementation of the payment process related to non-tax revenues.

Information Box 3. Comparison of budget projection and actuals for 2020

Table 1 in Annex 2 enables the comparison of the performance of the main budget items according to their realization, in the budget and MTEF (initial and most recent) for the year 2020.

In terms of expenditures, the main observation is that current expenditures in 2020 presented in the MTEF (2020-2022) have been underestimated due to the unforeseen increase in expenditures under the Emergency Package and Economic Recovery Program, which was necessary to address the crisis caused by COVID-19.

While the current figures for current expenses compared to the revised budget for 2020, were lower, due to an under-expenditure on goods and services and subsidies and transfers, which were reallocated during the year to expenditures under the economic recovery program.

Capital expenditures are below their projections in both the MTEF and the Annual Budget for two main reasons:

- 1) non-execution of the investment clause due to difficulties in the efficient functioning of the implementing units, and the slowdown in economic activity caused by COVID-19 restrictive measures;
- 2) non-execution of capital projects financed from the regular budget due to preventive measures related to the pandemic that for certain periods during the year stopped the activity of many activities.

In 2020, there was a discrepancy between the realized revenues and the revenue projections in both the last MTEF (2020-2022) and the annual budget. The lower revenue performance in 2020 was mainly affected by the crisis caused by the pandemic. All revenue categories were characterized by a consequent under-performance of lower economic activity caused by anti-COVID-19 restrictive measures, which caused many businesses to close at certain periods or operate below their capacity.

2.2.1.3. Expenditure projections for the period 2021-2024

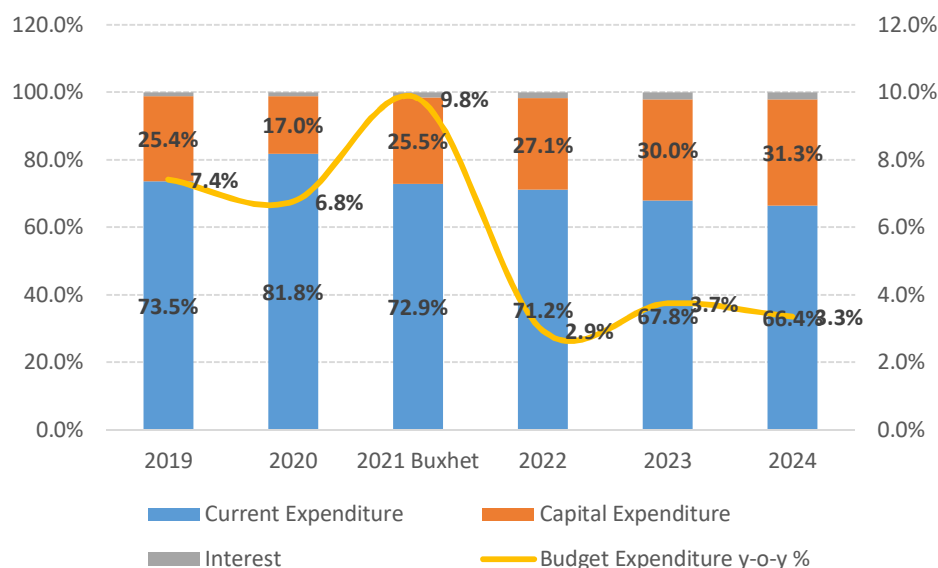
Budget expenditures in the medium term are expected to stabilize after the COVID 19 pandemic and gradually return to historic growth levels. Their performance in the medium term is expected

to be in compliance with the Law on Public Financial Management and to offset the deficit exceeded on the fiscal rule in 2020.

Over the medium term 2022-2024, expenditures are projected to maintain a share of around 32.5% of GDP on average. Of these, current expenditures are expected to be around 22.3% of GDP, while capital expenditures will have a share of 9.6%. Part of the capital expenditures is planned to be financed by external borrowing through the investment clause, which enables the Government to finance projects of public interest and that affect the reduction of development (infrastructural) obstacles of the country.

During the period 2022-2024, it is planned that expenditures increase by 3.3% on average. Graph 8 presents the structure of general government expenditures over the medium-term period which is planned as follows:

Figure 8 Structure of budget expenditures



Current expenditures in the medium term are planned to increase by 0.2%. During 2022 current expenditures are planned to have a slight increase of 0.5% continuing during 2023 with a slight decrease of 1.1% and an increase of 1.2% during 2024.

The category of expenditures for salaries and allowances is planned to increase by an average of about 1.2% over the next medium-term period. During 2022 it is planned to have an increase of 2.6%. Whereas, during the following years 2023 and 2024, a slight increase of 0.5% is planned in this category of expenditures.

The category of goods and services is expected to maintain the same level of spending over the medium term. During 2022 this category of expenditures is planned to increase by 1.8%, continuing with a decrease of 4.7%, and an increase of 3.3% during 2024. However, despite this increase, expenditures on goods and services are expected to average 4.5% of GDP.

Subsidies and transfers are planned to have an average increase of 0.6% during the period 2022-2024. Expenditures in this category are expected to be 9.5% of GDP over the medium term.

Capital expenditures - constitute a significant part of total expenditures and are expected to represent about 29.5% of total expenditures in the medium term. During this period, the implementation of capital projects is expected based on a list of priorities that contains projects that have an impact on improving the transport network, improving the electricity network and improving conditions in education, social system and health. This category of expenditures during 2022 is expected to increase by 9.3% compared to 2021. While in 2023-2024 it is planned to continue the growth trend. Most capital investments over the next medium term are expected to come from regular budget financing, but a large number of projects in various sectors are planned to be financed by external lending through the investment clause (Investment clause box). in the annex).

2.2.2. Budget deficit and fiscal rules

As a result of the increase in current expenditures, as well as maintaining a high share of capital expenditures, the deficit for 2022, in accordance with the provisional fiscal rule of the budget deficit limit, is expected to be 266.6 million EUR, or about 3.5% of GDP projected for this year, while the usable bank balance is expected to be 2.5% of GDP.

While the deficit for 2023 is expected to be 160.6 million EUR, or about 2.0% of GDP, to continue with a downward rate of up to 1.4% during 2024. The usable bank balance is expected to be 2.2% of GDP in 2023 and 2.3% in 2024.

As can be seen, our preliminary estimates suggest a gradual return to the base deficit limit over the medium term. This for two reasons; 1) to fully reflect the impact of measures related to COVID-19 in the coming years, and 2) a gradual return will avoid the negative effects that a rapid return from 6.5% to 2% would have on the country's economy.

2.2.2.1. Level of the state debt, developments and prospects for the coming years

The total state debt at the end of 2020 is 1,487.69 million euros, of which 961.90 million are domestic debt, and 525.80 million are international debt, as presented in the table below. The debt portfolio at the end of 2020 contained two state guarantees in the amount of 31.65¹¹ million euros and there was no municipal debt or municipal guarantees issued.

Table 3 Total Debt

	2016	2017	2018	2019	2020
International Debt	373.77	422.15	416.43	409.10	525.80
Domestic Debt	478.97	574.27	676.62	791.94	961.90
Total Debt	852.74	996.42	1,093.05	1,201.04	1,487.69
State Guarantees	20.00	44.00	43.70	42.68	31.65
Debt as % of GDP	14.38%	16.22%	16.90%	17.51%	21.83%
GDP	6,070.11	6,413.86	6,725.91	7,103.76	6,961.00

¹¹ The amount of guarantees has been reduced as a result of the completion of the first guarantee of 10 mln euros to DIFK, and is continuously reduced as the results of the return from Urban Traffic of the guaranteed loan.

Domestic debt has a share of 64.66% in the total debt portfolio and consists of debt instruments with a maturity of 2 to 10 years. Through securities, the Government of Kosovo has borrowed funds on favorable terms, which have been used for budget support by contributing to the development of the domestic securities market. In addition to emissions from regular planning, during 2020, the MFPT for emergency needs resulting from the COVID-19 pandemic, has issued additional securities in the amount of 50 million euros, with private placement in the Pension Fund, in accordance with the law on public debt. It is projected that by the end of 2021, domestic debt will reach 1,131.90 million euros or 15.81% of GDP.

On the other hand, international debt has a share of 35.34% in the total debt portfolio and consists of inherited debt, loans for budget support from the IMF and the EU and loans for financing specific projects from IDA, EBRD, EIB, BZKE, KfW and other creditors with lower participation. So far the international debt has been mainly concessional where most of the loans are soft loans from international financial institutions. The sectors that have benefited the most from international borrowing are: road infrastructure, water supply, wastewater treatment, education, health and agriculture. During 2020 a significant portion of the debt was contracted to mitigate the effects of the COVID-19 pandemic. Thus, in order to address the emergency and then recovery needs, the Government of Kosovo has entered into a series of financial agreements with IFIs, mainly oriented on health and economy. By the end of 2021, the international debt stock is projected to reach 860.43 million euros, representing about 12.02% of GDP.

The following table reflects the current state of the international debt portfolio including committed-undisbursed debt (meaning debt deriving from financial arrangements that have been ratified by the Assembly but have not begun to be disbursed).

Table 4 International debt including committed and undisbursed debt according, by 31.03.2021

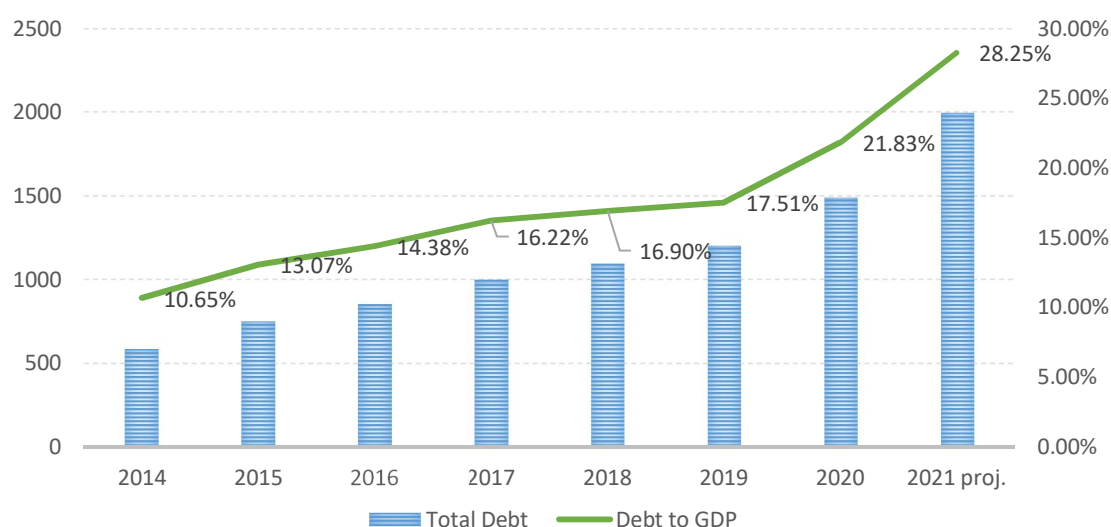
Creditor	Actual Debt Ratified (A)	Disbursed Debt (B)	Undisbursed Debt (C = AB)	Outstanding Debt (D = B-E)	Debt Repayment (E)	Undisbursed Debt as % of GDP	Disbursed Debt (unpaid) % of GDP
IBRD	381.21	381.21	0.00	118.64	262.57	0.00%	1.66%
IMF	339.34	339.34	0.00	97.78	236.39	0.00%	1.37%
IDA	241.64	139.16	102.48	140.19	2.80	1.43%	1.96%
OFID, IsDB, SFD	46.06	19.91	26.15	15.37	4.72	0.37%	0.21%
EBRD	179.90	9.39	170.51	8.29	1.10	2.38%	0.12%
EIB	133.00	7.00	126.00	7.00	0.00	1.76%	0.10%
UniCredit	24.98	21.76	3.23	21.41	0.35	0.05%	0.30%
RBI Austria	5.13	3.89	1.24	3.89	0.00	0.02%	0.05%
CEB	35.00	17.78	17.22	17.78	0.00	0.24%	0.25%
EU	100.00	50.00	50.00	50.00	0.00	0.70%	0.70%
NATIXIS France	66.00	0.00	66.00	0.00	0.00	0.92%	0.00%
KfW	70.93	68.43	2.50	36.41	31.98	0.03%	0.51%

International Debt	1,623.19	1,057.87	565.32	516.75	539.92	7.90%	7.22%
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Note: Current ratified debt means the total amount of all international financial loan agreements, which are ratified by the Assembly of the Republic of Kosovo.

Historically, the total debt level of the Government of Kosovo has been low. But as the chart below shows, in recent years the growth rate has accelerated. This is especially noticeable during 2020 as a result of the emergency funding needs caused by the COVID-19 pandemic. By the end of 2021, total debt is projected to reach 1,992.33 representing 28.25% of GDP. For the medium term, the Government is considering new project-loans whose main purpose is the health-vaccination of the population and assistance to the most affected sectors of the economy. The figure below shows the growth trend of total debt

Figure 9 General Debt Trend and as a percentage of GDP



Due to favorable lending conditions, in the medium term, the Government will continue to orient itself easily towards international borrowing. In this regard, cooperation and communication with international financial institutions will continue, in particular with development ones, to present priority projects for the country's economy and, consequently, to finance these projects through loans with preferential terms.

Financing of the Kosovo budget deficit will always be done in full consistency with the level of deficit presented in the Budget Law as well as the need to finance the bank balance. In any case, the MFPT will ensure that the amount borrowed for the Government needs will be at the lowest possible cost and always within acceptable limits of exposure to market risks. To guarantee sound and strategic debt management, MFPT prepares annually the State Debt Program, which is complementary and in line with the Medium Term Expenditure Framework. Regarding the public debt for the period covered by the MTEF, borrowings for budget support and those for financing specific projects (signed agreements and those pending negotiation) have been taken into account. Furthermore, the scenario of economic and fiscal projections is based on the emission of securities

to finance the deficit. And taking into account the returns for the medium term, a gradual increase of the total debt stock is expected, but the total debt in relation to GDP will remain at acceptable and stable levels.

2.3. MEDIUM-TERM RISKS 2022-2024

The framework presented in the MTEF is followed, as every year, with risks, which may change the macro-fiscal picture, depending on the probability of materialization and the intensity with which those risks are realized. For the sake of careful planning and in the interest of transparency, as part of the Macro Fiscal Framework will be these fiscal risks under consideration, the details of which will be provided below. Compared to last year, the risks continue to be high, mainly due to macroeconomic developments in the country.

The impact of the external environment on external sources of financing, as in the previous year (2020), continues to pose a significant risk during 2021 and in the medium term, although at a lower rate than in 2020. Macroeconomic forecasts on which the macro-fiscal framework for the period 2022-2024 is built, contain high uncertainty and depend greatly on the duration of the period of social distance or other restrictive measures and the development of pandemics in the country, but also in other economies. Realization of these risks would negatively affect the flow of remittances, foreign investment or export dynamics, given that the Eurozone is the main place where most Kosovar emigrants are located; where the vast majority of foreign direct investment comes from, and where a significant part of Kosovo's exports are destined. A decrease in these remittances would be transmitted to lower disposable income, and would contribute to lower private consumption or lower private investment, which would be further reflected in GDP and consequently in lower budget revenues than forecasted in the period 2022-2024.

The domestic environment will continue to generate risks during 2021 onwards (in the medium term 2022-2024), depending on the size and timing of the recovery stimulus implementation to mitigate the impact of the negative consequences of Covid-19, and to maintain supply and demand capacities in the economy. However, the risk in 2021 onwards is expected to be small given that the government recovery stimulus of around 220 million Euros is planned to be executed in the first half of 2021. Also, the likelihood of prolongation of the pandemic situation and for consequently the second closure of the economy are very low, which leads to a decrease in uncertainty, and consequently the negative impact on the decision-making of economic agents to consume and invest is lower than in the previous round of projections.

Risk of contingent liabilities arising from sub-borrowed loans and government guarantees

In Kosovo's public debt portfolio, a potential source of risk relates to guaranteed public sector loans and international loans sub-borrowed from companies providing essential public services. Guaranteed loans at the end of 2020 amount to 31.65 million euros and account for 0.02% of total debt. The portion of the portfolio that may require closer monitoring are the state guarantee on Urban Traffic and the under-borrowed loans to companies that provide public services. Financial

and economic risk analyzes have raised concerns about the poor performance of public companies. A deeper deviation of the financial results of these companies may place a burden on the Government in the medium term both for subsidizing the services they provide and for assuming financial obligations to external creditors.

To limit the impact of risk from contingent liabilities, a number of measures will continue to be implemented, such as: (a) monitoring the financial position of beneficiaries (b) initial assessment of the possibility of materialization of existing contingent liabilities. Depending on the estimates for the alleged losses, the applicable guarantee fees will be determined according to the Law on Public Debt. The inclusion of guarantees in the amount of total debt, in the calculation of the debt limit to GDP, is used as a measure to manage such risk. In the medium term as an additional measure to be taken in order to manage these risks is the inclusion of a position in the Budget Law as a budget allocation for losses from guarantees in case of failure to repay them by the main borrower.

Under-execution of capital expenditures

An increase in public capital spending to address structural barriers is a pillar of the Government's strategy to support an environmentally friendly economic growth environment. In recent years, despite improvements, under-execution of capital expenditures exceeded 5% of total budgeted amounts. For prudent planning purposes, framework 2022-2024 provides for a historical level of under-execution for regular budget-financed capital projects, while for borrowed-financed projects, the assumptions are even more conservative.

However, under-execution of capital projects on the baseline scenario assumptions, especially for borrowing projects, is considered as a potential risk to lower growth forecasts. This is because the execution of capital projects financed by the concession debt, after the signing of financial agreements, still remains challenging for budget organizations, mainly as a result of a hasty decision-making for loans, respectively without ensuring that all preconditions exist, or are make the necessary preparations, studies and detailed analysis (including market analysis), to ensure the immediate start of project implementation after the ratification of loans and that the funds from the loans to be used as efficiently as possible. Another very important factor that can further deteriorate the performance of capital expenditures is the situation created by the COVID-19 pandemic, during which the economic and administrative activities of the parties involved in these projects are reduced to a minimum, adding to the difficulties in execution. of capital expenditures or their postponement to a later time. Other factors are the inadequate harmonization of procurement procedures with those of the creditor at the beginning of the process, the unsatisfactory participation of Line Ministry officials during the credit negotiation process, the lack of consolidation and instability of Project Implementation Units, and lack of capacity for projects.

Pressure to increase transfer spending

As presented in MTEF 2022-2024, the fiscal space exceeds the legal deficit limit of 2 percent according to the government's decision to create space to accommodate policies in the context of fighting the COVID-19 pandemic. According to these projections and under the constraint that the deficit over the allowable level in 2020 should be offset in the coming years, it is clear that the fiscal space to accommodate new social transfer initiatives is quite limited. The increased pressure on the use of public money as redistribution, especially when such redistribution does not target poverty but is given on other criteria, poses a fiscal risk to a fiscal strategy targeting socio-economic development. However, if the pandemic situation continues and the impact on the economy turns out to be significantly more negative than that presented in this version of the MTEF, then a reorganization of expenditures or finding resources will be inevitable. Other funding to accommodate new fiscal initiatives to address the socio-economic consequences of the pandemic.

Fiscal risk from revenue collection

As mentioned in the macroeconomic risks, the new situation created by the COVID-19 pandemic aggravates the process of collection of budget revenues. If before the pandemic the informal economy was one of the main risks for revenue collection, after the pandemic an additional risk is related to the inability of businesses or households that will not be able to pay their debts due to the deteriorating of their financial situation. An important fiscal risk associated with tax revenues is whether taxes receivable can be collected or not. According to the annual financial report for 2020, uncollected receivables amounted to 693 million euros, 479 of which were related to the level of central government and 214 to the level of local government. These 693 million euros of uncollected revenues represent an increase of about 56 million euros compared to the previous year. The average annual growth for the period 2017-2020 reaches 7.1%, with the slowest growth recorded in 2019 (0.7%).

Fiscal Risks from Publicly Owned Enterprises

Overview of the Publicly Owned Enterprises

In the Republic of Kosovo there are two types of Publicly Enterprises (POEs): central and local. Given the fact that the first type of POEs have a direct fiscal impact, and are (in most cases) fully state-owned - the focus of this section is only on central POEs.

There are a total of 19 central level POEs, of which 17 are supervised by the Ministry of Economy; another by the Assembly and another one by the Kosovo Security Force (KSF). As mentioned above, most POEs are fully owned by the state of Kosovo (18 in total), while only Trepça has mixed ownership: 80 percent state-owned, and 20 percent owned by employees. These POEs operate in several different sectors, such as: energy, transport, water supply, telecommunications and the mining sector.

