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Republika Kosova – Republic of Kosovo
Qeveria – Vlada – Government

Ministria e Financave, Punës dhe Transfereve
Ministarstvo za Finansije, Rada i Transfera
Ministry of Finance, Labour and Transfers

Medium-Term Expenditure Framework 2023-2025

April 2022

List of abbreviations

VET	Vocational Education and Training
KPCVA	Kosovo Property Comparison and Verification Agency;
PAK	Privatization Agency of Kosovo
KPA	Kosovo Property Agency
EARK	Employment Agency of the Republic of Kosovo
KAS	Kosovo Agency of Statistics
ATK	Tax Administration of Kosovo
GNAI	Gross National Available Income
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
NPISH	Non-Profit Institutions in the Service of Households
MTEF	Medium Term Expenditure Framework
KfW	Kreditanstalt für Wiederaufbau
ODC	Other Depository Corporations
LLGF	Law on Local Government Finance
LPFMA	Law on Public Financial Management and Accountability
MEST	Ministry of Education, Science and Technology
MFLT	Ministry of Finance, Labour and Transfers
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 Enterprises

SMEs	Small and Medium Enterprises
NERP	National Economic Reform Programme
NPISAA	National Program for Implementation of Stabilization and Association Agreement
ERP	Economic Reform Programme
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 Clinical Service 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 2023-2025 is the main document based on which the Annual Budget for 2023 will be drafted. The main purpose of the MTEF is to provide a grounded analysis of the macroeconomic environment in the country, in order to establish a basis for budget planning for the coming years in line with the Government's strategic priorities.

Further strengthening of its fiscal position and the accountable public financial management keep being as the main objectives of the Government. 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. 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 period stem from the National Development Strategy and the Economic Reform Programme 2023-2025, which derives from the dialogue process on 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 toward overcoming the crisis and economic recovery.

MTEF 2023-2025 summarizes these key government priorities in the Medium Term Priority Statement and then in the relevant chapters, covering all budget sectors, describing the approach as to how funds will be provided for their implementation from the Kosovo budget and financial assistance or loans from development partners.

MTEF 2023-2025 is structured in four main parts. The first part contains the "Medium-Term Statement of Priorities", which provides a broad summary of the Government's priorities in accordance with the Government Programme, the Future National Development Strategy 2030, the Economic Reform Programme 2022-2024, the National Implementation Plan of SAA and sectoral strategies. Macro-fiscal framework based on the general parameters of economic development is presented in the second part. Fiscal projections which determine the general limits of expenditures, on the basis of which the Central and the Municipal Budget are prepared later are presented in the third and fourth part.

PART ONE

1. STATEMENT OF MEDIUM-TERM GOVERNMENT PRIORITIES 2023-2025

General objectives and fiscal framework

Medium Term Expenditure Framework 2023-2025 is the main document based on which the annual budget for the following year 2023 will be drafted. The main purpose of setting priorities is to make the linking, based on the comprehensive analysis of the macroeconomic environment in the country and budget planning for the coming years, for a three-year perspective in accordance with the strategic objectives of the Government.

Government of Kosovo has taken a series of measures to help businesses and vulnerable groups of society, which were most affected by the Covid-19 pandemic. These measures resulted in an adequate response to the crisis caused by the pandemic, the positive effects of which were reflected in the macroeconomic indicators. Given the current economic structure of Kosovo and the many obstacles to economic growth, it is necessary to orient structural reforms which aim to continue the economic recovery. Consequently, priorities of the Government for the next three-year period will focus on reorienting the economy towards production and exports, increasing dignified employment for all, and sustainable development that protects the environment while preserving it for future generations, as well as the orientation towards digital transformation.

In the long run, reforms are needed in the economy, justice, health and education sectors in general. Strategic objectives of the Government have been determined through the Government Program, the National Development Strategy and sectorial strategies, as well as through documents deriving from the European integration process, such as the Economic Reform Program and the National Program for the Implementation of the SAA.

Medium Term Expenditure Framework 2023-2025 summarizes these key priorities of the Government of Kosovo in the Medium Term Statement of Priorities and then