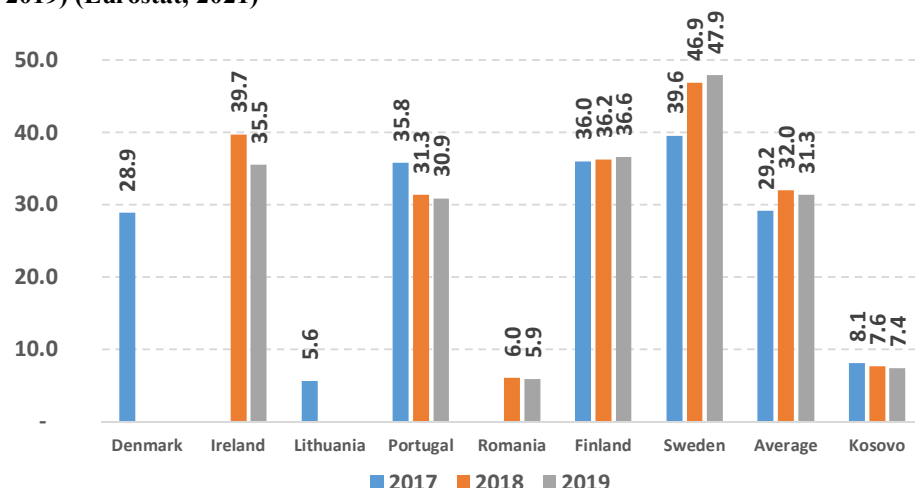
Before proceeding with the analysis and display of data it should be noted that this section is using the data from 2019, because the financial statements of 2020 of POEs have not yet been audited, and therefore the analysis cannot be done thereof. Also, this analysis, in addition to being based

on the POEs financial data (audited statements - received from the Unit for Supervision of Publicly Owned Enterprises in the Ministry of Economy), is also based on three interviews held with representatives of three largest POEs in Kosovo (Chief Financial Officers or Executive Directors). The total assets of POEs fluctuate around the value of 14.3 percent of GDP, on average for the period 2017-2019. While, since the value of their liabilities is significant for fiscal risks, during the same period they have reached the figure of 7.6 percent of GDP. For a better overview of this figure, it is worth comparing this figure with some EU countries (for which comparable data are available), presented in graph 10. From this graph three important issues can be noticed:

The total value of liabilities of POEs in Kosovo, as a ratio to GDP, during this period (2017-2019) has decreased by 0.7 percentage points;

The total value of liabilities of POEs in Kosovo, as a ratio to GDP, is as much as 23 percent of the average value of liabilities in the EU, as a ratio to GDP (according to 2019 calculations); and, while the total value of liabilities of POEs in Europe, as a ratio to GDP, is increasing during this period (from 29.2 percent to 31.3 percent), the opposite is happening in Kosovo (from 8.1 percent to 7.4 percent).

Figure 10 Total value of POE liabilities to GDP: Kosovo vs EU countries (2017-2019) (Eurostat, 2021)



It should also be noted that more than half of POEs manage to generate profit, but as a sector, in total, are at a loss. The main reason for this is the performance of Telecom of Kosovo. If Telecom would be removed from the analysis, the POE

sector as a whole would give better signals, of a profitable and liquid enough sector to cover its costs and liabilities.

Fiscal risk assessment

Given that the state of Kosovo is the full owner of almost all central POEs, it is important to conduct an analysis beyond the financial health of POEs - an analysis that shows the potential fiscal risks to the state of Kosovo in the event that these risks materialize. This analysis should answer questions such as: Are there potential fiscal risks to public finances? What are those fiscal risks? Their source? And, above all: How to mitigate or eliminate these risks altogether?

First, it is important to define the term fiscal risk stemming from Publicly Owned Enterprises. Fiscal risks mean various factors that may deviate realized fiscal figures (revenues, expenditures or debt) from projections. POEs often have a direct impact on the fiscal sector in various situations,

such as: when there is a need for subsidies or additional credit than what is provided in the Law on Budget; or when contingent liabilities materialize (as a result of a lawsuit) among others. POEs also have an indirect impact on the fiscal sector, through the impact of their economic development activities. Three key indicators should be highlighted when problems within a POE can be carried as fiscal risks - (i) high level of liabilities towards equity; (ii) losses (negative profit); and (iii) low liquidity level.

First, six financial indicators were used to perform the analysis at the level of companies (POEs): ratio of operating costs, return on equity, ratio of fulfillment of short-term liabilities with current assets ('current ratio'), days for the fulfillment of accounts receivable, the debt-to-assets ratio, and the debt-to-EBITDA ratio (Earnings Before Interest, Taxes, Depreciation and Amortisation). The reason for selecting these financial indicators is because these six ratios together provide a good overview of the profitability, liquidity and solvency of each POE and the sector as a whole. There are several parameters that have been selected for each indicator in order to provide a better picture of the performance of the POE in the aspect measured by that ratio. It should be noted that based on the need, context, and availability of additional data, this methodology remains open to future changes anyway.

Out of 19 POEs, a total of 16 full financial statements for 2019 have been received - which are also the main database for this chapter. Over half, or 56 percent of POEs during 2019 have been profitable (or 9 out of 16). While out of 7 other POEs - 5 of them have worse financial situation. The total outstanding liabilities of these POEs are worth 1.2 percent of GDP. This poses a fiscal risk that could materialize in the medium term - especially given the current state of the economy which is going through the crisis caused by the COVID-19 pandemic. These 5 POEs, in addition to being characterized by negative profitability, they are also characterized by the problem of collecting payments collected from clients - a fact that indicates liquidity problems for these POEs. Also, another problem of these is the low capitalization in some cases, especially the problems with debt repayment (measured through the Debt/EBITDA ratio¹²).

Given the data presented in the previous paragraph, it is important to take measures to improve the financial situation of these POEs, as well as to mitigate and eliminate the fiscal risks posed by those POEs to the Kosovo budget (in value maximum of 1.2 percent of GDP). Some of these measures will be discussed below.

As for the sector as a whole - despite the fact that most POEs are profitable, the sector according to 2019 data is unprofitable. The last year when this sector as a whole was profitable was 2017. In terms of liquidity - this sector is quite liquid, but most companies have problems with debt collection. While, in terms of capitalization - this sector is generally sufficiently capitalized, but there are significant problems in terms of debt repayment.

It should be borne in mind that the 2020 data will most likely show a worse picture of the sector due to the economic crisis caused by the COVID-19 pandemic. Therefore, it is important to address the above problems in POEs in order to mitigate or completely eliminate fiscal risks.

¹² Earnings Before Interest, Taxes, Depreciation and Amortization or EBITDA for short stands for earnings before interest, taxes, depreciation and amortization.

Actions to mitigate or eliminate fiscal risks by POEs

In order to mitigate or completely eliminate fiscal risks from POEs during the medium term period 2022-2024, below is a list of measures that need to be taken:

Amendment of the Law on Public Enterprises - This law should be amended in order to coordinate corporate governance within POEs in line with international standards. Strengthening corporate governance will improve the financial and operational performance of POEs, and consequently reduce fiscal risks.

Stabilize POEs boards and management - There are some POEs that do not have boards, or have shortages on boards. Also, there are many positions in management in which there are only acting managers. In addition to the fact that stability on boards and management also provides stability in the performance of POEs, these boards and managements can also be held accountable for the performance of POEs when they hold those positions as far as the mandate is concerned. However, this stability can only be fruitful if capable and experienced individuals come to these positions.

Take concrete measures should be taken for about 5 POEs with poor financial results - Given the strategic importance and financial performance of these POEs to decide how to deal with these POEs, and assess the fiscal and economic impact of these actions.

*Costing the quasi-fiscal activities of POEs*¹³ - In order to better measure the performance of POEs and to have more transparency and accuracy in subsidizing POEs it is important costing the quasi-fiscal activities of each POE.

8. Outstanding liabilities

Article 39 of the Law on PFM stipulates that unpaid liabilities are payments that have exceeded the payment deadline of more than 30 days. Unlike last year, the annual financial report of the Budget of the Republic of Kosovo for 2019 includes an annex for outstanding liabilities which include financial commitments, accounts payable and outstanding liabilities, dividing these amounts into two categories according to age: i) less than 30 days; and ii) more than 30 days.

Table 5 presents outstanding liabilities (> 30 days) for four years according to the central and local level. In 2020, there is an increase in total outstanding liabilities, increasing from 79 million Euros in 2018 to 104.3 million Euros in 2020, mainly as a result of the increase in outstanding liabilities at the central level. At this level, most outstanding liabilities (> 30 days) are mostly attributed to the Ministry of Economy and Environment - about 2/3 of all liabilities within this level. At the local level, in 2019, the municipalities of Mitrovica and Gjilan are the two municipalities, which constitute the largest part of outstanding liabilities (> 30 days). The decrease in liabilities at the local level in 2020 is mainly attributed to the slight decrease in outstanding liabilities at this level in general (from Euro 15.7 million to 15. 0 million Euros). In 2020, outstanding liabilities accounted for 5.37% of the current expenditures of budget organizations at the central level (an

¹³Quasi-fiscal activities (FSA) are activities undertaken by POEs to meet certain public policy objectives which at the same time worsen the financial position of POEs. An example of KFA is subsidizing the price of electricity below the price set by the market or by a decision; or subsidizing train or bus lines which the operator, if the state would not subsidize, would not cover because they are not profitable, but their coverage is in line with public policies (neighborhoods or villages far from where there are higher population density).

increase from 4.07% in 2019) and about 2.57% at the local level (a decrease from 3.06% in 2019), which together constitute 4.73% of total budget expenditures (an increase from 3.82% in 2019).

Table 5 Outstanding liabilities

	2017	2018	2019	2020	2020 / Total BO spending
Central Government (mil Eur)	33.83	62.99	63.32	89.33	5.37%
<i>Ministry of Infrastructure</i>	22.6	38.5	15.4	-	0.00%
<i>Ministry of Economy and Environment</i>	-	-	0.0	60.8	28.99%
<i>Health Insurance Fund</i>	4.0	6.0	9.8	6.0	68.47%
<i>Ministry of Culture, Youth and Sports</i>	2.3	3.1	2.5	3.2	12.64%
Local government (mil Eur)	18.8	25.3	15.7	15.0	2.75%
<i>Mitrovica</i>	1.4	2.1	0.8	0.9	3.27%
<i>Gjilan</i>	2.5	7.8	9.8	9.8	36.67%
Total (million euros): Central + Local	52.7	88.3	79.0	104.3	4.73%
Total payments / total budget expenditures%	3.0%	4.50%	3.82%	4.73%	

7. Fiscal risks from court cases

An important indicator of fiscal risks from court cases is the development of annual government payments for court decisions. Table 6 presents payments according to court decisions during the last four years, both at the central and local level. In general, payments for court decisions do not account for more than 1.4% of total budget expenditures, although they show an increasing trend over the years, both locally and centrally. Payments for court decisions at the central level are mainly attributed to the Ministry of Economy and Environment (34.3% of central level payments) and the Ministry of Finance (21.5% of central level payments). At the local level, the municipalities of Prizren, Ferizaj, Prishtina and Mitrovica make up the bulk of these payments. In 2020, payments based on court decisions accounted for 0.93% of the actual expenditures of budget organizations at the central level and about 2.72% at the local level, which together account for 1.37% of total budget expenditures. In order to have a more complete picture of the fiscal risks arising from the costs of court cases, it will be necessary to know how great the costs that could arise from the cases that are pending in court.

Table 6 Payments based on court decisions (million Euros)

	2017	2018	2019	2020	2020 / Total BO spending
Central Government (mil Eur)	5.26	7.59	10.5	15.4	0.93%
<i>Ministry of Finance</i>	<i>1.9%</i>	<i>0.5%</i>	<i>27.5%</i>	<i>21.5%</i>	<i>6.29%</i>
<i>Ministry of Internal Affairs</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>9.4%</i>	<i>0.97%</i>
<i>Ministry of Economy and Environment</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>34.3%</i>	<i>2.52%</i>
<i>University Hospital and Clinical Service of Kosovo</i>	<i>5.0%</i>	<i>4.0%</i>	<i>11.6%</i>	<i>6.8%</i>	<i>0.84%</i>
<i>Ministry of Culture, Youth and Sports</i>	<i>7.2%</i>	<i>13.6%</i>	<i>4.0%</i>	<i>6.8%</i>	<i>4.09%</i>
Local government (mil Eur)	6.29	12.67	15.38	14.78	2.72%
<i>Municipality of Prizren</i>	<i>8.8%</i>	<i>7.7%</i>	<i>4.3%</i>	<i>17.4%</i>	<i>5.75%</i>
<i>Municipality of Mitrovica</i>	<i>8.6%</i>	<i>8.3%</i>	<i>9.7%</i>	<i>12.4%</i>	<i>8.85%</i>
<i>Municipality of Ferizaj</i>	<i>17.3%</i>	<i>22.9%</i>	<i>29.7%</i>	<i>9.4%</i>	<i>3.94%</i>
<i>Municipality of Prishtina</i>	<i>14.1%</i>	<i>5.2%</i>	<i>8.0%</i>	<i>14.1%</i>	<i>2.86%</i>
Total (million euros): Central + Local	11.54	20.26	25.83	30.2	1.37%
Total payments / total budget expenditures,%	0.66%	1.04%	1.25%	1.37%	

Annex 1

Table 1. Statement of Government Revenue and Expenditure						
Description	2019	2020	Budget 2021	2022 Proj.	2023 Proj.	2024 Proj.
In millions of Euros:						
1. Total Revenue	1,888.2	1,722.2	1,887.9	2,113.3	2,207.4	2,309.3
1.1 Tax Revenue	1,662.0	1,507.0	1,677.6	1,879.0	1,940.2	2,029.7
Direct Taxes	292.3	267.2	304.0	351.6	360.5	377.5
<i>Tax on Corporate Income</i>	94.6	85.3	98.0	110.7	112.4	117.5
<i>Tax on Personal Income</i>	165.6	158.0	171.4	195.0	198.2	207.3
<i>Tax on Immovable Property</i>	27.3	22.7	30.0	41.0	44.7	47.3
<i>Other</i>	4.8	1.3	4.6	5.0	5.2	5.5
Indirect Taxes	1,415.3	1,272.7	1,419.2	1,576.8	1,631.4	1,706.3
<i>Value Added Tax:</i>	845.6	770.1	862.2	951.0	985.6	1,032.9
<i>Domestic:</i>	239.2	222.4	246.2	277.3	281.3	291.8
<i>Border:</i>	606.4	547.8	616.0	673.7	704.3	741.2
<i>Customs Duty</i>	130.3	101.6	128.2	148.6	155.1	163.3
<i>Excize</i>	435.5	398.1	425.3	473.9	487.2	506.3
<i>Other indirect</i>	3.8	2.9	3.5	3.4	3.6	3.8
Tax Refunds	-45.5	-33.0	-45.5	-49.4	-51.6	-54.1
1.2 Non-tax revenue	214.6	181.2	199.8	223.8	236.7	249.0
Fees, charges, and other - Central Level	121.4	103.5	114.1	123.2	129.1	136.0
Fees, charges, and other - Local Level	50.0	42.7	48.0	46.9	51.1	52.4
Concessionary fees	11.1	2.7	19.0	20.1	23.1	26.6
Royalties	29.4	29.4	15.7	30.2	30.2	31.2
Interest income (KEC loan)	2.7	3.0	3.0	3.4	3.1	2.8
1.3 Budget support and grants	11.5	34.0	10.5	10.5	10.5	10.5
1.4 DDG - Donor designated grants	8.0	9.0	12.0	12.0	12.0	12.0
2. Total Expenditure	2,093.4	2,234.9	2,454.2	2,526.3	2,621.0	2,708.6
2.1 Recurrent Expenditure	1,538.8	1,827.7	1,789.6	1,797.9	1,777.6	1,798.9
<i>Wages and Salaries</i>	615.9	660.8	639.8	656.7	660.1	663.2
<i>Goods and Services</i>	295.6	299.2	363.9	370.4	352.9	364.6
<i>Subsidies and Transfers</i>	627.3	867.8	753.1	765.0	759.8	766.3
<i>Reccurent reserves</i>	0.0	0.0	32.8	5.8	4.8	4.8
2.2 Capital Expenditure	531.2	379.7	626.1	684.1	787.0	849.0
<i>Regular budget financing</i>	386.8	283.1	403.1	543.8	540.0	573.3
<i>Debt financing through the investment clause</i>	12.5	42.6	195.0	140.4	247.0	275.6
<i>Liquidation proceeds</i>	131.9	54.02	28.0	0.0	0.0	0.0
2.3 Public Debt Interest	23.5	27.5	38.5	44.3	56.4	60.8
2.4 DDG- Donor designated grants	8.0	9.0	12.0	12.0	12.0	12.0
3. Budget Balance (1-2)	-205.3	-512.7	-566.3	-413.0	-413.6	-399.3
4. Expenditure exempted from the fiscal rule:	177.0	149.3	229.0	146.4	253.0	281.6
<i>Expenditure from dedicated PAK revenue/2</i>	1.0	0.7	6.0	6.0	6.0	6.0
<i>Expenditure financed from municipal carried-over OSR</i>	30.7	30.1	0.0	0.0	0.0	0.0
<i>Capital spending from the investment clause and liquidation p.</i>	144.4	118.5	223.0	140.4	247.0	275.6
5. Budget Balance, as per fiscal rule definition (5+6)	-28.2	-363.4	-337.3	-266.6	-160.6	-117.7
A. Financing Need:	-205.3	-512.7	-566.3	-413.0	-413.6	-399.3
B. External Financing	15.6	135.0	344.3	239.8	280.8	283.6
<i>On-budget lending (IMF Drawings)</i>	45.0	102.0	105.0	100.0	60.0	60.0
<i>Regular on-budget project-loans</i>	20.6	67.4	76.0	34.9	9.6	1.7
<i>Investment clause project-loans</i>	12.5	42.6	195.0	140.4	247.0	275.6
<i>POE on-lending receipts (gross)</i>	12.1	11.2	64.2	30.8	24.8	15.6
<i>Principal repayment</i>	74.6	88.2	95.9	66.2	60.5	69.4
C. Internal Financing	194.1	241.3	151.2	136.6	122.6	131.8
<i>Issuance of treasury bills</i>	102.4	170.0	170.0	150.0	130.0	130.0

<i>Rapayment of POE debts</i>	10.9	11.4	11.4	11.4	11.4	11.4
<i>Liquidation/privatization proceeds</i>	86.1	71.5	28.0	0.0	0.0	0.0
<i>One-off finaicing (KPST)</i>	11.6	0.0	0.0	0.0	0.0	0.0
<i>Use of carried-forward municipal OSR</i>	-6.3	-2.8	0.0	0.0	0.0	0.0
<i>Use of dedicated PAK revenue</i>	5.6	2.5	6.0	6.0	6.0	6.0
<i>POE lending outlays</i>	0.0	0.0	0.0	0.0	0.0	0.0
<i>POE on-lending outlays (gross)</i>	12.7	11.2	64.2	30.8	24.8	15.6
	1.6	1.7	1.7	1.6	1.4	1.1
D. Change in usable bank balance:	51.5	-136.5	-71.7	-36.5	-10.2	16.0
E. Stock of Usable Bank Balance	360.9	234.4	226.8	190.3	180.1	196.1
Memo 1:						
Revenues received from TAK	504.3	466.9	520.2	587.9	597.0	622.0
Revenues received from Customs	1,179.6	1,050.4	1,173.0	1,299.5	1,350.1	1,414.5
Inflows and Outflows from DDG-s	8.0		12.0	12.0	12.0	12.0
GDP	7,103.7	6,804.6	7,159.9	7,664.4	8,034.2	8,451.1
Budget deficit (fiscal rule def.) as % of GDP	-0.4%	-5.3%	-4.7%	-3.5%	-2.0%	-1.4%
Available bank balance as % of GDP	5.1%	3.4%	3.2%	2.5%	2.2%	2.3%
Memo 2:						
Stock of Domestic Debt	791.9	961.9	1,132.0	1,281.9	1,411.9	1,541.9
Stock of Foreign Debt (+guarantees)	409.1	525.8	883.2	1,090.4	1,361.4	1,636.4
State guarantees	44.0	31.7	30.6	29.6	28.6	27.6
Total debt as % of GDP(*)	17.5%	22.3%	28.6%	31.3%	34.9%	37.9%

(*) The public debt limit (over 30%) for 2022-2024 will be adjusted by legislation depending on the realization of 2021.

Table 1.1. Financing

Description	2019	2020	Budget 2021	2022 Proj.	2023 Proj.	2024 Proj.
In millions Euro						
Budget Revenues	1888.2	1722.2	1,887.9	2,113.3	2,207.4	2,309.3
Budget Expenditure	2093.4	2234.9	2,454.2	2,526.3	2,621.0	2,708.6
1. FINANCING NEEDS	-205.3	-512.7	-566.3	-413.0	-413.6	-399.3
2. Net external financing	-6.0	135.0	344.3	239.8	280.8	283.6
2.1. Inflows:	45.2	223.2	440.2	306.1	341.4	353.0
IMF	0.0	102.0	105.0	100.0	60.0	60.0
On-lending	12.1	11.2	64.2	30.8	24.8	15.6
Withdrawals from creditors	4.2	3.5	54.5	20.9	15.0	7.0
Receipts from public lending entities	7.9	7.7	9.6	9.9	9.8	8.6
Draft loans	33.1	110.0	271.0	175.3	256.6	277.3
IFI financing as per the investment clause	12.5	42.6	195.0	140.4	247.0	275.6
IFI project-loans	20.6	67.4	76.03	34.90	9.56	1.73
2.2. Outflows:	51.2	88.2	95.9	66.2	60.5	69.4
Debt principal repayments	51.2	88.2	95.9	66.2	60.5	69.4
3. Net domestic financing	262.8	241.3	151.2	136.6	122.6	131.8
3.1. Inflows:	526.4	455.3	377.4	397.1	422.6	297.1
Domestic borrowing: new debt issuance	115.3	170.0	170.0	150.0	130.0	130.0
Refinancing of treasury bills	244.6	200.0	162.0	229.8	275.3	149.8
Loans to POEs (principal)	10.9	11.4	11.4	11.4	11.4	11.4
One-off financing (PAK)	150.0	71.5	28.0	-	-	-
Inflows from designated funds	5.6	2.5	6.0	6.0	6.0	6.0
Inflows from funds (FS2, FS3)	0.0	0.0	-	-	-	-
3.2. Outflows:	263.6	214.0	226.2	260.5	300.0	165.4
Loans to POEs (principal)	-	-	-	-	-	-
On-lending	12.7	11.2	64.2	30.8	24.8	15.6

<i>Outflows from debt service</i>	8.5	3.5	54.5	20.9	15.0	7.0
<i>Outflows from on lending</i>	4.2	7.7	9.6	9.9	9.8	8.6
Outflows from issuance of treasury bills	244.6	200.0	162.0	229.8	275.3	149.8
Outflows from funds (FS2, FS3, increase)	6.3	2.8	-	-	-	-
4. CHANGES IN BANK BALANCE (Undesignated)	51.5	-136.5	-71.7	-36.5	-10.2	16.0
5. END-YEAR NET BANK BALANCE	360.9	234.4	226.8	190.3	180.1	196.1
<i>off which : ELA</i>	46.0	46.0	46.0	46.0	46.0	46.0
6. Designated Funds	97.4	95.6	62.9	95.6	95.6	95.6
<i>Stock of donor designated grants</i>	8.9	9.8	8.0	9.8	9.8	9.8
<i>Stock of carried-over OSR (Central level)</i>	5.7	1.8	5.0	1.8	1.8	1.8
<i>Stock of carried-over OSR (Local level)</i>	49.5	56.0	24.0	56.0	56.0	56.0
<i>The development trust</i>	8.0	8.2	8.0	8.2	8.2	8.2
<i>Designated revenue</i>	0.8	0.1	0.5	0.1	0.1	0.1
<i>Other</i>	17.5	15.9	17.4	15.9	15.9	15.9
<i>PAK*</i>	-	-	-	-	-	-
<i>Unspent funds from borrowing</i>	7.0	3.9	-	3.9	3.9	3.9
7. END-YEAR GROSS BANK BALANCE	458.3	330.0	289.8	285.9	275.7	291.7
8. CHANGE in BANK BALANCE	70.4	-128.3	-71.7	-36.5	-10.2	16.0
Memo						
Stock of Domestic Debt	791.9	961.9	1,132.0	1,281.9	1,411.9	1,541.9
Stock of Foreign Debt	409.1	525.8	883.2	1,090.4	1,361.4	1,636.4
State guarantees	44.0	31.7	30.6	29.6	28.6	27.6
Interest expenditure as % of GDP	0.3%	0.4%	0.5%	0.6%	0.7%	0.7%

Table 2: Main Economic Indicators

	2019	2020	2021 Proj.	2022 Proj.	2023 Proj.	2024 Proj.
Real Growth Rates %						
GDP	4.9%	-3.9%	5.0%	4.5%	4.0%	4.1%
Consumption	1.6%	6.7%	1.4%	2.1%	1.5%	2.7%
Investment	6.5%	-18.8%	13.5%	9.1%	8.9%	7.1%
Exports	17.2%	-29.4%	18.2%	10.4%	8.5%	6.4%
Imports	5.6%	-6.9%	7.1%	4.9%	4.1%	4.4%
Price changes %						
CPI	2.7%	0.2%	1.9%	1.2%	1.0%	1.0%
GDP deflator	0.7%	-0.4%	1.4%	1.3%	0.9%	1.2%
Import prices	1.2%	-2.0%	2.5%	1.6%	1.2%	0.0%
Savings/investment balances (in percent of GDP)						
Net primary income from abroad	2.3%	2.4%	2.3%	2.3%	2.4%	2.4%
Net secondary income from abroad	19.1%	22.6%	23.1%	21.9%	21.0%	20.0%
of which: remittances	12.0%	14.4%	14.9%	14.1%	13.4%	12.7%
Investment	30.0%	25.1%	27.3%	28.6%	30.1%	31.0%
Current account balance	-5.6%	-7.1%	-5.3%	-5.6%	-5.7%	-6.4%
Trade balance	-40.0%	-37.8%	-37.7%	-37.7%	-37.3%	-36.9%
Gross national savings (GNDI- Total Consumption)	24.4%	18.0%	21.9%	23.0%	24.4%	24.7%
Private domestic savings (GDP-Private Consumption)	18.9%	18.7%	19.1%	17.1%	17.7%	17.6%
Main Aggregates mln Eur						

GDP	7,104	6,803	7,243	7,658	8,033	8,458
GNDI	8,618	8,505	9,083	9,512	9,909	10,350
Workers remittances	852	980	1,078	1,078	1,078	1,078
Private disposable income	7,177	7,426	7,707	7,900	8,201	8,533

Tabela 3: Bruto Produkti Vendor nominalë dhe komponentët e tij, në mil Eur

	2019	2020 Proj.	2021 Proj.	2022 Proj.	2023 Proj.	2024 Proj.
<i>Mln eur</i>						
Consumption	6,883	7,279	7,495	7,754	7,948	8,264
Private consumption	5,836	6,151	6,322	6,593	6,780	7,041
Public consumption	1,023	1,096	1,142	1,130	1,137	1,191
General government	881	930	973	958	961	1,011
Donors	142	166	169	173	176	180
NPISH	23	31	31	31	31	32
Investment	2,135	1,706	1,975	2,190	2,418	2,624
Private sector	1,604	1,327	1,497	1,630	1,800	1,968
General government investment	531	380	478	560	618	656
Net exports of goods and services	-1,913	-2,182	-2,226	-2,286	-2,333	-2,430
Exports	2,070	1,469	1,772	1,981	2,172	2,335
Exports of goods	393	475	584	647	718	789
Exports of services	1,676	994	1,188	1,334	1,454	1,546
Imports	3,983	3,651	3,998	4,267	4,504	4,766
Imports of goods	3,234	3,048	3,318	3,534	3,714	3,913
Imports of services	749	602	680	733	790	853
GDP	7,104	6,803	7,243	7,658	8,033	8,458
GNDI	8,618	8,505	9,083	9,512	9,909	10,350
Private sector disposable income (in million euros)	7,177	7,426	7,707	7,900	8,201	8,533
Private consumption to GDP ratio	82%	90%	87%	86%	84%	83%
Private Investment to GDP ratio	23%	20%	21%	21%	22%	23%
Government consumption and investment to GDP ratio	29%	22%	24%	26%	27%	28%
Exports to GDP ratio	56%	54%	55%	56%	56%	56%

Box 1. The Investment Clause

In 2012, as part of the Program with the International Monetary Fund (IMF), the Assembly approved the amendments in LPFMA, including the adoption of the so-called fiscal rule. Among other things, this means a yearly restriction of maximum state borrowing of 2% of Gross Domestic Product (GDP), despite the Government's capacity to obtain more financing for capital projects of public importance.

In the meantime, the Government of Kosovo identified the need for additional space for financing major capital projects and, in 2015, the negotiations for a third IMF programme were launched, which among other things, would allow the relaxation of the fiscal rule. In other words, for major capital projects with strategic importance, the government would be able to enter into debt above the 2% fiscal rule for a period of 10 years, with the main condition to not exceed 30% of total debt of the country. This would provide the Government of Kosovo with additional fiscal space, approximately 1.8% above the 2% fiscal rule. This was known as "the amendment of the investment clause" and it represented the adoption of the necessary legislative changes by the Assembly of Kosovo, in January 2016.

The Government of Kosovo remains committed to include capital projects implemented through the "investment clause" in the budget process on a balanced manner, following that financing of these projects be based on debt sustainability analysis (long-term).

An additional condition foreseen in the investment clause provisions was for the Ministry of Finance to produce twice a year a narrative report for the implementation of the projects under this provision.

It is important to note that the Covid-19 pandemic has had a significant impact on the slow-down of the implementation of projects planned for 2020. Measures taken to manage the effect of the pandemic on public health, have caused a slowdown in economic activity that has been brought about numerous problems for most businesses in the country and the vulnerable groups of our society. To address the economic damage caused by the pandemic, the Government of Kosovo has drafted a Plan for Economic Recovery, parts of each of which will be financed through the Investment Clause.

The pandemic situation has also created the need to provide for additional financing to manage the economic and health situation. Projects that are included in the Investment Clause are briefly described below:

- 1. Kosovo's response to the COVID-19 Pandemic for SMEs** - In order to facilitate access to financing for local businesses, part of the program for economic recovery from the crisis caused by the covid-19 pandemic, is the re-capitalization of the Kosovo Credit Guarantee Fund (KCGF). The total KCGF recapitalization financing is expected to be EUR 40 million through a financing agreement with the European Investment Bank (EIB), expected to be signed in 2021.
- 2. COVID-19 Emergency Response Public Sector Financing Facility** — This project is part of the economic recovery program for the health sector with the Council of Europe Development Bank. The total value of the loan is 35 million euros, while the interest rate is subsidized by the Council of Europe Development Bank (CEB) up to 1 million euros. The financial agreement has been ratified by the Kosovo Assembly and has entered into force. The first disbursement of 17.8 million euro has been executed in 2020, while the rest in April 2021. This agreement is expected to be amended with additional financing of 25 million euros which have been approved by the Bank, the additional loan will be used to finance the purchase of COVID-19 protection vaccines. The agreement is being negotiated and is expected to be signed in May 2021.
- 3. COVID-19 Emergency Project for Kosovo** – this project has been negotiated and ratified in 2020. The main purpose of the project is to support the Kosovo Government in the fight against the COVID-19 pandemic. The main components of the project are related to coverage of social transfer expenditures that have happened in 2020, as well as the medical equipment component. The total amount of the project is 46 million euro, as well as 2 million euro grant from the World Bank. Up to date around 36 million euro have been disbursed, while the procurement of medical equipment is being done by UNOPS. The remaining portion is to be disbursed later in 2021. In June 2021 an additional financing of 15 million euro is expected to be signed with the World Bank for the same project, in order to cover, among other things, the supply of essential medicaments and COVID-19 tests.
- 4. VISP: Vital Infrastructure Emergency Liquidity Loan** - Due to the COVID-19 pandemic, vital infrastructure service providers in the Republic of Kosovo have consistently faced revenue losses. In the absence of liquidity or any additional government support, these enterprises are at

significant risk of financial collapse. In order to avoid this risk, the Government of Kosovo has negotiated this emergency loan agreement to support the vital infrastructure with the European Bank for Reconstruction and Development. The value of the loan is EUR 30,000,000 with a duration of 3 years. The financial agreement has been ratified at the end of 2020. The first disbursement of 10 million euro is expected to happen in the second quarter of 2021, while the remaining portion later in the year as on-lending.

- 5. Financial Sector Strengthening Project** – The implementing institution for this project is the Kosovo Credit Guarantee Fund (KCGF), and the objective of the project is to improve access to finance for micro, small, and medium enterprises by strengthening the financial and technical capacity of KCGF. The financing/legal agreement with IDA/World Bank has been completely disbursed. As a result of the approval of the Law on Economic Recovery, the KCGF can cover more than 50% of the guarantees for specific investments and cover the respective fees for businesses.
- 6. Rehabilitation of the Railway Line 10** - the implementing institution for this project is the Public Enterprise "Infrakos" Prishtina. Initially, the total cost of the project is estimated to be around 194.5 million euros, with the EBRD and the EIB financing half while the European Union the other half of this project. The financial agreements with the EBRD and the EIB have been signed and ratified. In terms of EU contribution, the first and second grant agreements have already been signed and ratified. But, due to changes in the market price in the meantime and the need for additional experts, the total value of the project is expected to be around 255 million EUR. As a high priority project for the EU, parity with international financial institutions (EBRD and EIB) will be maintained to seek additional funding for this project. A grant application will be submitted to WBIF in parallel. Civil works for Phase 1 have started at the beginning of 2019, while for Phase 2 are expected to start in 2021. Detailed design for Phase 3 is expected to start in 2021. The first disbursement from the loans and the donation agreement was realized during 2019, and due to delays in implementation the amendment of the loan agreement with EIB has been signed in November 2020, whereby the loan availability date has been extended until 2022. The agreement is expected to be ratified soon. The additional financing requests have been sent to the same IFI's, with a total value of 50 million EUR.
- 7. Rehabilitation of the Iber-Lepenc** – The amount financed by the loan for this project is 22 million EUR, of which 7 million are direct loans to the Line Ministry and 15 million are sub-loaned to the Public Enterprise "Iber-Lepenci" which is also the implementing institution for this project. The agreement between the Republic of Kosovo and the World Bank was ratified in 2017 and the first disbursement was made in January 2018. By August 2020, 18% of the total loan amount has been disbursed. The Line Ministry is in discussion with the Bank related to a possible restructuring of the project.
- 8. Rehabilitation of regional roads** - the implementing institution for this project is the Ministry of Infrastructure. The Financing Agreement was signed and ratified, and the project is worth 29 million EUR, with EBRD financing. Civil works have commenced in May 2019, and all the contracts are signed. The agreement for an extension of the grant to cover additional consultant services to support the project implementation unit up to the amount of 450,000 EUR has been signed at the end of 2020.

- 9. Implementation of the feasibility study for medical equipment for secondary and tertiary care** - The planned budget for 2020 is 2,000,000 euros, for 2021 is 18,000,000 euros, for 2022 is 33,000,000 euros, the total value of the project is 53,000,000. This project is expected to be financed through loans with the Council of Europe Development Bank and the European Bank for Reconstruction and Development.
- 10. Construction of the Highway N9 Prishtina - Peja (SEETO Route 6 A) segment Kiev - Kline to Zahaq** - the implementing institution for this project is the Ministry of Environment, Spatial Planning and Infrastructure (MESPI). The cost of the project is 193 million EUR. The Loan Agreement with the EBRD was signed in 2017 and with EIB in the second half of 2018. In January 2019 a 1 million EUR agreement was signed between the Republic of Kosovo and the EIB as part of the ERI Initiative for support during implementation. It is expected that during this year we will receive a grant of 100,000 euros from the EBRD for the financing of the road and institutional study. The process for the selection of the works supervisor has been completed and the tender for works has been launched.
- 11. Competitiveness and Export Readiness** - the implementing institution for this project is the Ministry of Industry, Entrepreneurship and Trade (MIET). The project of EUR 14.3 million was signed in 2017, is financed by IDA- World Bank and the first disbursement was made in July 2019. By August 2020, 2% of the total loan amount has been disbursed. The company that shall administer the independent grant scheme has been assigned and the grants are expected to be disbursed to the companies in an optimal timeframe.
- 12. Additional financing for the Agricultural and Rural Development Project** – The implementing organization is MAFRD. The agreement for this project, with a value of 20.8 million EUR was signed between the Republic of Kosovo and the International Development Association- World Bank in 2017. The first disbursement was made in March 2019. By August 2020, 28% of the loan amount has been disbursed, whereas 2.4 million EUR are expected to be disbursed during 2021.
- 13. Wastewater Treatment in Prishtina (Construction of Wastewater Treatment Plant in the Prishtina region)** – MESPI is the implementing institution of this project. The financing of the project is provided through the framework agreement between the Government of the Republic of Kosovo and the Government of the Republic of France, which was ratified during 2017. Based on the agreement, the project is worth 86 million EUR. Implementation started in the second half of 2020, where the design tender has been launched. In parallel, the Ministry of Finance is working to secure the financing from the French Development Agency (AFD) for the Kosovo contribution.
- 14. Construction of Ring Road Prishtina** – the implementing institution for this project is the Municipality of Prishtina. The project is in the feasibility study phase, which is being financed by the European Bank for Reconstruction and Development and has started in September 2020.
- 15. Kosovo Digital Economy (KODE)** – the MIET is the implementing institution for this project. The financial agreement, worth 20.7 million EUR and the legal/financing agreement was signed in 2018 with IDA/World Bank. The first disbursement was made in November 2019 and 7% of the amount has been disbursed so far.

- 16. Construction of Wastewater Treatment Plants in Mitrovica** - Mitrovica Regional Water Company is the implementing institution for this project. The project is being evaluated by the EBRD (as the main financial institution) and the EIB, which will co-finance the project, and will be supported by a grant from the Western Balkans Investment Framework (WBIF).
- 17. Gjilan Wastewater Treatment Development Project** - the Gjilan regional water company is the implementing institution for this project, which has an estimated value of EUR 23 million, to be financed by the EBRD and the EIB. The EUR 10 million financial agreement with the EBRD was signed in May 2020 and ratified in parliament in the end of 2020. The project is expected to start implementation during 2021.
- 18. Wastewater Treatment Project in the Municipality of Podujeva** - the Municipality of Podujeva is the implementing institution of this project. The loan agreement in the amount of 5.35 million euros was signed with UniCredit Bank Austria AG, on behalf of the Government of Austria, in 2018. The first disbursement for the project was made in 2019 and up until the end of 2020, 94% of the amount has been disbursed.
- 19. Construction of Water Supply System in the Municipality of Ferizaj** - The Municipality of Ferizaj is the implementing institution of this project. The loan agreement in the amount of 5.125 million euros was signed in November 2018 with Raiffeisen Bank International, which operates on behalf of the Government of Austria. The first disbursement for this project was made in 2019 and by April 2021, 69% of the amount has been disbursed, while the rest is expected to be disbursed during 2021.
- 20. Construction of Water Supply Scheme in the Municipality of Istog** - Municipality of Istog is the implementing institution for this project, which is financed through a loan in the amount of 5,094 million euros. The financial agreement was signed in November 2018 with UniCredit Bank Austria AG, which acts on behalf of the Government of Austria. The first disbursement for this project was made in 2019 and until August 2020 67% of the loan amount has been disbursed, while the remaining is expected to be disbursed during 2021.
- 21. Wastewater Treatment Project in the Municipality of Shtime** - The Municipality of Shtime is the implementing institution for this project, which is financed through a loan in the amount of 2,385 million euros. The financial agreement was signed in November 2018 with UniCredit Bank Austria AG, which acts on behalf of the Government of Austria. The first disbursement for this project was made in 2019 and until the end of 2020, 72% of the loan amount has been disbursed, while the remaining is expected to be disbursed during 2021.
- 22. Construction of Water Supply System in the Municipality of Gracanica** - The Municipality of Gracanica is the implementing institution for this project, which is financed through a loan in the amount of 5.115 million euros. The financial agreement was signed in November 2018 with UniCredit Bank Austria AG, which acts on behalf of the Government of Austria. The first disbursement for this project was made in 2019 and by the end of 2020, 79% of the loan amount has been disbursed, while the remaining is expected to be disbursed during 2021.
- 23. Real Estate Cadastre and Spatial Infrastructure Project (REGIP)** - the implementing institution for this project is the Kosovo Cadastre Agency. The financial agreement in the amount of 14.6 million euros with IDA was signed in February 2019. The agreement was ratified

in August 2020 and first disbursements are expected to start within 2021. The tender to evaluate and register property is expected to be launched soon.

- 24. The Public Transportation Project, Municipality of Prishtina** – Prishtina’s Public Enterprise ‘Trafiku Urban’ is the implementing institution for this project, which has an estimated total cost of Eur 10 million. The project is financed by EBRD and its implementation started in 2016. After the completion of the project, now the loan is being repaid.
- 25. Environment and Greening the Land Project** – this Project is expected to be financed by the World Bank, respectively the International Development Association at around 18 million EUR. The purpose of the project is to demonstrate the risk-based approach for contaminated land management at selected sites and improve the country’s policy and institutional capacity for managing land contamination.
- 26. Project for the Construction of Besi-Merdare Highway (Peace Highway)** – this project is financed by the European Bank for Reconstruction and Development and the European Investment Bank, with total amount of the project around 200 million euro. The project is part of the Western Balkans Investment Plan drafted by the EU, and up to date it has benefited around 45 million euro of investment and technical assistance grant. The project qualifies for 40% grant support, as such it is expected that Kosovo will apply for an increase in the amount of grant during 2021. The financing agreements are expected to be concluded in 2021.
- 27. Blue Economy for Sustainable Development Project** - this is a new project that will cover the water sector in the country and will be discussed and finalized with the World Bank during 2021.
- 28. Strategic infrastructure project** - this project will be designed in accordance with the strategic priorities of the country and will be financed by a loan with the Hungarian Government.

Annex 2

	Initial MTEF (2018-2020)	Recent MTEF (2020-2022)	Revised Annual budget 2020	ERP 2021-2023	Actuals	Deviations					RECENT MTEF TO ACTUALS	BUDGET TO ACTUALS
						Initial-MTEF: Actuals	Recent MTEF: Actuals		Budget: Actuals			
							%	mln Eur	%	mln Eur		
Total expenditure	2,485	2,466	2,620	2,620	2234.9	-10.1%	-9.4%	-231.06	-15%	-385.06		
of which recurrent	1,417	1,643	1,649	1,649	1540	8.7%	-6.3%	-103.33	-7%	-109.43	At the time of preparation of the MTEF 2020-2022 (April 2019) expectations for 2020 were better and a crisis like the one caused by the COVID-19 pandemic was not foreseen. As a result, in 2020 expenditures underwent significant changes in order to finance the various measures of the fiscal package undertaken by the government. 1) Compared to the last MTEF, in 2020 there was about 19.7 million under-performance in wages and salaries; 2) under performance in goods and services about 67.61 mln was mainly due to a slower government activity due to social distancing measures as well as potential savings in order to finance other fiscal measures under the economic recovery program; 3) under performance in subsidies and transfers about 11 mln;	1) Underperformance in subsidies and transfers was (58.6 mln) 2) Under the performance of goods and services (about 30 mln); mainly as a result of slower activity by the government in times of pandemic restrictions 3) Wages and salaries were about 13.6 million higher 4) Recurrent Expenditures had included in the budget a current reserve of 34.4 million, which was spent in other categories
Economic Recovery Program	0	0	365	365	318			317.66	-13%	-46.94	The Economic Recovery Program was not foreseen at the time the MTEF was prepared (365 million), which included costs of 26.5 million in Wages and Salaries, 13.8 million in Goods and Services, 29.6 million in Capital Expenditures and 247.8 million in Subsidies and Transfers	The Economic Recovery Program had an overperformance of 12.7 million in Wages and Salaries and 63.3 million in Subsidies and Transfers. Under performance was -23.7 million in capital expenditures and -100 million contingency from liquidation funds.

<i>of which capital</i>	1070	794	729.9	729.9	380	-64.5%	-52.2%	-	414.29	-48%	-350.19	1) Non-execution of the investment clause due to obstacles in the implementing units and restrictive measures related to the pandemic (-142.4 mln); 2) Lower regular budget execution due to a slowdown in execution due to restrictive measures caused by the COVID-19 pandemic (-265.9 mln); 3) Lower investments financed through liquidation income (-6 mln)	1) Non-execution of the investment clause due to obstacles in the implementing units and restrictive measures related to the pandemic (-104.9 mln); 2) Lower regular budget execution due to a slowdown in execution due to restrictive measures caused by the COVID-19 pandemic (-114 mln); 3) Lower investments financed through liquidation revenues (-131 mln)
Total revenue	2257	2060	1789	1789	1722	-23.7%	-16.4%	-	337.79	-4%	-66.29	1) Under performance in revenues from PIT and CIT (30 mln) as a result of a lower economic activity caused by anti-COVID-19 restrictive measures, which caused many businesses to close in certain periods or work under their capacity. 2) Under performance of about 10 mln in property tax revenues 3) Underperformance of border VAT and domestic VAT mainly due to lower economic activity, lower imports and lower execution of capital expenditures. (-44.6 million domestic VAT, -127.2 million border VAT) 4) Lower customs duties due to lower imports than foreseen in the MTEF 2020-2022 (-30.4 mln) 5) Lower revenues from excise reflecting the decline in economic activity, restrictive measures that reduced the movement for certain periods (in reducing the demand for fuel), which were characterized by closure or limited activity of the gastronomy sector (decline of imports of cigarettes and alcoholic beverages), etc., (-90 mln) 6) about 21 mln more grants for budget support 7) lower non-tax revenues by 44.8 million (concession tax about 10 million less due to the government decision to postpone payment in 2021), about 23 million Eur less in central government revenues and 7 million less in local government revenues 8) 17 million less tax refunds	1) Under performance in revenues from CIT and PIT (6 mln) as a result of a lower economic activity caused by anti-COVID-19 restrictive measures 2) Under performance of about 6 mln in property tax revenues 3) Underperformance of border VAT and domestic VAT mainly due to lower economic activity, lower imports and lower execution of capital expenditures. (-15.7 mln domestic VAT, -4.6 mln border VAT) 4) Lower customs duties due to lower imports (-4.3 mln) 5) Lower revenues from excise reflecting the decline in economic activity and performance of imports (-24.5mln) 6) about 3 million less grants for budget support 7) lower non-tax revenues by 7.7 million 8) 6.6 million less tax refunds
Primary Balance	-228	-376	-802	-802	-485	112.8%	29.0%	-	109.22	-39%	316.44		

Interest payments	34	29	30	30	28	-19.1%	-5.2%	-1.49	-9%	-2.69		
Overall Balance	-262	-405	-832	-832	-513	95.7%	26.6%	- 107.73	-38%	319.14		

THIRD PART

3. SECTORAL EXPENDITURE FRAMEWORK 2022-2024 AT THE CENTRAL LEVEL

In the following, in the third part, the main objectives will be presented according to the central level sectors. A total of 10 sectors are presented, where each of them presents the financing trend 2020-2021 and budget projections for the next three-year period 2022-2024. Within each sector are also presented the budget organizations according to the respective sectors.

The tables in the third part presents the projections for the years 2022-2024 for the total Kosovo budget, at the central level and by sectors. In regard to budget expenditure projections for the next medium-term period 2022-2024, there are two main elements that budget organizations should consider. First one, is that budget organizations can plan expenditures within the given budget limits, only after covering the obligations, while the free fiscal space can be used for other priorities. The second one, that budget ceilings are affected by the COVID-19 pandemic in macroeconomic circumstances in the country.

Financing trends 2020-2021 and estimations 2022/2024

Kosovo General Budget	Year 2020 Expenditure	Year 2021 Budgeted	Year 2022 Estimated	Year 2023 Estimated	Year 2024 Estimated
Total	2,178,812,824	2,415,736,909	2,526,256,492	2,621,024,855	2,708,581,954
Number of employees	83,352	86,242	86,276	86,276	86,276
Wages and allowances	660,132,653	639,815,696	656,735,449	660,089,256	663,238,982
Goods and services	273,002,524	333,824,667	339,708,699	321,779,916	332,896,380
Utilities	22,051,433	30,110,654	30,642,405	31,155,405	31,665,405
Subsidies and transfers	867,587,695	753,115,438	764,967,466	759,768,290	766,268,290
Capital expenditures	356,038,519	627,416,519	684,130,060	787,048,963	848,957,256
Reserves	-	31,453,934	5,800,000	4,800,000	4,800,000
Interest	-	-	44,272,413	56,383,025	60,755,641
Sources of financing					
Government grants	2,007,541,238	2,037,576,961	2,205,860,649	2,201,929,543	2,260,417,303
Own source revenues	51,088,362	88,892,133	97,295,489	102,423,690	106,464,858
Revenues from PAK	31,506,265	22,000,000	-	-	-
Dedicated revenues	5,223,310	4,274,917	3,749,888	3,914,363	4,128,423
Financing from borrowing	83,453,648	262,992,898	175,078,054	256,374,234	276,815,729
Financing from borrowing - 04	36,668,038	67,994,329	34,701,801	9,340,505	1,200,000
Financing from Investment clause -06	46,785,610	194,998,569	140,376,253	247,033,729	275,615,729
Donor grants *	1,799,420	1,703,760	1,354,377	15,271	-

*Donor grants are not part of total expenditures according to sources of financing

Financing trends 2020-2021 and estimations 2022/2024

Central level budget	Year 2020 Expenditure	Year 2021 Budgeted	Year 2022 Estimated	Year 2023 Estimated	Year 2024 Estimated
Total	1,663,125,256	1,868,935,628	1,958,727,041	2,025,328,177	2,083,840,790
Number of employees	39,003	41,827	41,796	41,796	41,796
Wages and allowances	385,324,283	361,427,271	374,027,667	375,967,935	377,697,054
Goods and services	192,000,543	253,847,833	251,731,865	230,879,916	240,896,380
Utilities	12,067,030	18,296,405	18,542,405	18,655,405	18,665,405
Subsidies and transfers	847,751,157	737,172,853	745,042,631	738,268,290	743,268,290
Capital expenditures	225,982,244	480,391,265	519,310,060	600,373,606	637,758,020
Reserves	-	17,800,000	5,800,000	4,800,000	4,800,000
Interesi			44,272,413	56,383,025	60,755,641
Sources of financing					
Government grants	1,546,898,579	1,576,157,453	1,725,732,854	1,698,768,722	1,732,184,164
Own source revenues	11,008,411	10,892,133	9,893,833	9,887,833	9,956,833
Revenues from PAK	31,506,265	22,000,000	-	-	-
Dedicated revenues	5,223,310	4,274,917	3,749,888	3,914,363	4,128,423
Financing from borrowing	68,488,690	255,611,125	175,078,054	256,374,234	276,815,729
Financing from borrowing - 04	31,857,388	67,994,329	34,701,801	9,340,505	1,200,000
Financing from Investment clause -06	36,631,302	187,616,796	140,376,253	247,033,729	275,615,729
Donor grants *	1,799,420	1,703,760	1,354,377	15,271	-

* Donor grants are not part of total expenditures according to sources of financing

In the following, each sector will be presented separately.

3.1. GENERAL PUBLIC GOVERNANCE

The main goals within this sector are good governance, professional public administration, socio-economic development and advancement of the country's integration processes.

The main objectives during the next three-year period 2022-2024 within this sector are:

- Ensuring new recognitions, strengthening the international subjectivity of the Republic of Kosovo and implementing the criteria in the process of integration into the EU and international institutions;
- Maintaining macro-fiscal sustainability, developing and improving the system of collection and administration of tax and customs revenues and reducing the informal economy;
- Increasing the level of quality of public services;
- Standardization and simplification of administrative procedures and deepening the fight against corruption;
- Advancing the electronic procurement system and raising the quality of public financial management;

- Better linking of strategic document planning and resources;
- Advancing the policy development system;
- Balanced development and increase of inter-municipal and cross-border cooperation, and;
- Food safety and preservation of public health.

The budget organizations comprising the General Public Government Sector are: the Assembly of the Republic of Kosovo, the Office of the President, the Office of the Prime Minister, the Ministry of Finance, Labor and Transfers (excluding budget allocations related to the former MLSW), the Ministry of Local Government Administration, Ministry of Regional Development, Ministry of Foreign Affairs and Diaspora, Public Procurement Regulatory Commission, Anti-Corruption Agency, Procurement Review Body, Election Complaints and Appeals Panel, Public Information and Privacy Agency, National Audit Office, The Central Election Commission, the Independent Oversight Board for the Kosovo Civil Service, the Constitutional Court of Kosovo, and Unforeseen costs.

Financing trends 2020-2021 and estimations 2022/2024

Public Governance	Year 2020 Expenditure	Year 2021 Budgeted	Year 2022 Estimated	Year 2023 Estimated	Year 2024 Estimated
Total	122,218,109	296,002,475	271,867,077	226,846,481	227,698,565
Number of employees	3,786	4,061	4,061	4,061	4,061
Wages and allowances	44,170,147	61,956,522	45,847,276	46,076,512	46,306,894
Goods and services	28,687,046	59,902,468	57,768,603	43,849,171	44,470,873
Utilities	1,095,820	2,079,346	2,175,346	2,080,346	2,080,346
Subsidies and transfers	36,683,045	122,750,000	117,470,400	106,320,000	106,320,000
Capital expenditures	11,582,051	44,514,139	42,805,452	23,720,452	23,720,452
Reserves	-	4,800,000	5,800,000	4,800,000	4,800,000
Sources of financing					
Government grants	99,935,808	274,841,789	251,415,991	226,548,595	227,517,879
Own source revenues	68,850	160,686	180,686	180,686	180,686
Revenues from PAK	703,451	-	-	-	-
Dedicated revenues	-	-	-	-	-
Financing from borrowing	21,510,000	21,000,000	20,270,400	117,200	-
Financing from borrowing - 04	100,000	-	270,400	117,200	-
Financing from Investment clause -06	21,410,000	21,000,000	20,000,000	-	-
Donor grants *	372,668	1,703,760	1,354,377	15,271	-

* Donor grants are not part of total expenditures according to sources of financing

3.2. DEFENSE

The Defense Sector consists of the civilian staff of the Ministry of Defense (MD) as well as the military personnel of the Kosovo Security Force (KSF). The mission of these two institutions is related to the design and implementation of general state defense policies. The competencies and functions of the Ministry of Defense are defined by the Constitution and applicable laws. In 2019, several essential laws were adopted, such as: The Law on the Ministry of Defense, the Law on the Kosovo Security Force, and the Law on Service in the KSF. The established legal basis guarantees the expansion of the KSF mission, delegating tasks and responsibilities for the protection of the territorial integrity of the Republic of Kosovo. The Comprehensive Transition Plan (CTP) foresees the establishment of priority units and the development of the necessary skills to fulfill the legal and constitutional mission of the KSF.

In the first two years of the transition, the priorities set by the CTP have been successfully implemented, especially the administrative actions. However, the unusual situation with the COVID-19 pandemic has caused procedural delays in the implementation of projects related to planned military purchases.

In the last two years, the Kosovo Security Force has reorganized its headquarters, commandos and units according to the new organizational chart. Beyond that, the KSF has continued to increase its military capability by attending the training and education of its personnel. The KSF is already prepared and is participating in international operations supporting the peace, as well as humanitarian ones.

The primary objectives of the Ministry of Defense and the KSF are: to develop, standardize and modernize the skills capacities to ensure the independence of the country, the protection of the territorial integrity, assistance to the civilian population, and participation in international operations. Based on development plans as; Plan-program of the Government of the Republic of Kosovo; Defense Strategy, Strategic Objectives of the Minister of Defense 2022-2024, Comprehensive Transition Plan, Medium-term Plan 2019-2023, the objectives of the Defense Sector for the years 2022-2024 are:

1. Development of policies and defense plans, laws and bylaws;
2. Maintenance, development of operational skills and capacities (readiness, standardization, modernization and interoperability);
3. Advancement, development and management of defense resources (for the purpose of supporting objectives), and;
4. Inter-institutional, local and international cooperation.

Financing trends 2020-2021 and estimations 2022/2024

Defence	Year 2020 Expenditure	Year 2021 Budgeted	Year 2022 Estimated	Year 2023 Estimated	Year 2024 Estimated
Total	58,985,257	67,317,674	100,605,450	114,455,388	133,061,802
Number of employees	3,455	4,039	4,039	4,039	4,039
Wages and allowances	25,731,853	27,371,977	30,195,564	30,346,542	30,346,542
Goods and services	8,283,323	9,024,993	13,983,886	21,532,000	27,026,000
Utilities	700,862	1,030,000	1,130,000	1,138,000	1,148,000
Subsidies and transfers			-	0	
Capital expenditures	24,269,219	29,890,704	55,296,000	61,438,846	74,541,260
Reserves					
Sources of financing					

Government grants	58,985,257	67,317,674	100,605,450	114,455,388	133,061,802
Own source revenues					
Revenues from PAK			-		
Dedicated revenues					
Financing from borrowing	-	-	-	-	-
Financing from borrowing - 04					
Financing from Investment clause -06					
Donor grants *					

* Donor grants are not part of total expenditures according to sources of financing

3.3. ORDER, LAW AND PUBLIC SAFETY

The mission of the Law, Order and Public Safety Sector is to prepare public policies, bylaws and mandatory standards in the field of justice pursuant to the Constitution and applicable legislation, as well as to provide an independent, impartial, professional and effective prosecution and judicial system. Part of this mission is to build, maintain, enhance and protect the security of life and free movement for all citizens of Kosovo, as well as the advancement and modernization of public administration to serve efficiently, transparency and professionalism to all citizens of the Republic of Kosovo.

The Ministry of Justice, as the bearer of the law sector, is committed to making the state of Kosovo a state of law and the rule of law. The Ministry of Justice will show special commitment towards the establishment of a sustainable legal system which will be fair, fast, efficient, and which will strengthen the citizens' trust in the country's institutions and in the justice system in general. This Ministry will also lead and implement reforms in the field of rule of law, implementing a range of measures in order to increase efficiency, accountability and inclusiveness in meeting the needs and priorities of citizens. The Ministry is committed to fulfill the obligations arising from several strategic and planning documents, including: Government Program, Kosovo Program for Economic Reform 2021-2023, National Program for Implementation of the Stabilization and Association Agreement (NPISAA) and the Legislative Program.

In addition to the above activities, in cooperation with relevant institutions of the Rule of Law Sector and international partners, the final stage of the functional review of the Rule of Law Sector has been entered. The main goal of this process is to identify the main problems that hinder the proper functioning of the rule of law and, consequently, to address them through clear and well-thought-out measures, which will ensure the well-being of this sector and increase citizens' trust in justice. As part of this sector, the Kosovo Prosecutorial Council and the Kosovo Judicial Council, as constitutional and independent institutions in the exercise of their functions, ensure that prosecutors and judges act independently, professionally and impartially in the performance of all functions.

The Public Safety Sector has successfully implemented its policies towards meeting the objectives. The fight against organized crime, corruption and terrorism, the protection of public safety, the increase of document security and the improvement of services to citizens have been among the main priorities of the Ministry of Internal Affairs (MIA). This ministry is continuing its activities and efforts for membership in the International Criminal Police Organization INTERPOL, as well as the signing of a cooperation agreement with the European Union Agency for Cooperation in Law Enforcement EUROPOL. In the field of fight against terrorism, organized crime and corruption,

the ministry has implemented its policies. In order to strengthen the preventive measures of violent extremism as well as the deradicalization and reintegration of returnees from conflict areas, the Division for Prevention and Reintegration of Radicalized Persons within the Ministry of Internal Affairs has prepared and provided standard service packages for persons returned from conflict zones.

The main strategic objectives within the sector of order, law and public safety are:

- Functional review of the Rule of Law Sector;
- Vetting in the justice system;
- Fighting organized crime and corruption;
- Addressing crimes against humanity and values protected by international law;
- Preventing and combating domestic violence, violence against women and Gender-Based violence;
- Maintaining public safety and improving services for citizens;
- Improving the capital infrastructure of MIA agencies and raising the level of quality of public services;
- Strengthening institutional and professional capacities in order to increase the efficiency and effectiveness of the administration of the judicial and prosecutorial system, as well as to improve the integrity, accountability and transparency;
- Ensuring the investigation and prosecution of perpetrators of criminal offenses with professionalism, efficiency and high professional and ethical standards while respecting human rights and freedoms;
- Implementation of the State Strategy for old cases and timely resolution of all cases registered in the courts;
- Establishment and improving of the infrastructure of prosecutors and courts in order to meet the needs arising from judicial reform.

Financing trends 2020-2021 and estimations 2022/2024

Order, Law and Public Safety	Year 2020 Expenditure	Year 2021 Budgeted	Year 2022 Estimated	Year 2023 Estimated	Year 2024 Estimated
Total	221,652,196	234,949,197	243,366,401	247,700,694	249,910,867
Number of employees	15,622	16,351	16,351	16,351	16,351
Wages and allowances	158,977,120	131,734,296	149,465,416	150,212,743	150,963,807
Goods and services	36,010,191	42,498,732	40,867,316	41,484,282	42,943,391
Utilities	4,831,022	6,635,803	6,735,799	6,735,799	6,735,799
Subsidies and transfers	2,084,468	20,369,363	10,069,367	10,069,367	10,069,367
Capital expenditures	19,749,395	33,711,003	36,228,503	39,198,503	39,198,503
Reserves	-	-	-	-	-
Sources of financing					
Government grants	219,497,303	232,286,610	240,703,814	245,038,107	247,248,280

Own source revenues	2,154,893	2,662,587	2,662,587	2,662,587	2,662,587
Revenues from PAK	-	-	-	-	-
Dedicated revenues	-	-	-	-	-
Financing from borrowing	-	-	-	-	-
Financing from borrowing - 04	-	-	-	-	-
Financing from Investment clause -06	-	-	-	-	-
Donor grants *	-	-	-	-	-

* Donor grants are not part of total expenditures according to sources of financing

3.4. ECONOMIC ISSUES

Within this sector, the aim is to ensure sustainable socio-economic development by designing and implementing policies in infrastructure, energy, mining, Information Technology and Communication (ICT), agriculture, innovation, trade, industry and entrepreneurship. The main objectives within the sector for the next three-year period are:

- Creating a favorable climate for private investment to ensure economic and industrial revitalization, encouraging investments and exports through incentives and policies to support local manufacturers and investing in the protection of industrial property;
- Ensuring the free movement of goods by improving quality infrastructure, market surveillance, raising consumer awareness and protection, and improving market inspection;
- Ensuring sustainable energy supply, diversification of energy sources, increasing energy efficiency, maximum use of renewable energy sources and creating policies for sustainable development of the mining sector;
- Development of broadband infrastructure and human capital, so that ICT and innovation are the main drivers of economic growth and employment;
- Drafting policies and legal framework for Publicly Owned Enterprises, in order to increase the value, reform, structure and raise the level of public services for citizens;
- Construction and maintenance of road infrastructure and development of railway infrastructure;
- Increasing the level of traffic safety;
- Normalization of the full airspace of Kosovo;
- Increasing agricultural productivity, increasing competitiveness in agriculture and increasing the productive potential of farms;
- Improvement and sustainable development of forests and their functions;
- Creating policies and conditions for sustainable development of innovation and entrepreneurship;
- Improving working conditions and reducing informal employment by strengthening oversight mechanisms and strengthening social dialogue.

Budget organizations that are part of the sector for economic issues are: Ministry of Industry, Entrepreneurship and Trade; Ministry of Environment, Spatial Planning and Infrastructure; Ministry of Economy; Ministry of Agriculture, Forestry and Rural Development; Energy

Regulatory Office; Regulatory Authority of Electronic and Postal Communication; Kosovo Competition Authority; Railway Regulatory Authority, Civil Aviation Authority, Air Navigation Services Agency, Independent Commission for Mines and Minerals, and Privatization Agency of Kosovo.

Financing trends 2020-2021 and estimations 2022/2024

Economic Issues	Year 2020 Expenditure	Year 2021 Budgeted	Year 2022 Estimated	Year 2023 Estimated	Year 2024 Estimated
Total	361,972,621	359,336,026	323,322,558	430,420,121	420,287,573
Number of employees	1,731	1,922	1,922	1,922	1,922
Wages and allowances	18,416,725	19,565,943	19,368,043	19,473,517	19,571,897
Goods and services	28,098,691	25,748,516	27,012,514	30,590,738	32,392,738
Utilities	432,801	875,938	1,009,068	1,009,068	1,009,068
Subsidies and transfers	223,804,111	66,222,043	69,683,647	68,559,706	68,559,706
Capital expenditures	91,220,294	246,923,586	206,249,287	310,787,092	298,754,164
Reserves	-	-	-	-	-
Sources of financing					
Government grants	314,704,194	193,095,073	192,306,875	219,428,964	224,838,589
Own source revenues	142,356	183,155	183,155	183,155	183,155
Revenues from PAK	18,155,929	12,000,000	-	-	-
Dedicated revenues	5,223,310	4,274,917	3,749,888	3,914,363	4,128,423
Financing from borrowing	23,746,833	149,782,881	127,082,641	206,893,639	191,137,406
Financing from borrowing - 04	17,245,574	23,095,235	28,978,783	9,223,305	1,200,000
Financing from Investment clause -06	6,501,259	126,687,646	98,103,858	197,670,334	189,937,406
Donor grants *	-	-	-	-	-

* Donor grants are not part of total expenditures according to sources of financing

3.5. ENVIRONMENT

Within this sector is aimed at balanced and sustainable development by ensuring environmental protection and the development of proper spatial planning through environmental monitoring, information and reporting. Kosovo faces problems of water, waste, air and soil pollution management. Other environmental problems are caused by unplanned spatial developments and

illegal constructions which damage the space and reduce the opportunities for the future development of the country. While efforts have been made over the last period to address the challenges associated with these issues, much remains to be done. In regard to the next period, the Government intends to take concrete actions to improve the current situation. The main objectives of the environment sector are:

- Completion of legal infrastructure in the field of environment and their harmonization with EU legislation and its implementation;
- Improving the state of the environment and monitoring its state;
- Establishment of an efficient administrative system for spatial planning, construction, housing, energy efficiency in buildings and cadaster;
- Better management of water resources and rehabilitation of river beds and waste management;
- Strengthening the environment, water, nature, spatial planning, housing and construction inspectorates;
- Advancing tariff policies, raising water service standards and reducing water losses.

The objectives listed above will be achieved by focusing on the implementation of concrete actions in the field, e.g. initially completing and implementing primary and secondary legislation, preventing and reducing environmental pollution and an integrated approach to pollution control and monitoring and implementation of environmental permits, improvement of monitoring and reporting on air quality, etc.

Financing trends 2020-2021 and estimations 2022/2024

Environnement	Year 2020 Expenditure	Year 2021 Budgeted	Year 2022 Estimated	Year 2023 Estimated	Year 2024 Estimated
Total	32,344,562	34,184,144	109,000,871	84,969,510	93,298,223
Number of employees	321	329	329	329	329
Wages and allowances	2,130,528	2,222,843	2,284,143	2,357,060	2,368,845
Goods and services	2,334,231	2,133,957	2,864,592	2,112,419	2,114,419
Utilities	54,829	80,933	97,803	97,803	97,803
Subsidies and transfers	-	400,000	200,000	200,000	200,000
Capital expenditures	27,824,974	29,346,411	103,554,333	80,202,228	88,517,156
Reserves	-	-	-	-	-
Sources of financing					
Government grants	32,220,279	19,354,144	88,728,476	45,606,115	45,619,900
Own source revenues	-	-	-	-	-
Revenues from PAK	-	-	-	-	-
Dedicated revenues	-	-	-	-	-
Financing from borrowing	124,283	14,830,000	20,272,395	39,363,395	47,678,323
Financing from borrowing - 04	124,283	400,000	-	-	-
Financing from Investment clause -06	-	14,430,000	20,272,395	39,363,395	47,678,323
Donor grants *	-	-	-	-	-

* Donor grants are not part of total expenditures according to sources of financing

3.6. HOUSING AND COMMUNITY ISSUES

Within this sector, the aim is to create conditions for sustainable return of displaced persons, protection, integration and development of communities living in Kosovo, as well as to accept, compare and resolve differences and inconsistencies between the original cadastral documents before June 1999 which were obtained by the Serbian authorities, and the current cadastral documents in the Republic of Kosovo.

In regard to this sector, the main objectives for the next three-year period are:

- Return, reintegration in Kosovo and construction of the necessary infrastructure for the normal functioning of returnees;
- Stabilization of communities and closure of collective centers in Kosovo;
- Accepting, comparing and resolving differences between cadastral documents obtained by the Serbian authorities and current cadastral documents in Kosovo for private, commercial property and religious communities;
- Implementation of decisions of the Kosovo Property Claims Commission and Supreme Court decisions, demolition of illegal structures on private property and administration of the lease scheme;
- Addressing informality, namely the recognition and formalization of uncontested and legitimate property rights transferred informally before March 24, 1999.

These objectives will be achieved through concrete actions: construction of houses for returnees, construction of collective housing, construction of schools and health centers, construction of roads, and irrigation and sewerage systems, etc. The budget organizations comprising the sector for housing and community affairs are: the Ministry of Communities and Returns and the Kosovo Property Comparison and Verification Agency.

Financing trends 2020-2021 and estimations 2022/2024

Housing and community Issues	Year 2020 Expenditure	Year 2021 Budgeted	Year 2022 Estimated	Year 2023 Estimated	Year 2024 Estimated
Total	6,021,030	7,775,483	6,951,227	6,967,708	6,824,408
Number of employees	300	321	321	321	321
Wages and allowances	1,843,621	2,106,875	1,999,597	2,009,595	2,019,643
Goods and services	988,936	981,585	1,114,607	1,121,090	967,742
Utilities	45,314	105,523	105,523	105,523	105,523
Subsidies and transfers	288,399	300,000	300,000	300,000	300,000
Capital expenditures	2,854,760	4,281,500	3,431,500	3,431,500	3,431,500
Reserves	-	-	-	-	-
Sources of financing					
Government grants	5,066,393	6,775,483	6,951,227	6,967,708	6,824,408
Own source revenues	-	-	-	-	-
Revenues from PAK	954,637	1,000,000	-	-	-

Dedicated revenues	-	-	-	-	-
Financing from borrowing	-	-	-	-	-
Financing from borrowing - 04	-	-	-	-	-
Financing from Investment clause -06	-	-	-	-	-
Donor grants *	-	-	-	-	-

* Donor grants are not part of total expenditures according to sources of financing

3.7. HEALTH

Within this sector aims to maintain health, promote healthy lifestyles and provide quality safe services, with easy access, equal, without financial risk and cost-effective. The Health Sector in 2020 is fully focused on pandemic management in order to preserve the health of the citizens of the Republic of Kosovo, strengthening diagnostic capacity with emphasis on strengthening the capacity of microbiological laboratories for RT PCR testing and capacity to provide quality health services. In order to increase the quality of health services and evidence-based treatment, in the treatment of patients with COVID-19, 18 clinical guidelines have been approved as well as other guidelines to serve in the treatment of patients.

In 2018-2020, the extension of the basic health information system in primary health care has started. So far, the basic health information system has been extended to 29 municipalities and 14 specialist clinics. In parallel with this development, the extension of the hardware has been achieved, which has been completed in primary health care institutions, regional hospitals and the University Clinical Center of Kosovo. In the University Clinical Hospital Service of Kosovo during year 2020, despite the pandemic situation, a considerable number of health services are provided.

The four strategic priorities/objectives in this sector are:

- Protecting health and improving the quality of health services provided;
- Reorganization of the health sector, and
- Ensuring sustainable health financing.

In order to achieve these objectives, actions will be taken as; the provision and improvement of accessible and equal health services, the implementation of the action plan for health education and promotion, maternal and child health, reproductive health, the implementation of impact assessment of the environment in health, full functioning of the Health Insurance Fund, implementation of the basic package of health services and contracting, development and functioning of the Integrated Health Information System. The Budget Organizations that comprise this sector are: Ministry of Health, University Clinical Hospital Service of Kosovo and Health Insurance Fund.

Financing trends 2020-2021 and estimations 2022/2024

Health	Year 2020 Expenditure	Year 2021 Budgeted	Year 2022 Estimated	Year 2023 Estimated	Year 2024 Estimated
Total	185,927,887	209,319,844	190,885,842	181,289,861	210,000,879
Number of employees	8,236	8,781	8,771	8,771	8,771
Wages and allowances	84,843,712	64,420,537	72,414,131	72,776,202	73,140,083
Goods and services	66,981,669	90,359,888	84,714,442	65,756,390	66,103,527

Utilities	2,959,478	3,833,964	3,833,964	3,833,964	3,833,964
Subsidies and transfers	9,731,432	8,813,805	8,813,805	8,813,805	8,813,805
Capital expenditures	21,411,597	41,891,650	21,109,500	30,109,500	58,109,500
Reserves	-	-	-	-	-
Sources of financing	-				
Government grants	157,849,756	139,842,900	183,433,224	171,289,861	172,000,879
Own source revenues	1,668,729	-	-	-	-
Revenues from PAK	4,373,532	-	-	-	-
Dedicated revenues	-	-	-	-	-
Financing from borrowing	22,035,871	69,476,944	7,452,618	10,000,000	38,000,000
Financing from borrowing - 04	13,315,828	43,977,794	5,452,618	-	-
Financing from Investment clause -06	8,720,043	25,499,150	2,000,000	10,000,000	38,000,000
Donor grants *	1,426,752	-	-	-	-

* Donor grants are not part of total expenditures according to sources of financing

3.8. RECREATION, CULTURE AND RELIGION

Within this sector, the aim is to create and develop appropriate policies, environment and mechanisms for the promotion and enhancement of sports, cultural and youth activities, evidence, assessment and protection of cultural heritage, promotion and protection of copyright and approximate rights, as well as regulation, management and supervision of the transmission frequency spectrum.

During year 2020, despite the pandemic measures, Kosovo's involvement in many important international programs continued. Also, it achieved even the participation of Kosovo for the second time in the Olympic Games in TOKYO 2020 and many gold, silver and bronze medals, considering the sport of karate as a success story in the world, as well as achieving the norms for participation in the Winter Olympics Games "Beijing" 2022.

The main objectives of the Recreation, Culture and Religion Sector are:

- Supporting independent culture, supporting publishing activity and advancing cultural diplomacy;
- Advancing the legal and institutional system of protection in accordance with the Constitution of the Republic of Kosovo, other relevant laws and commitments towards the European Partnership Priorities and membership in UNESCO;
- Effective preservation and management of cultural heritage assets as a precondition for sustainable development;
- Education, promotion and civic awareness, objective and inclusive study and interpretation of socio-cultural and economic values, increasing the number of publications, guides, virtual and digital media for the promotion of cultural heritage;
- Creation, reflection, protection, classification, processing, use and preservation of archival documentation of historical and scientific value;
- Design, construction and maintenance of memorial complexes;

- Activating and mobilizing young people for active participation and representation, preparing young people for the labor market and providing a healthy and safe environment for young people;
- Financial support of sports federations, development of quality sports for all and establishment of sports infrastructure according to international standards, and
- Fixture, management and supervision of the frequency spectrum of broadcasting and digitalization of RTK, and implementation of digital terrestrial television broadcasting.

The budget organizations that comprise the recreation, culture and religion sector are: the Ministry of Culture, Youth and Sports, the Kosovo Council for Cultural Heritage, the Agency for the Management of Memorial Complexes, the Independent Media Commission and the Radio-Television of Kosovo.

Financing trends 2020-2021 and estimations 2022/2024

Recreation, Culture and religion	Year 2020 Expenditure	Year 2021 Budgeted	Year 2022 Estimated	Year 2023 Estimated	Year 2024 Estimated
Total	39,339,577	51,132,476	49,818,479	51,923,762	52,033,208
Number of employees	817	855	855	855	855
Wages and allowances	5,632,588	5,754,126	6,074,555	6,104,928	6,135,453
Goods and services	2,323,794	2,623,342	2,978,916	3,053,826	3,132,747
Utilities	307,031	498,454	498,458	498,458	498,458
Subsidies and transfers	22,350,597	20,916,554	17,526,550	17,526,550	17,526,550
Capital expenditures	8,725,567	21,340,000	22,740,000	24,740,000	24,740,000
Reserves	-	-	-	-	-
Sources of financing					
Government grants	37,332,813	47,077,086	49,781,389	51,892,672	51,933,118
Own source revenues	17,873	55,390	37,090	31,090	100,090
Revenues from PAK	1,988,892	4,000,000	-	-	-
Dedicated revenues	-	-	-	-	-
Financing from borrowing	-	-	-	-	-
Financing from borrowing - 04	-	-	-	-	-
Financing from Investment clause -06	-	-	-	-	-
Donor grants *	-	-	-	-	-

* Donor grants are not part of total expenditures according to sources of financing

3.9 EDUCATION

This sector aims to develop a society based on competitive knowledge and skills, integrated in European streams, with equal opportunities for the advancement of each individual to prepare and contribute to sustainable social, economic and political development in the country.

The education sector has state and civic responsibilities in proper education to prepare them as dignified and useful citizens for the country.

This sector in year 2020 has confronted many difficulties, the pandemic situation changed the normal course in carrying out activities. During this period the whole focus has been on providing distance learning. However, with the commitment of all stakeholders and with the assistance of development partners and donors, it has been possible to manage the situation caused by the COVID-19 pandemic, and to record achievements in all segments of education.

This sector is going through a reform process that aims to increase participation and improve the quality of education. Work has been done on drafting of legislation, and numerous legal and sub-legal acts have been adopted, the implementation of the online platform for the level of education has been supported, technology equipment has been provided, many educational facilities have been built, renovated and numerous new institutions have been established. Work has been done to improve curricula and to design and provide new textbooks, which should be supported by new teaching and learning practices. It also aims to support scientific research and participation in all education activities at national, regional and international level, to achieve European standards. Access to the benefit of knowledge, scientific research, innovation and the acquisition of skills, which are in function of the accelerated development of our society, and competitive skills inside and outside Kosovo in accordance with international standards.

The main objectives to meet the goals of the education sector are:

- Increase inclusion and preventing the abandonment of pre-university education;
- Quality and efficient management of the education system, based on transparency and accountability;
- Development of a functional quality assurance system, in accordance with international standards;
- Improving the quality of teaching through a sustainable system for the preparation and professional development of teachers;
- Advancing learning through quality teaching, implementing competency-based curricula and utilizing high quality teaching resources;
- Vocational education and training in accordance with the demands of the labor market in the country and beyond, and
- Increasing the quality and competitiveness of higher education by promoting excellence in teaching, research, innovation and internationalization.

The first objective is to increase the inclusion and quality of education in early childhood, increase the inclusion of children with special needs in quality pre-university education, increase the inclusion of children of Roma, Ashkali and Egyptian communities in pre-university education, the inclusion of repatriated children, reducing abandoning and non-registration, and supporting children with high intelligence. The second objective is related to management capacity building at the central, municipal and school level, professionalization of the position of leading staff of educational institutions, implementation of a financing formula that considers the specifics of levels and types of schools, advancement of the information management system in education, reviewing and supplementing the legislation and creating a suitable and safe environment for the educational process.

The third objective is related to capacity building for quality assurance at all levels, building effective mechanisms for quality assurance, advancing development planning at school and municipal level, raising awareness of stakeholders in quality assurance, increase the reliability of national test results and their use for policy making, in addition to international test results.

The fourth objective is related to the continuous professional development of teachers (CPDT), evaluation of teacher performance, implementation of the licensing system, legal harmonization of documents for PDT for the "pre-service" and "in service" phase and the provision of the system for sustainable financing of teacher professional development.

The fifth objective is related to the implementation of the new curricula in all schools, drafting new textbooks in line with the curricula and syllabi, drafting/providing electronic teaching materials in support of the implementation of the new curricula and equipping schools with ICT tools and other concretization tools.

The sixth objective concerns the adaptation of Vocational Education and Training (VET) programs to the demands of the labor market, the provision of VET teaching materials, internships and professional practice, ensuring the sustainability of competency centers and the further development of counseling and career guidance, functionalization and strengthening of mechanisms for regulating the education system.

The seventh objective is related to the increase of the quality standards in Higher Education Institutions (HEI/s), to adapt the study programs to the demands of the labor market, to promote scientific research and innovation in HEI/s, to harmonize and complete legal framework in higher education, financing HEI/s based on performance, promoting international cooperation in the field of higher education and scientific research.

To achieve the above objectives, government institutions will undertake respective actions, as envisaged by sectoral strategies as well as other strategic documents, including their action plans. The budget organizations that comprise the education sector are: Ministry of Education, Science and Technology, University of Pristina, Kosovo Academy of Sciences and Arts and the Academy of Justice.

Financing trends 2020-2021 and estimations 2022/2024

Education	Year 2020 Expenditure	Year 2021 Budgeted	Year 2022 Estimated	Year 2023 Estimated	Year 2024 Estimated
Total	79,444,690	97,166,016	96,400,504	99,449,852	99,872,576
Number of employees	3,987	4,349	4,349	4,349	4,349
Wages and allowances	38,488,604	41,172,391	41,349,572	41,556,320	41,764,101
Goods and services	17,074,853	18,950,306	19,087,400	19,880,000	20,094,943
Utilities	1,434,680	2,786,959	2,586,959	2,786,959	2,786,959
Subsidies and transfers	4,922,515	8,201,088	8,701,088	9,201,088	9,201,088
Capital expenditures	17,524,038	26,055,272	24,675,485	26,025,485	26,025,485
Reserves	-	-	-	-	-
Sources of financing					
Government grants	67,042,087	84,814,401	89,570,189	92,619,537	93,042,261
Own source revenues	6,001,075	6,830,315	6,830,315	6,830,315	6,830,315
Revenues from PAK	5,329,825	5,000,000	-	-	-
Dedicated revenues	-	-	-	-	-
Financing from borrowing	1,071,703	521,300	-	-	-
Financing from borrowing - 04	1,071,703	521,300	-	-	-
Financing from Investment clause -06	-	-	-	-	-

Donor grants *	-	-	-	-	-
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* Donor grants are not part of total expenditures according to sources of financing

3.10. SOCIAL PROTECTION

This sector aims to develop, implement, coordinate policies, laws and other instruments in reforming current policies to provide social and pension protection, skills and job opportunities for every citizen, of every social category and age, where priority will always be the most vulnerable groups of the society. In year 2020, as a result of the Covid 19 pandemic, the Government of Kosovo has implemented several measures from the Fiscal Emergency Package and the Recovery Package, which aimed to support low-income families and have applied double payments to the beneficiaries of the Social Assistance Scheme.

The main objectives for the next three-year period are:

- Increasing social welfare through restructuring, expanding the quality of protection and social and family services, with a special focus on groups in need and gender equality;
- Reduction of inactivity, increase of employment, development of skills in accordance with the demands of the labor market and better management of the labor market;
- Improving working conditions and reducing informal employment through strengthening oversight mechanisms and strengthening social dialogue;
- Development of a sustainable pension system in institutional capacity building for the implementation of the review, harmonization and full implementation of the legal framework for the entitlement to pensions and better services;
- Development and advancement of the Integrated Information System for all social schemes, pensions and benefits.

The Social Protection Sector is part of the Labor and Transfers within the Ministry of Finance, Labor and Transfers.

Financing trends 2020-2021 and estimations 2022/2024

Social Protection	Year 2020 Expenditure	Year 2021 Budgeted	Year 2022 Estimated	Year 2023 Estimated	Year 2024 Estimated
Total	555,219,326	511,752,293	522,236,219	524,921,776	530,097,049
Number of employees	748	819	798	798	798
Wages and allowances	5,089,385	5,121,761	5,029,370	5,054,517	5,079,790
Goods and services	1,217,809	1,624,046	1,339,590	1,500,000	1,650,000
Utilities	205,193	369,485	369,485	369,485	369,485
Subsidies and transfers	547,886,590	489,200,000	512,277,774	517,277,774	522,277,774
Capital expenditures	820,349	2,437,000	3,220,000	720,000	720,000
Reserves		13,000,000			
Sources of financing					
Government grants	555,219,326	511,752,293	522,236,219	524,921,776	530,097,049

Own source revenues					
Revenues from PAK					
Dedicated revenues					
Financing from borrowing	-	-	-	-	-
Financing from borrowing - 04					
Financing from Investment clause -06					
Donor grants *					

*** Grantet nga donatorët nuk janë pjesë e totalit të shpenzimeve sipas burimit të financimit**

In the following are presented budget ceilings for years 2022-2024 in the level of budget organizations in central level.

Appendix 1 . Estimated budget ceilings for 2022-2024 in MTEF

Org. code	Ministries/Institutions	Estimations for 2022								Estimations for 2023			Estimations for 2024		
		No. of approved employees	Wages and salaries	Goods and services	Utilities	Subventions and Transfers	Capital expenditure	Reserves	Total 2022	Operation expenditure	Capital expenditure	Total 2023	Operation expenditure	Capital expenditure	Total 2024
101	Assembly of Kosovo	415	7,207,105	1,823,000	200,000	70,000	200,000	-	9,500,105	9,336,141	200,000	9,536,141	9,372,356	200,000	9,572,356
102	Office of the President	83	1,110,589	2,096,421	6,700	270,000	15,000	-	3,498,710	3,489,263	15,000	3,504,263	3,494,844	15,000	3,509,844
104	Office of the Prime Minister	524	3,904,536	5,501,886	141,373	2,890,000	424,000	-	12,861,795	11,476,973	424,000	11,900,973	11,546,593	424,000	11,970,593
201	Ministry of Finance, Labor and Transfers	2,737	22,778,589	29,839,350	1,129,952	620,588,174	36,916,452	-	711,252,517	655,264,710	14,416,452	669,681,162	660,529,173	14,416,452	674,945,625
203	Ministry of Agriculture, Forestry and Rural Development	462	3,045,778	3,128,681	135,660	49,477,022	5,966,901	-	61,754,042	55,802,369	4,250,000	60,052,369	55,817,675	4,250,000	60,067,675
204	Ministry of Industry, Entrepreneurship and Trade	296	2,049,812	1,986,303	158,280	7,369,941	6,820,000	-	18,384,336	10,232,737	5,220,000	15,452,737	10,244,092	2,220,000	12,464,092
205	Ministry of Environment, Spatial Planning and Infrastructure	622	4,002,423	16,899,423	481,490	1,643,814	257,663,590	-	280,690,740	24,216,654	305,346,174	329,562,828	25,737,074	319,227,970	344,965,844
206	Ministry of Health	1,281	9,245,123	40,007,044	227,348	2,813,805	9,403,000	-	61,096,320	33,339,546	18,403,000	51,742,546	33,386,002	46,403,000	79,789,002
220	Hospital and University Clinical Service of Kosovo	7,438	62,757,261	44,249,346	3,603,416	-	11,706,500	-	122,316,523	110,923,809	11,706,500	122,630,309	111,239,165	11,706,500	122,945,665
207	Ministry of Culture, Youth and Sports	777	5,270,572	2,171,079	404,908	8,566,550	17,610,000	-	34,023,109	16,439,462	19,610,000	36,049,462	16,544,868	19,610,000	36,154,868
208	Ministry of Education, Science, Technology and Innovation	2,216	19,754,100	15,489,858	1,590,459	6,541,929	19,275,485	-	62,651,831	44,735,258	20,625,485	65,360,743	44,834,523	20,625,485	65,460,008
211	Ministry of Communities and Return	121	792,378	273,517	17,000	300,000	3,000,000	-	4,382,895	1,393,340	3,000,000	4,393,340	1,443,974	3,000,000	4,443,974
212	Ministry of Local Government Administration	129	918,630	262,945	15,500	-	3,350,000	-	4,547,075	1,241,668	2,850,000	4,091,668	1,256,284	2,850,000	4,106,284
213	Ministry of Economy	182	1,160,321	4,157,453	23,130	11,352,870	36,679,779	-	53,373,553	18,541,805	73,499,796	92,041,601	18,547,636	58,900,000	77,447,636
214	Ministry of Internal Affairs	11,060	94,095,548	27,079,095	4,950,400	2,141,367	28,089,003	-	156,355,413	129,157,792	31,089,003	160,246,795	130,630,623	31,089,003	161,719,626
215	Ministry of Justice	1,984	13,901,548	5,896,647	1,070,769	6,928,000	1,005,000	-	28,801,964	28,009,825	1,005,000	29,074,825	28,339,680	1,005,000	29,344,680
216	Ministry of Foreign Affairs and Diaspora	389	8,116,435	16,950,620	890,551	230,000	1,395,000	-	27,582,606	26,277,568	2,895,000	29,172,568	26,813,354	2,895,000	29,713,354
217	Ministry of Defense	4,039	30,195,564	13,983,886	1,130,000	-	55,296,000	-	100,605,450	53,016,452	61,438,846	114,455,388	58,520,542	74,541,260	133,061,802
221	Ministry of Regional Development	54	377,541	325,000	11,360	1,500,000	-	-	3,713,901	2,215,788	1,500,000	3,715,788	2,217,685	1,500,000	3,717,685
230	Public Procurement Regulatory Commission	42	360,146	249,253	5,000	-	100,000	-	714,299	618,200	100,000	716,200	618,009	100,000	718,009
231	Kosovo Academy of Sciences and Arts	20	155,224	201,797	5,000	715,159	-	-	1,157,180	1,196,159	-	1,196,159	1,257,082	-	1,257,082
235	Regulatory Authority of Electronic and Postal Communications	40	440,072	254,234	14,700	-	600,000	-	1,321,000	745,013	600,000	1,345,013	787,264	600,000	1,387,264
236	Anti Corruption Agency	43	413,222	114,056	8,500	-	-	-	535,778	537,844	-	537,844	539,021	-	539,021
238	Energy Regulatory Office	32	465,548	185,712	22,000	-	70,800	-	744,060	695,208	70,800	766,008	695,547	70,800	766,347
240	Procurement Review Body	30	256,892	106,355	5,100	-	-	-	368,347	369,631	-	369,631	370,922	-	370,922
241	Free Legal and Aid Agency	36	252,905	171,090	10,000	-	-	-	433,995	444,170	-	444,170	454,549	-	454,549
242	University of Pristina	2,081	21,196,599	2,965,745	975,000	1,444,000	5,400,000	-	31,981,344	26,871,582	5,400,000	32,271,582	27,128,095	5,400,000	32,528,095
243	Constitutional Court of Kosovo	70	1,388,837	457,356	4,000	-	110,000	-	1,960,193	1,879,781	110,000	1,989,781	1,938,462	110,000	2,048,462
244	Kosovo Competition Authority	24	270,316	50,680	14,000	-	-	-	334,996	340,668	-	340,668	347,026	-	347,026
245	Kosovo Intelligence Agency	140	5,114,043	1,695,282	40,000	500,000	1,500,000	-	8,849,325	7,374,895	1,500,000	8,874,895	7,400,594	1,500,000	8,900,594
246	Kosovo Council for Cultural Heritage	18	145,262	58,061	2,550	-	-	-	205,873	230,532	-	230,532	231,262	-	231,262
247	Election Complaints and Appeals Panel	20	136,723	42,240	7,820	-	15,000	-	201,783	195,225	-	195,225	198,912	-	198,912
249	Independent Oversight Board for the Civil Service of Kosovo	30	271,531	95,776	3,825	-	-	-	371,132	374,714	-	374,714	378,079	-	378,079
250	Kosovo Prosecutorial Council	876	10,826,006	2,275,817	199,630	-	3,384,500	-	16,085,953	13,479,766	3,384,500	16,864,266	13,594,167	3,384,500	16,968,667
302	National Audit Office	173	2,281,035	405,320	45,000	-	-	-	2,931,355	3,015,541	-	3,015,541	3,027,003	-	3,027,003
313	Water Services Regulatory Authority	21	242,121	102,459	6,503	-	-	-	351,083	354,835	-	354,835	358,051	-	358,051
314	Railway Regulatory Authority	29	240,728	104,661	6,400	-	-	-	351,789	353,332	-	353,332	356,542	-	356,542
317	Civil Aviation Authority	30	734,719	129,991	13,738	-	-	-	878,448	892,131	-	892,131	900,823	-	900,823
318	Minerals and Mines Independent Commission	76	819,256	369,281	30,600	-	200,000	-	1,419,137	1,223,234	200,000	1,423,234	1,227,350	200,000	1,427,350
319	Media Independent Commission	39	501,160	288,905	28,000	-	50,000	-	868,065	871,548	50,000	921,548	874,067	50,000	924,067
320	Central Election Committee	86	1,115,253	534,998	63,700	4,200,000	-	-	5,913,951	5,919,527	-	5,919,527	5,925,131	-	5,925,131
321	Ombudsperson	78	987,766	259,000	15,000	-	30,000	-	1,291,766	1,266,704	-	1,266,704	1,271,668	-	1,271,668
322	Justice Academy	32	243,649	350,000	16,500	-	-	-	618,149	621,367	-	621,367	632,592	-	632,592
328	Kosovo Judicial Council	2,177	24,287,600	3,490,385	450,000	500,000	2,220,000	-	30,947,985	28,709,038	2,220,000	30,929,038	29,031,083	2,220,000	31,251,083
329	Kosovo Property Comparison and Verification Agency	200	1,207,219	841,090	88,523	-	431,500	-	2,568,332	2,142,868	431,500	2,574,368	1,948,934	431,500	2,380,434
251	Privacy and Information Agency	34	239,583	103,617	6,450	-	-	-	349,650	317,231	-	317,231	323,435	-	323,435
253	Memorial Complex Management Agency	21	157,561	460,871	63,000	-	5,080,000	-	5,761,432	682,220	5,080,000	5,762,220	683,012	5,080,000	5,763,012
232	Unpredicted Expenditure	-	-	-	-	-	2,000,000	5,800,000	7,800,000	4,800,000	1,930,000	6,730,000	4,800,000	1,930,000	6,730,000
248	Radio Television of Kosovo Knowses	-	-	-	-	8,960,000	-	-	8,960,000	8,960,000	-	8,960,000	8,960,000	-	8,960,000
224	Health Insurance Fund	52	411,747	458,052	3,200	6,000,000	-	-	6,872,999	6,917,006	-	6,917,006	7,266,212	-	7,266,212
Total		41,359	365,854,576	249,227,631	18,342,035	745,002,631	517,507,510	5,800,000	1,901,734,383	1,357,567,221	598,571,056	1,956,138,277	1,374,031,733	635,955,470	2,009,987,203
239	Privatization Agency of Kosovo	257	5,375,088	1,504,718	98,000	40,000	70,000	-	7,089,807	7,089,963	70,000	7,159,963	7,166,973	70,000	7,226,973
254	Air Navigation Service Agency	180	2,799,003	999,515	102,170	-	1,732,590	-	5,632,438	3,914,365	1,732,590	5,646,913	4,126,423	1,732,550	5,869,973
Grand Total with PAK and ANSA		41,796	374,027,667	251,731,865	18,542,405	745,042,631	519,310,060	5,800,000	1,914,454,628	1,368,571,547	600,373,606	1,968,945,153	1,385,327,129	637,736,020	2,023,063,149

Municipal level

1. Introduction

This document defines government grants for municipal funding for 2022 and orientations for the years 2023-2024, based on the Government's strategic priorities in the field of intergovernmental fiscal relations. Also, this document determines the level of own source municipal revenues for the fiscal year 2022 and the medium-term forecast 2023-2024.

The principles, criteria and formulas applied for the allocation of government grants for municipal funding for 2022 are based on the Law on Local Government Finances (LFPL) and Table 1 of macro-fiscal projections, prepared by the Ministry of Finance, Labour and Transfers as specified in the Law on Public Financial Management and Liability (LPFML).

The municipal budget process takes into account the following aspects:

- Budgeting at the level of programs and sub-programs, in accordance with the existing structure of the accounting plan,
- Improving results-oriented and performance-oriented budgeting approaches,
- Implementation of the multi-year concept on capital project planning as well
- Determining the structure of expenditures according to expenditure categories.

Multi-year capital projects should be reported in the Performance Public Investment Projects (PIP) system based on performance. As a result, municipalities are required to design a draft strategy based on results-oriented goals and objectives.

2. Sources of Municipal Financing for the year 2022-2024

2.1. General Grant

Based on Table 1, presented below, prepared by the Department of Economic, Public Policy and International Financial Cooperation of the Ministry of Finance, Labour and Transfers in

accordance with the LFPL, the General Grant for Municipalities for 2022 has been approved in the amount of 193.53 million euros.

This division is based on the formula set out in Article 24 of the LFPL. According to this article, 10% of the total budgeted revenues of the Central Government are allocated to municipalities, excluding: budget support and grants, property tax revenues, interest income revenues and taxes, encumbrances and others from the local government.

As shown in the following table, based on the estimates of the Department of Economic, Public Policy and International Financial Cooperation, the total government revenues for 2022 are expected to be 2,037.1 million euros. From this amount, the revenues are deducted as specified in Article 24 of the LFPL and we come to the basis for the allocation of the general grant for municipalities, which grant for 2022 is in the amount of 193.53 million euros.

Table 1: Determining the value of the General Grant for municipalities 2022-2024 (mil. Euro)

Përshkrimi	Year 2019	Year 2020	Year 2022	Year 2023	Year 2024	Year 2025
A. General revenues of the Government	1,920.3	2,060.5	1,921.8	2,037.1	2,130.3	2,231.0
Deductions:						
Dedicated revenues	-9.2					
Budgetary support and grants	-5	(10.5)	(15.0)	(10.5)	(10.5)	(10.5)
Property Tax	-30	(33.2)	(30.0)	(41.0)	(44.7)	(47.3)
Revenues from dividends						
Determined Grants of Donors						
Taxes and other burdens from the Local Government	-57	(50.0)	(48.0)	(46.9)	(51.1)	(52.4)
One-time income from debts	-8					
Interest income	-4.2	(4.0)	(3.0)	(3.4)	(3.1)	(2.8)
B. Basis for calculating the total grant for municipalities	1,806.9	1,962.8	1,825.8	1,935.3	2,020.9	2,118.0
C. General grant for municipalities (10%)	180.69	196.28	182.58	193.53	202.09	211.80

In order to level the low capacity of own source revenues of smaller municipalities, based on LFPL, each municipality will receive a fixed total amount of 140,000 euros per year, deducting 1 euro per capita or 0 euros for municipalities with a population equal to or greater than 140,000 inhabitants. After that, the distribution made in the municipalities is based on the formula for allocating the general grant in the municipalities according to LFPL: (i) the population number is calculated with eighty-nine percent (89%); (ii) the geographical dimensions of the municipality by six percent (6%); (iii) the number of the minority population in the municipality by three

percent (3%); (iv) municipalities where the majority of the population consists of two percent minorities (2%).

Table 2: General Grant Structure for 2022-2024 according to LFPL (mil. Euro)

Factors	Year 2019	Year 2020	Year 2021	Year 2022	Year 2023	Year 2024
General Grant	180.69	196.28	182.58	193.53	202.09	211.80
Contingency for formula correction (2.7%)	4.9					
Fixed amount	3.6	3.6	3.6	3.6	3.6	3.6
Population (inhabitants)	1,780,021	1,780,021	1,780,021	1,780,021	1,780,021	1,780,021
Budget: 89% of the aggregate amount	153.3	171.5	159.2	169.0	176.6	185.3
Municipal area (km2)	10,901	10,901	10,901	10,901	10,901	10,901
Budget: 6% of the aggregate amount	10.33	11.56	10.74	11.39	11.91	12.49
Minority communities in the municipality	107,926	107,926	107,926	107,926	107,926	107,926
Budget: 3% of the aggregate amount	5.2	5.8	5.4	5.7	6.0	6.2
Population of minority municipalities	62,031	62,031	62,031	62,031	62,031	62,031
Budget: 2% of the aggregate amount	3.4	3.9	3.6	3.8	4.0	4.2

Table 3 below presents the distribution of the General Grant in the municipalities according to the formula provided in the LFPL

Table 3: Distribution of General Grant at municipalities 2022-2024

Allocation formula of total grant for years 2022-2024

Criteria		Year 2022	Year 2023	Year 2024
Budget revenues (mil. €)		1,935.3	2,020.9	2,118.0
Total Grant (10%)	10%	193,530,000	202,090,000	211,800,000
Fixed amount	140,000	3,636,657	3,636,657	3,636,657
Total		189,893,343	198,453,343	208,163,343
Population	89%	169,005,075	176,623,475	185,265,375
Geographical size	6%	11,393,601	11,907,201	12,489,801
Minority population	3%	5,696,800	5,953,600	6,244,900
Municipalities with minority population	2%	3,797,867	3,969,067	4,163,267

Municipalities	Criteria on allocation of Total Grant (according to LFPL)												Total Grant for year 2022	Total Grant for year 2023	Total Grant for year 2024	
	Population		Geographical size		Minority population		Municipalities with minority population		Fixed amount (140,000-1€)	Amount per population (89%)	Amount per geographical size (6%)	Amount per minority population in municipalities (3%)				Amount for municipalities with minority population (2%)
	Population	89%	Geographical size	6%	Minority population in municipalities	3%	Municipalities with minority population	2%								
1 Deçan	40,019	2.25%	297	2.72%	551	0.51%		0.00%	99,981	3,799,626	310,446	29,084	-	4,239,137	4,425,722	4,637,374
2 Dragash	33,997	1.91%	430	3.94%	13,559	12.56%		0.00%	106,003	3,227,864	449,462	715,703	-	4,499,031	4,697,060	4,921,693
3 Ferizaj	108,610	6.10%	345	3.17%	4,193	3.89%		0.00%	31,390	10,312,036	360,617	221,325	-	10,925,368	11,416,446	11,973,499
4 Fushë Kosovë	34,827	1.96%	83	0.76%	4,511	4.18%		0.00%	105,173	3,306,669	86,890	238,110	-	3,736,842	3,900,550	4,086,251
5 Gjakovë	94,556	5.31%	587	5.39%	6,679	6.19%		0.00%	45,444	8,977,672	613,685	352,546	-	9,989,347	10,437,597	10,946,069
6 Gjiçan	90,178	5.07%	392	3.60%	2,264	2.10%		0.00%	49,822	8,562,000	409,865	119,504	-	9,141,191	9,551,011	10,015,889
7 Glogoc	58,531	3.29%	276	2.53%	45	0.04%		0.00%	81,469	5,557,258	288,619	2,375	-	5,929,721	6,193,348	6,492,393
8 Hani i Elezit	9,403	0.53%	83	0.76%	44	0.04%		0.00%	130,597	892,773	86,890	2,323	-	1,112,582	1,156,848	1,207,061
9 Istog	39,289	2.21%	454	4.17%	3,085	2.86%		0.00%	100,711	3,730,316	474,669	162,840	-	4,468,536	4,665,428	4,888,773
10 Junik	6,084	0.34%	74	0.68%	4	0.00%		0.00%	133,916	577,649	77,483	211	-	789,259	818,800	852,310
11 Kaçanik	33,409	1.88%	211	1.94%	36	0.03%		0.00%	106,591	3,172,036	220,679	1,900	-	3,501,206	3,654,228	3,827,809
12 Kamenicë	36,085	2.03%	424	3.89%	1,864	1.73%		0.00%	103,915	3,426,110	443,313	98,390	-	4,071,728	4,250,589	4,453,479
13 Klinë	38,496	2.16%	309	2.84%	1,241	1.15%		0.00%	101,504	3,655,024	323,111	65,505	-	4,145,145	4,327,424	4,534,191
14 Leposaviq	13,773	0.77%	539	4.95%	323	0.30%	13,773	22.20%	126,227	1,307,685	563,514	17,049	843,256	2,857,731	2,980,862	3,120,535
15 Lipjan	57,605	3.24%	338	3.10%	3,107	2.88%		0.00%	82,395	5,469,338	353,423	164,001	-	6,069,157	6,339,028	6,645,155
16 Malishevë	54,613	3.07%	306	2.81%	54	0.05%		0.00%	85,387	5,185,261	319,976	2,850	-	5,593,474	5,841,768	6,123,418
17 Mamushë	5,507	0.31%	32	0.29%	379	0.35%	5,507	8.88%	134,493	522,865	33,583	20,005	337,168	1,048,114	1,089,298	1,136,016
18 Mitrovicë	71,909	4.04%	331	3.04%	2,199	2.04%		0.00%	68,091	6,827,440	346,106	116,073	-	7,357,710	7,686,311	8,059,058
19 Novo Bërdë	6,729	0.38%	204	1.87%	3,202	2.97%		0.00%	133,271	638,889	213,362	169,015	-	1,154,537	1,200,574	1,252,795
20 Obiliq	21,549	1.21%	105	0.96%	1,655	1.53%		0.00%	118,451	2,045,982	109,885	87,358	-	2,361,676	2,462,795	2,577,500
21 Pejë	96,450	5.42%	603	5.53%	8,334	7.72%		0.00%	43,550	9,157,498	630,408	439,905	-	10,271,361	10,732,410	11,255,398
22 Podujevë	88,499	4.97%	633	5.81%	849	0.79%		0.00%	51,501	8,402,586	661,765	44,814	-	9,160,666	9,571,289	10,037,077
23 Prishtinë	198,897	11.17%	514	4.72%	4,146	3.84%		0.00%		18,884,385	537,383	218,844	-	19,640,612	20,525,970	21,530,273
24 Prizren	177,781	9.99%	603	5.53%	31,682	29.36%		0.00%		16,879,515	630,408	1,672,313	-	19,182,236	20,046,932	21,027,796
25 Rahovec	56,208	3.16%	278	2.55%	944	0.87%		0.00%	83,792	5,336,700	290,709	49,828	-	5,761,029	6,016,947	6,307,247
26 Shtërpçë	6,949	0.39%	248	2.28%	3,182	2.95%		0.00%	133,051	659,777	259,352	167,960	-	1,220,140	1,269,143	1,324,731
27 Shtime	27,324	1.54%	134	1.23%	858	0.79%		0.00%	112,676	2,594,292	140,196	45,289	-	2,892,454	3,017,760	3,159,901
28 Skenderaj	50,858	2.86%	374	3.43%	109	0.10%		0.00%	89,142	4,828,741	391,051	5,753	-	5,314,687	5,550,244	5,817,447
29 Suharekë	59,722	3.36%	361	3.31%	575	0.53%		0.00%	80,278	5,670,338	377,463	30,351	-	6,158,430	6,432,421	6,743,221
30 Viti	46,987	2.64%	270	2.48%	258	0.24%		0.00%	93,013	4,461,207	282,347	13,618	-	4,850,185	5,064,629	5,307,882
31 Vushtrri	69,870	3.93%	345	3.17%	960	0.89%		0.00%	70,130	6,633,846	360,740	50,673	-	7,115,388	7,493,226	7,793,226
32 Zubin Potok	6,616	0.37%	333	3.06%	995	0.92%	6,616	10.67%	133,384	628,160	348,197	52,520	405,067	1,567,328	1,631,967	1,705,290
33 Zveçan	7,481	0.42%	123	1.13%	386	0.36%	7,481	12.06%	132,519	710,288	128,699	20,375	458,027	1,449,907	1,509,292	1,576,655
34 Graçanicë	10,675	0.60%	131	1.20%	3,423	3.17%	10,675	17.21%	129,325	1,013,544	137,061	180,681	653,580	2,114,190	2,203,664	2,305,158
35 Kllot	2,556	0.14%	23	0.21%	1,193	1.11%		0.00%	137,444	242,681	24,176	62,972	-	467,273	482,141	499,006
36 Mitrovica veriore	12,326	0.69%	5	0.05%	867	0.80%	12,326	19.87%	127,674	1,170,299	5,362	45,764	754,663	2,103,762	2,192,885	2,293,885
37 Partesh	1,787	0.10%	29	0.27%	2	0.00%	1,787	2.88%	138,213	169,668	30,447	106	109,410	447,843	461,801	477,634
38 Ranillug	3,866	0.22%	69	0.63%	168	0.16%	3,866	6.23%	136,134	367,060	72,257	8,868	236,697	821,015	851,888	886,909
Total	1,780,021	100%	10,901	100%	107,926	100%	62,031	100%	3,636,657	169,005,075	11,393,601	5,696,800	3,797,867	193,530,000	202,090,000	211,800,000

Financing of social services as a competence transferred from MLSW to municipalities is included in the general grant of the municipality.

Employees in the administration of the Municipal Directorates for Pre-University Education and Primary Health Care are funded by the general grant in the municipalities.

Also, the general grant will supplement the specific grants for education and health when necessary.

2.2. Additional grant for the financing of the Capital City

Based on Law no. 06 / L-012 on the Capital of the Republic of Kosovo, Prishtina, Article 19 The capital city of the Republic of Kosovo Prishtina receives an additional grant from the central level, at a height of not less than 6% of the total grant.

For 2022 the capital, Prishtina benefits an additional grant of 11,611,800 euros, while for 2023 it benefits 12,125,400 euros and for 2024 it benefits 12,708,000 euros.

Table 4: Distribution of additional Grant for financing the Capital 2021-2023

Description	Year 2019	Year 2020	Year 2021 Reviewed	Year 2022	Year 2023	Year 2024
General Grant for municipalities	180.69	196.28	182.58	193.53	202.09	211.80
Additional Grant for financing of capital (6%)	10.84	11.78	10.95	11.61	12.13	12.71

2.3. Specific grant for pre-university education

The specific grant for pre-university education according to the LFPL, is based on an open funding system, taking into account the criteria in re-university education formula for 2022 of MEST.

The specific grant for pre-university education for 2022 has been approved in the amount of 201.5 million euros, of which 195 million euros basic grant and 6.5 million euros continuing policy and new policies as follows:

Salary and allowances in the amount of 181.3 million euros

Goods and services in the amount of 17.8 million euros,

Capital expenditures in the amount of 2.4 million euros.

The formula addresses the level of pre-school, primary and secondary education, taking into account the following criteria:

- a) Number of students enrolled for the year 2020/2021;
- b) Student-teacher ratio for primary and secondary education for majority students 1: 21.3 (based on Administrative Instruction no. 22/2013 of MEST);
- c) Student-teacher ratio for primary and secondary education for minority students 1: 14.2;
- d) Student-teacher ratio for preschool education 1:12;
- e) Student-teacher ratio for vocational secondary education for majority students 1: 17.2, and for minority students 1: 11.5;
- f) Student-teacher ratio for mountainous areas 1: 14.2;
- g) Calculation for English language teaching staff for grades I and II;
- h) Calculation for the technical administrative staff for 630 students 1 staff in pre-school and primary education;
- i) Calculation for technical administrative staff for 470 students 1 staff in secondary education
- j) Calculation for support staff for 170 students 1 staff (cleaners) and 1 school staff (guards);
- k) The calculation of salaries and allowances is based on the average salary according to the levels received from the treasury multiplied by the number of teachers calculated according to the education formula
- l) Professional Pedagogical / Psychological Service;
- m) Quality coordinators;
- n) Calculation of salaries for replacements during maternity leave from 3% to 6%;
- o) Goods and services are calculated according to the criteria for students (23 euros for majority students and 25 euros for minority students) and for school (1,500 euros for pre-school and primary school and 3,250 euros for secondary school);
- p) Capitals are calculated according to the criterion of 7 euros per student;
- q) Calculation of three salaries after retirement at a cost of 1.5 million euros;
- r) Salary for assistants for children with special needs at a cost of 0.78 million euros;
- s) Professional practice at a cost of 3.5 million euros;
- t) Jubilee salaries according to the collective contract for Education, at a cost of 1.25 million euros;
- u) Salary for pre-school money for schools (2 to 5 years old), at a cost of 1.9 million euros;

- v) Goods and Services for children (4 to 5 years old), at a cost of 78,848 euros;
- w) Cost of payment for validation and accreditation procedures for vocational high schools (8 Schools), at a cost of 38,400 euros.

The new and ongoing policies approved by the Grants Commission in 2022 are as follows:

- a) 100 assistants for children with special needs and the category of salaries and allowances for assistants for children with special needs at a cost of 0.78 million euros;
- b) Teachers with serious health condition, at a cost of 1.7 million euros,
- c) Expenses for daily meals for students from grades 1-5 at a cost of 4 million euros.

According to MEST, the number was reported for 11,084 students less in pre-university education compared to the previous year.

Table 5: Distribution of Specific Grant for Education for the year 2022-2024

No;	Municipalities	TOTAL NUMBER OF STUDENT S	Staff in pre-university education according to the formula																		TOTAL NUMBER OF TEACHERS, ADMIN PERSONNEL, AND ASSISTANT	
			Number of teachers in special education	Number of teachers in special education in medical leave and maternity leave	Number of pre-school teachers	Number of teachers in pre- school on medical leave and maternity leave	Number of primary school teachers	Number of teachers in primary school leave in medical leave and maternity leave	Number of high school teachers	Nr. of teachers in the Correctional Center in Lipjan/ SIMLP "Radina" Dobrase/ Isogj	The teachers of secondary schools in medical leave and maternity leave	Additional teachers for mountain areas	Number of English language teachers	Number of quality coordinators	Assistant for children with special needs	Number of educators (4-5)	TOTAL NUMBER OF TEACHERS	Number of administrative staff for primary schools	Number of administrative staff for secondary school	Professional Pedagogical / Psychological Service		Number of assistant staff for students
TOTAL		348,727	72	4	2,352	159	9,434	630	4,120	11	276	2,942	305	837	100	286	21,527	1,191	310	520	3,267	26,816
1	Deçan	5,372	1	0.1	37	3	178	12	54	0	4	0	6	20	3	6	322	25	4	8	57.2	417
2	Dragash	3,439	-	0.0	2	0	-	0	0	0	0	237	7	13	1	4	264	17	1	6	52.0	340
3	Ferizaj	23,600	11	0.4	122	8	545	36	320	0	21	295	18	47	6	18	1,449	72	21	35	196.5	1,773
4	Fushë Kosovë	10,130	-	0.0	89	6	352	24	81	0	5	0	5	12	4	7	585	24	6	14	77.1	706
5	Gjakovë	16,677	9	0.3	125	8	498	33	207	0	14	33	15	46	6	15	1,009	61	14	25	162.0	1,272
6	Gjilan	17,350	7	0.3	122	8	430	29	253	0	17	145	16	40	5	12	1,083	54	21	26	161.2	1,345
7	Gilgoc	11,897	2	0.1	64	4	260	17	133	0	9	208	10	31	3	11	753	45	7	18	103.2	926
8	Hani i Elezit	1,865	-	0.0	13	1	58	4	14	0	1	11	1	4	2	2	111	5	2	3	16.9	137
9	Istog	7,049	2	0.1	36	2	130	9	74	4	5	165	6	13	3	6	455	26	5	11	76.0	573
10	Junik	800	1	0.1	8	1	24	2	9	0	1	0	1	2	0	1	47	3	1	1	6.7	60
11	Kaçanik	6,138	2	0.1	41	3	186	13	60	0	4	30	6	14	3	5	368	22	4	9	59.7	463
12	Kamenicë	4,040	2	0.1	28	2	121	8	53	0	4	18	7	18	4	3	267	21	6	6	45.6	346
13	Klinë	7,582	2	0.1	51	4	214	14	77	0	5	60	7	19	3	8	464	29	5	11	74.1	583
14	Leposaviq	2,264	1	0.1	35	2	63	4	25	0	2	3	2	7	0	0	145	9	4	3	37.3	199
15	Lipjan	12,599	2	0.1	77	5	280	19	132	7	9	209	11	28	3	9	792	43	9	19	130.4	992
16	Malishevë	11,646	2	0.1	55	4	288	19	115	0	8	171	12	39	3	11	726	54	8	18	110.7	917
17	Mamusha	936	1	0.1	8	1	46	3	12	0	1	0	1	2	1	1	75	3	1	1	8.4	89
18	Mitrovicë	15,903	2	0.1	117	8	456	30	213	0	14	51	12	34	4	14	955	50	14	24	139.5	1,183
19	Novo Bërdë	1,377	-	0.0	11	1	32	2	13	0	1	23	3	10	1	1	98	10	3	2	33.1	146
20	Obiliq	4,657	2	0.1	25	2	127	9	45	0	3	71	4	13	3	4	307	17	5	7	49.1	386
21	Pejë	18,048	2	0.1	137	9	559	37	214	0	14	37	14	34	6	18	1,082	53	14	27	154.9	1,331
22	Podujevë	17,254	3	0.1	92	6	455	30	208	0	14	170	15	41	4	13	1,051	60	11	26	162.5	1,311
23	Prishtinë	45,055	5	0.2	389	26	1,369	91	527	0	35	59	29	57	12	37	2,637	106	35	66	337.4	3,181
24	Prizren	29,998	4	0.2	174	12	869	58	375	0	25	266	28	60	5	28	1,903	93	21	44	259.5	2,320
25	Rahovec	9,422	2	0.1	68	5	290	19	82	0	6	50	10	34	1	9	576	42	8	14	95.8	737
26	Shtërpçë	2,306	-	0.0	9	1	50	3	33	0	2	30	4	8	0	1	141	11	3	3	26.5	185
27	Shtime	5,438	1	0.1	28	2	123	8	60	0	4	89	5	9	1	4	335	15	4	8	51.7	414
28	Skenderaj	9,472	3	0.2	41	3	196	13	113	0	8	183	9	26	3	9	608	36	7	15	95.1	760
29	Suharekë	10,466	2	0.1	53	4	219	15	112	0	8	208	10	32	5	10	676	46	7	16	106.9	852
30	Viti	8,005	2	0.1	54	4	245	16	87	0	6	26	9	21	2	6	477	29	7	12	87.7	612
31	Vushtrri	13,930	1	0.1	91	6	411	27	153	0	10	94	12	39	3	11	859	55	10	21	130.1	1,074
32	Zubin Potok	1,262	-	0.0	1	0	48	3	16	0	1	0	1	6	0	0	77	6	4	2	15.4	103
33	Zveçan	1,158	-	0.0	1	0	44	3	15	0	1	0	1	5	0	0	69	6	2	2	15.8	95
34	Kllokot	608	-	0.0	4	0	22	2	9	0	1	0	1	6	0	0	44	6	1	1	9.6	61
35	Mitrovica veriore	4,881	-	0.0	55	4	89	6	131	0	9	0	3	18	0	0	316	16	12	7	46.7	398
36	Partesh	999	0	0.1	5	0	27	2	20	0	1	0	1	8	0	0	66	5	7	1	15.9	95
37	Ranillug	1,176	-	0.0	22	2	26	2	21	0	1	0	1	4	0	0	79	4	3	2	15.9	104
38	Graçanice	3,929	1	0.1	61	4	103	7	56	0	4	0	4	17	0	0	257	17	10	6	43.1	333

MUNICIPALITIES	WAGES AND SALARIES					TOTAL WAGES AND SALARIES	GOODS AND SERVICES					TOTAL GOODS AND SERVICES	CAPITAL EXPENDITURES	TOTAL GRANT FOR THE EDUCATION FOR THE YEAR 2022	Ongoing policies				TOTAL NEW POLICIES AND ONGOING	SPECIFIC GRANT FOR EDUCATION 2022	SPECIFIC GRANT FOR EDUCATION 2023	SPECIFIC GRANT FOR EDUCATION 2024
	Teachers' salaries (Lecturer / Psychologist, English language, quality coordinators, administrative staff, support staff, mountain areas, medical and maternity leave)	Assistant for students in pre-university education	Three salaries after retirement	Jubilee salaries according to the collective contract for education	Pre-school salary for school (2 to 5 years old) for 2022		Goods and services for schools	Goods and services for students	Professional practice	Goods and Services for Children (2 to 5 years old)	Cost for validation and accreditation for vocational high schools (8 Schools)				Assistants for pre-university education students	Assistants for children with special needs	Teachers with serious health condition	Expenses for the daily meal for students from class 1-5				
TOTAL	173,228,908	787,662	1,540,470	1,247,057	1,935,679	178,739,776	2,148,000	8,039,062	3,500,000	78,848	38,400	13,804,310	2,417,093	194,961,179	100	787,200	1,746,163	4,000,001	6,533,364	201,494,543	211,569,270	222,147,733
Deçan	3,324,586	23,630	32,899	26,209	39,129	3,446,454	42,500	121,975	31,239	1,594	4,800	202,108	37,121	3,685,683	3	23,616	34,464	67,114	125,194	3,810,877	4,001,421	4,201,492
Dragash	2,837,951	7,877	21,288	20,432	24,821	2,912,369	49,750	84,827	-	1,011	0	135,588	23,765	3,071,722	1	7,872	34,464	47,063	89,399	3,161,120	3,319,176	3,485,135
Ferizaj	11,143,034	47,260	110,310	78,346	122,368	11,501,318	102,500	546,205	274,639	4,985	4,800	933,129	163,681	12,598,128	3	23,616	45,952	276,758	346,326	12,944,454	13,591,676	14,271,260
Fushë Kosovë	2,990,159	31,506	25,158	20,714	49,880	3,117,418	32,250	231,158	68,000	2,032	0	333,440	70,294	3,521,152	6	47,232	34,464	144,094	225,790	3,746,942	3,934,289	4,131,004
Gjakovë	9,013,640	47,260	87,087	64,114	101,578	9,313,679	113,250	380,389	193,039	4,138	4,800	695,615	115,479	10,124,773	5	39,360	80,415	192,466	312,242	10,437,015	10,958,866	11,506,809
Gjilan	10,714,795	39,383	81,281	80,178	83,160	10,998,797	112,750	400,981	220,568	3,387	4,800	742,487	120,421	11,861,705	4	31,488	114,879	187,517	333,885	12,195,590	12,805,369	13,445,638
Gilgoc	5,749,865	23,630	40,641	35,087	72,172	5,921,394	54,500	276,597	122,236	2,940	0	456,273	82,383	6,460,050	3	23,616	22,976	147,128	193,719	6,653,770	6,986,458	7,335,781
Hani i Elezit	761,117	15,753	5,806	5,355	10,514	798,544	10,750	42,776	-	428	0	53,954	12,922	865,420	2	15,744	34,464	24,330	74,537	939,957	986,955	1,036,303
Istog	3,798,310	23,630	40,641	28,323	42,608	3,933,511	57,750	164,406	46,982	1,736	0	270,874	48,818	4,253,203	3	23,616	57,440	84,228	165,284	4,418,486	4,639,410	4,871,381
Junik	389,312	-	1,935	1,691	4,427	397,365	4,750	18,216	-	180	0	23,146	5,544	426,055	1	7,872	22,976	8,844	39,692	465,747	489,035	513,487
Kaçanik	3,322,019	23,630	25,158	25,928	35,651	3,432,386	39,500	140,591	40,800	1,452	0	222,343	42,525	3,697,254	4	31,488	34,464	78,321	144,273	3,841,527	4,033,604	4,235,284
Kamenicë	4,213,498	31,506	36,770	38,609	18,735	4,339,119	41,750	93,503	36,432	763	0	172,448	28,049	4,539,615	5	39,360	34,464	46,361	120,184	4,659,800	4,892,790	5,137,429
Klinë	4,036,622	23,630	42,576	35,932	52,647	4,191,407	48,500	173,953	64,703	2,145	0	289,301	52,423	4,533,131	3	23,616	45,952	93,264	162,832	4,695,962	4,930,760	5,177,298
Leposaviq	1,001,199	-	7,741	705	1,502	1,011,147	44,750	52,093	30,332	61	0	127,236	15,827	1,154,210	-	-	11,488	287	11,775	1,165,986	1,224,285	1,285,499
Lipjan	6,214,075	23,630	71,605	43,259	63,714	6,416,283	92,500	291,427	80,776	2,595	0	467,299	87,402	6,970,984	3	23,616	91,903	155,557	271,076	7,242,060	7,604,163	7,984,371
Malishevë	6,238,017	23,630	48,382	44,387	74,227	6,428,643	69,750	269,705	58,851	3,024	0	401,330	80,605	6,910,577	3	23,616	57,440	144,509	225,565	7,136,143	7,492,950	7,867,597
Mamusha	403,145	7,877	3,871	2,395	5,771	423,058	6,250	22,980	-	235	0	29,465	6,482	459,005	-	-	11,488	12,133	23,621	482,626	506,757	532,095
Mitrovicë	7,610,011	31,506	92,893	55,941	96,914	7,887,266	81,000	363,327	222,547	3,948	0	670,821	110,117	8,668,205	4	31,488	80,415	186,336	298,240	8,966,444	9,414,766	9,885,505
Novo Bërdë	940,312	7,877	7,741	3,805	4,111	963,845	42,750	32,160	18,216	167	0	93,293	9,590	1,066,728	1	7,872	11,488	8,780	28,140	1,094,869	1,149,612	1,207,093
Obiliq	2,309,872	23,630	17,417	15,641	24,031	2,390,591	38,250	109,210	38,740	979	0	187,178	32,298	2,610,067	3	23,616	57,440	52,938	133,993	2,744,061	2,881,264	3,025,327
Pejë	9,213,584	47,260	83,216	67,919	123,791	9,535,770	89,000	412,293	181,829	5,043	4,800	692,964	124,803	10,353,537	6	47,232	80,415	214,210	341,857	10,695,395	11,230,164	11,791,673
Podujevë	8,382,409	31,506	71,605	46,219	91,065	8,622,803	100,000	397,965	192,627	3,709	0	694,301	119,651	9,436,755	5	39,360	45,952	206,355	291,667	9,728,422	10,214,843	10,725,585
Prishtinë	18,577,686	94,519	156,756	145,420	250,270	19,224,651	137,000	1,028,426	405,777	10,195	4,800	1,586,197	312,284	21,123,133	15	118,080	195,295	536,403	849,777	21,972,910	23,071,555	24,225,133
Prizren	13,833,452	39,383	114,181	104,696	192,327	14,284,039	153,750	696,933	327,144	7,834	0	1,185,661	207,599	15,677,299	4	31,488	114,879	375,769	522,136	16,199,435	17,009,407	17,859,877
Rahovec	5,233,303	7,877	52,252	31,705	59,682	5,384,819	70,250	215,964	38,327	2,431	4,800	331,773	65,212	5,781,803	2	15,744	45,952	122,383	184,079	5,965,882	6,264,176	6,577,385
Shtërpcë	1,186,801	-	5,806	18,037	7,352	1,217,995	23,000	53,585	824	299	0	77,709	16,051	1,311,755	-	-	11,488	6,258	17,746	1,329,501	1,395,976	1,465,774
Shtime	2,680,253	7,877	46,446	18,177	29,723	2,782,476	33,500	126,387	41,377	1,211	0	202,475	37,695	3,022,646	1	7,872	34,464	67,753	110,089	3,132,734	3,289,371	3,453,840
Skenderaj	5,056,981	23,630	50,317	38,187	63,239	5,232,354	67,000	220,468	118,692	2,576	0	408,736	65,520	5,706,610	3	23,616	22,976	113,922	160,514	5,867,123	6,160,479	6,468,503
Suharekë	5,887,244	39,383	50,317	45,514	65,216	6,087,673	74,250	243,952	100,146	2,657	0	421,005	72,450	6,581,128	3	23,616	80,415	131,004	235,035	6,816,163	7,156,971	7,514,820
Viti	4,964,919	15,753	40,641	36,778	39,287	5,097,378	66,750	183,317	48,631	1,600	4,800	305,098	55,545	5,458,021	2	15,744	34,464	94,828	145,036	5,603,057	5,883,209	6,177,370
Vushtrri	6,751,207	23,630	59,993	50,164	76,203	6,961,198	80,500	320,843	154,794	3,104	0	559,241	96,565	7,617,003	2	15,744	80,415	168,871	265,031	7,882,034	8,276,135	8,689,942
Zubin Potok	502,812	-	1,935	1,550	1,897	508,194	17,250	29,159	22,255	77	0	68,741	8,813	585,748	-	-	11,488	1,437	12,925	598,673	628,607	660,037
Zveçan	439,992	-	-	-	1,739	441,731	15,250	26,697	20,936	71	0	62,954	8,085	512,770	-	-	11,488	1,022	12,510	525,280	551,544	579,121
Kllokot	331,574	-	-	845	-	333,447	10,750	14,146	12,446	42	0	37,384	4,242	375,073	-	-	11,488	1,756	13,244	388,317	407,733	428,119
Mitrovica veriore	1,372,406	-	-	-	1,976	1,374,382	37,500	112,171	166,415	81	0	316,167	34,139	1,724,688	-	-	11,488	0	11,488	1,736,176	1,822,985	1,914,134
Partesh	411,082	-	3,871	6,764	316	422,032	25,500	22,954	23,986	13	0	72,452	6,986	501,471	-	-	11,488	0	11,488	512,958	538,606	565,537
Ranillug	409,025	-	-	5,355	79	414,459	17,000	27,048	496,168	3	0	73,477	8,232	496,168	-	-	11,488	0	11,488	507,655	533,038	559,690
Graçanice	982,639	-	1,935	2,677	2,530	989,782	44,000	90,275	66,269	103	0	200,647	27,475	1,217,904	-	-	11,488	0	11,488	1,229,392	1,290,862	1,355,405

2.4 Primary health specific grant

The specific Health Grant is based on an open system in accordance with the LFPL.

Specific grant for primary health for 2022 is in the amount of 62.6 million euros, as a basic grant.

Table 6: Primary health specific grant, basic grant for 2022-2024

No	Municipality	Base Grant															Base Grant for the year 2022	Base Grant for the year 2023	Base Grant for the year 2024
		Population	Demographics						Standards for Doctors and Infirmary										
			Gender			Age		Numri i personave me nevojat e vecanta	Standards 1 MF / 2000 inhabitants	Standards 01 Stomatologists 5000 inhabitants	Standards 01 Pharmacists in (MCFM)	Standards 01 Biochemists in (MCFM)	Total doctors	Family infirmay nurses	Infirmary (for specialist doctors stomatologist laboratory etc	Total (doctors and infirmary , pharmacists)			
			M	F	Females of reproduction ages 15-49	Number of children 0-14 age	Number of persons above 65 years old												
1	Deçan	40,019	20,123	19,896	10,941	10,471	2,968	50	20	8	1	1	29	40	27	97	1,390,381	1,459,900	1,532,895
2	Dragash	33,997	17,035	16,962	8748	8658	3139	202	17	7	1	1	25	34	49	109	1,187,422	1,246,793	1,309,133
3	Ferizaj	108,610	59,841	59,023	33,215	32,462	6,557	1,165	60	24	1	1	85	118	74	278	3,855,475	4,048,249	4,250,661
4	Fushë Kosovë	34,827	17,621	17,206	9,299	9,996	2143	293	17	7	1	1	25	34	48	108	1,251,487	1,314,061	1,379,764
5	Gjakovë	94,556	47,617	47,721	25430	25333	10539	1083	48	19	1	1	68	94	54	217	3,283,258	3,447,421	3,619,792
6	Gjilan	90,178	45,354	44,824	24539	23464	6554	180	45	18	1	1	64	90	52	207	3,167,054	3,325,407	3,491,677
7	Gilgove	58,531	30,606	29,772	18260	14317	4973	177	30	12	1	1	43	60	71	175	2,052,614	2,155,245	2,263,007
8	Hani i Elezit	9,403	4,836	4,567	1824	2778	560	67	5	2	1	1	8	10	7	26	325,871	342,165	359,273
9	Istog	39,289	19,677	19,608	10607	10524	2981	479	20	8	1	1	29	40	41	111	1,381,862	1,450,955	1,523,503
10	Junik	6,084	2,995	3,089	1,595	1,681	420	35	3	1	1	1	5	6	8	20	244,547	256,774	269,613
11	Kaçanik	33,409	16,970	16,439	9054	9683	1940	200	17	7	1	1	25	34	59	119	1,161,004	1,219,054	1,280,007
12	Kamenicë	36,085	18,600	17,485	9700	4700	6664	188	18	7	1	1	26	36	57	120	1,278,384	1,342,303	1,409,418
13	Klinë	38,496	19,293	19,203	15255	11355	5735	52	19	8	1	1	28	38	15	82	1,426,360	1,497,678	1,572,562
14	Leposavic	13,773	6,969	6,804	3443	2754	965		7	3	1	1	11	14	15	41	489,198	513,658	539,341
15	Lipjan	57,605	29,430	28,395	15355	17461	7042	706	29	12	1	1	42	58	65	166	1,996,362	2,096,180	2,200,989
16	Malishevë	54,613	33,754	36,566	37276	20,758	3500	640	35	14	1	1	50	70	29	150	1,892,671	1,987,305	2,086,670
17	Mamushë	5,507	2,672	2,836	2543	2670	737	15	3	1	1	1	5	6	3	15	198,151	208,059	218,461
18	Mitrovicë	71,909	36,275	35,634	18624	20351	5074	1250	36	14	1	1	51	72	76	200	2,506,903	2,632,248	2,763,860
19	Novobërdë	6,729	3,466	3,264	1726	1643	732	41	3	1	1	1	5	7	8	21	239,501	251,476	264,049
20	Obiliq	21,549	10,885	10,664	5636	6419	1239	337	11	4	1	1	16	22	34	73	807,703	848,088	890,493
21	Pejë	96,450	60,355	54,645	21930	33320	12120	1005	57	23	1	1	81	116	105	303	3,342,577	3,509,706	3,685,191
22	Podujevë	88,499	44,955	43,544	23,385	27,061	5122	879	44	18	1	1	63	88	68	220	3,073,967	3,227,665	3,389,049
23	Prishtinë	198,897	99,361	99,536	54800	51403	13158	280	99	40	1	1	140	198	156	495	6,950,006	7,297,506	7,662,382
24	Prizren	177,781	89,176	88,605	48677	49,199	11,404	1578	89	36	1	1	126	178	116	421	6,161,189	6,469,248	6,792,711
25	Rahovec	56,208	28,512	27,696	15393	16081	3352	377	28	11	1	1	40	56	77	174	1,951,048	2,048,600	2,151,030
26	Shtërpçë	6,949	3,554	3,395	1707	1,777	688	23	3	1	1	1	5	7	8	21	240,825	252,866	265,510
27	Shtime	27,324	13,850	13,474	5874	7877	1800	249	14	5	1	1	20	28	20	69	967,282	1,015,646	1,066,428
28	Skenderaj	50,858	26,028	26,447	16,515	14,925	4,150	3,758	26	10	1	1	37	52	50	140	1,775,198	1,863,958	1,957,156
29	Suharekë	59,722	29,478	30,244	16413	17409	4104	590	30	12	1	1	43	60	38	142	2,091,049	2,195,601	2,305,382
30	Viti	46,987	23,705	23,284	12310	14167	3028	470	23	9	1	1	33	46	25	105	1,628,384	1,709,803	1,795,293
31	Vushtrri	69,870	36,004	33,866	18560	19780	2189	1205	35	14	1	1	50	70	55	176	2,425,419	2,546,690	2,674,024
32	Zubin Potok	6,616	3,408	3,208	1456	1588	476	38	3	1	1	1	5	7	0	13	327,004	343,355	360,522
33	Zveçan	7,481	3,661	3,821	95	117	45	1	4	1	1	1	6	7	0	14	300,002	315,002	330,752
34	Graçanicë	10,675	5,428	5,248	2463	2661	993	81	5	2	1	1	8	11	0	20	462,313	485,429	509,700
35	Kllokot	2,556	1,416	1,140	688	670	214	18	1	1	1	1	3	3	7	14	118,841	124,783	131,022
36	Mitrovica Veriore	12,326	6,272	6,054	2686	2931	879	82	6	2	1	1	9	12	10	32	448,111	470,517	494,042
37	Partesh	1,787	922	865	477	340	202	0	1	1	1	1	3	2	0	6	61,930	65,027	68,278
38	Ramllug	3,866	1,969	1,897	1012	393	259	0	0	0	1	1	1	4	0	6	133,980	140,679	147,713
Total		1,780,021	922,073	906,927	459,294	418,798	124,284	17,794	911	364	38	38	1,313	1,828	1,527	4,706	62,595,332	65,725,099	69,011,354

2.5 Secondary health financing

Financing for secondary health for 2022 has been approved in amount of 2,603,077 euros according to MoH proposal and projections of MTEF for three minority municipalities, as follows:

- Shtërpce municipality, amounted to 522,371 euros,
- North of Mitrovica municipality, amounted to 989,935 euros, and
- Graçanica municipality, amounted to 1,090,771 euros.

2.6 Residential services financing

The financing of residential services for community houses for the elderly and community houses for people with disabilities for 2022 has been approved in the amount of 2,320,00 Euro.

Table 7: Financing for residential services for 2022-2024

No.	Municipalities	Wages and Salaries	Goods and Services	Municipal Expenses	Capital Expenses	Total 2022	Total 2023	Total 2024
1	Skenderaj SHKPM	94,500	75,000	8,000	5,000	182,500	185,000	185,000
2	Graçanicë SHKPM/SHKPAK	178,500	150,000	16,000	10,000	354,500	355,000	355,000
3	Istog SHKPM	94,500	75,000	8,000	5,000	182,500	180,000	185,000
4	Deqan SHKPAK	89,250	75,000	8,000	5,000	177,250	180,000	180,000
5	Ferizaj SHKPAK	89,250	75,000	8,000	5,000	177,250	180,000	180,000
6	Kamenicë SHKPAK	89,250	75,000	8,000	5,000	177,250	180,000	185,000
7	Vushtri SHKPAK	89,250	75,000	8,000	5,000	177,250	180,000	180,000
8	Shtime SHKPAK	89,250	75,000	8,000	5,000	177,250	180,000	180,000
9	Lipjan SHKPAK	89,250	75,000	8,000	5,000	177,250	180,000	180,000
10	Prizren SHKPM/SHKPAK	183,750	150,000	16,000	10,000	359,750	360,000	360,000
11	Novobërd SHKPM	89,250	75,000	8,000	5,000	177,250	180,000	180,000
12	Gjilan						185,000	180,000
13	Klina						185,000	185,000
14	Malisheva						180,000	180,000
15	Podujeva						185,000	185,000
16	Gjakova					-	-	185,000
17	Mitrovica							180,000
18	Northern Mitrovica							180,000
19	Peja							180,000
20	Rahovec							185,000
Total		1,176,000	975,000	104,000	65,000	2,320,000	3,075,000	3,990,000

2.7 Funding for the Historic Center of Prizren, the Cultural Center of the village of Zym and the Council of the Hoçë e Madhe

With the entry into force of Law No. 04/L-066 on the Historic Center of Prizren, Law No. 04/L-196 on the Historical Cultural Center of Zym Village and Law No. 04/L-62 for the village of Hoçë e Madhe, with the budget planning for 2022, financial funds are allocated in the amount of 69,740 euros, for the two municipalities as follows:

- Prizren municipality, amount of 44,587 euros, and
- Rahovec municipality, amount of 25,153 euros.

2.8 Financing for the endangered environmental area of Obiliq

Pursuant to Law No. 05/L-044 on the endangered environmental area of Obiliq and around it Article 9, Obiliq benefits from the collection of mining rent by the respective institution, 20% of the value of this rent is reallocated from the Central Budget to the Municipal Budget of the Municipality of Obiliq, specifically dedicated to investments in community development in the location where the business unit is located in the field of environmental protection, infrastructure, sports, health and education.

For 2022, the Municipality of Obiliq, based on the collection of the mining rent, benefits an additional financing of 5,000,000 euros, for the year 2023 and benefits an amount of 5,000,00 euro also for the year 2024 benefits the amount of 5,000,00 euro.

2.9 Financing for Theatre

Financing for theatres for 2022 has been approved in amount of 903,235 as in attached table below:

Table 8: Financing for theatres for 2022

Municipalities	Wages and Salaries	Subsidies and Transfers	Total
Professional Theatre Gjilan	101,390		101,390
Professional Theatre Gjakovë	73,810	42,500	116,310
Professional Theatre Prizren	112,116	29,750	141,866
Professional Theatre Pejë	86,067	43,500	129,567
Professional Theatre Ferizaj	95,262	18,700	113,962
Professional Theatre Mitrovicë	101,390	68,500	169,890
Professional Theatre Podujevë	80,199	50,050	130,249
Total	650,235	253,000	903,235

2.10 Projections of Municipal Own Source Revenues for 2022 and forecasts 2023-2024

The projections of own source municipal revenues for 2022 based on macro-fiscal assessments are in the amount of 87.4 million euros. These revenues are added to municipal funding in addition to municipal grants.

The projection of own source revenues for each municipality is based on the recommendations of the grant commission, included in the report of “Adoptability Assessment of Municipality Financing.

This projection considered revenues of immovable property tax according to the property tax invoicing (tax burden) and the trend of increasing non-tax revenues during the last three years, excluding revenues from traffic fines and revenues by the courts.

Table 9: Projections of municipal own source revenues for 2022-2024

Nr.	Komuna	Të hyrat tatimore			Të hyrat jo tatimore			Projeksionet për vitin 2022	Projeksionet për vitin 2023	Projeksionet për vitin 2024
		Tatimi në pronë dhe tokë 2022	Tatimi në pronë dhe tokë 2023	Tatimi në pronë dhe tokë 2024	Viti 2022	Viti 2023	Viti 2024			
1	Deçan	804,112	950,208	1,000,605	227,598	234,426	241,458	1,031,709	1,184,633	1,242,064
2	Dragash	327,049	366,593	386,923	154,855	159,500	164,286	481,904	526,093	551,208
3	Ferizaj	3,587,666	4,069,699	4,293,122	2,329,693	2,399,583	2,471,571	5,917,359	6,469,282	6,764,693
4	Fushë Kosovë	1,102,588	1,154,815	1,222,669	1,818,221	1,872,768	1,928,951	2,920,809	3,027,583	3,151,620
5	Gjakovë	2,386,068	2,607,925	2,755,684	1,604,933	1,653,081	1,702,674	3,991,001	4,261,006	4,458,358
6	Gjilan	2,643,737	2,906,539	3,070,398	1,826,316	1,881,106	1,937,539	4,470,054	4,787,645	5,007,937
7	Gillogoc	667,491	726,836	768,148	542,495	558,770	575,533	1,209,986	1,285,606	1,343,681
8	Hani i Elezit	225,572	257,439	271,500	155,775	160,448	165,261	381,347	417,887	436,761
9	Istog	571,460	637,887	673,388	589,155	606,829	625,034	1,160,615	1,244,717	1,298,422
10	Junik	92,557	100,405	106,130	66,481	68,475	70,530	159,038	168,880	176,660
11	Kaçanik	410,955	458,419	483,946	278,475	286,829	295,434	689,430	745,248	779,380
12	Kamenicë	502,648	564,316	595,569	380,782	392,205	403,971	883,430	956,521	999,540
13	Klinë	562,236	612,365	647,164	503,630	518,738	534,301	1,065,865	1,131,104	1,181,465
14	Leposaviq				90,000	92,700	95,481	90,000	92,700	95,481
15	Lipjan	1,201,705	1,264,193	1,338,193	907,118	934,332	962,362	2,108,823	2,198,525	2,300,555
16	Malishevë	636,965	730,338	770,071	396,503	408,398	420,650	1,033,469	1,138,736	1,190,721
17	Mamusha	43,518	47,319	50,012	29,631	30,520	31,435	73,148	77,839	81,447
18	Mitrovicë	1,186,345	1,285,730	1,359,103	1,339,421	1,379,604	1,420,992	2,525,766	2,665,334	2,780,095
19	Novobërdë	144,598	162,878	171,873	101,925	104,983	108,133	246,523	267,861	280,006
20	Obiliq	446,186	482,958	510,548	462,544	476,420	490,713	908,730	959,378	1,001,261
21	Pejë	2,913,782	3,187,166	3,367,625	1,943,372	2,001,673	2,061,723	4,857,154	5,188,839	5,429,348
22	Podujevë	678,437	761,602	803,784	677,779	698,113	719,056	1,356,216	1,459,715	1,522,841
23	Prishtinë	10,714,979	11,385,422	12,046,204	19,779,026	20,372,396	20,983,568	30,494,005	31,757,818	33,029,772
24	Prizren	3,221,732	3,523,724	3,723,253	4,144,960	4,269,309	4,397,388	7,366,692	7,793,033	8,120,641
25	Rahovec	702,117	790,521	834,196	648,431	667,884	687,920	1,350,548	1,458,405	1,522,116
26	Shtërpçë	439,455	485,105	512,359	119,057	122,628	126,307	558,511	607,733	638,666
27	Shtime	319,176	365,402	385,307	215,133	221,587	228,235	534,309	586,989	613,541
28	Skenderaj	355,987	396,039	418,142	1,033,293	1,064,292	1,096,221	1,389,280	1,460,330	1,514,363
29	Suharekë	1,158,261	1,269,863	1,341,622	896,728	923,630	951,339	2,054,989	2,193,493	2,292,961
30	Viti	592,320	656,221	692,975	395,549	407,415	419,638	987,868	1,063,636	1,112,613
31	Vushtri	1,059,669	1,138,867	1,204,325	1,203,126	1,239,220	1,276,397	2,262,795	2,378,088	2,480,722
32	Zubin Potok				40,000	41,200	42,436	40,000	41,200	42,436
33	Zveçan				40,000	41,200	42,436	40,000	41,200	42,436
34	Gracanicë	1,087,227	1,158,781	1,225,859	1,203,627	1,239,736	1,276,928	2,290,854	2,398,517	2,502,787
35	Kllokot	86,130	95,974	101,323	84,804	87,348	89,968	170,934	183,322	191,291
36	Mitrovica veriore				85,000	87,550	90,177	85,000	87,550	90,177
37	Partesh	71,656	77,561	81,992	35,067	36,119	37,203	106,724	113,680	119,195
38	Ranillug	55,223	62,639	66,078	51,547	53,094	54,687	106,771	115,733	120,765
Gjithsej		40,999,606	44,741,746	47,280,090	46,402,050	47,794,111	49,227,935	87,401,656	92,535,857	96,508,025

2.11 *Summary of municipal financing for 2022-2024*

For the allocation of government grants by municipalities for 2022, the basic criteria and principle formulas stipulated in the Law on Local Government Finance and other relevant laws have been implemented, as well as based on macro-fiscal projections and data from line ministries.

Table 10: Summary of municipal funding for 2022-2024 (mil. euro)

Description	Year 2018	Year 2019	Year 2020	Year 2021 reviewed	Planning for 2022	Forecaste for 2023	Forecaste for 2024
1. Government Grants	392.4	419.09	463.54	439.99	457.62	479.39	503.10
1.1 General Grant	173.6	180.69	196.28	182.58	193.53	202.09	211.80
General Grant	168.92	175.79		182.58	193.53	202.09	211.80
Contingency for formula correction	4.68	4.9					
1.2 Specific Health Grant	48.5	53.4	61.7	62.6	62.6	65.7	69.1
Base Grant				61.7	62.6		
New Policies				0.9			
1.3 Specific Grant for Education	170.3	185	205.56	194.81	201.5	211.6	222.2
Base Grant				191.97	195		
New Policies and ongoing				2.85	6.5		
2.Financing for secondary health	2.6	2.6	2.6	2.6	2.6	2.6	2.6
3. Residential services	1.65	1.62	2.04	2.3	2.3	3.1	3.9
4. Financing for QHP, QKHFZ dhe KHM	0.06	0.06	0.06	0.069	0.07	0.07	0.07
5. Grant for the capity city - Prishtina		10.84	11.77	11.0	11.6	12.1	12.7
6. Financing for Obiliq		4.97	4.2	4.6	5.0	5.0	5.0
7. Municipal own source revenues	82	87	83.1	78	87.4	92.5	96.5
8. Financing for theaters			0.9	0.9	0.9	0.9	0.9
9. Financing from Borrowing	3.7	4.8	0	0	0	0	0
10. Investment clause		23.07	11.53	7.4	0	0	0
Total Municipal Financing	482.41	554.05	579.74	546.80	567.5	595.7	624.8

Tabela 11: Funding sources and expenditure structure for 2022-2024

Total Municipal Level	Year 2020 Expenditure	Year 2021 Budgeted	Year 2022	Year 2023 Estimated	Year 2023 Estimated
Total	515,687,568	546,801,281	567,529,451	595,696,678	624,741,164
Number of employees	44,349	44,415	44,480	44,480	44,480
Salary and allowances	274,808,370	278,388,425	282,707,782	284,121,321	285,541,928
Goods and services	81,001,981	79,976,834	87,976,834	90,900,000	92,000,000
Utility costs	9,984,403	11,814,249	12,100,000	12,500,000	13,000,000
Subsidies and transfers	19,836,538	15,942,585	19,924,835	21,500,000	23,000,000
Capital expenditures	130,056,275	147,025,254	164,820,000	186,675,357	211,199,236
Rezerva		13,653,934			
Sources of funding	515,687,568	546,801,281	567,529,451	595,696,678	624,741,164
Government guarantees	460,642,659	461,419,508	480,127,795	503,160,821	528,233,139
Financing from AKP revenues					
Own source revenues	40,079,951	78,000,000	87,401,656	92,535,857	96,508,025
Borrowing financing	4,810,650		-	-	-
Budget deficit financing (2%) - 04					
Financing from the Investment Clause -06	10,154,308	7,381,773			
Grants from Donors *					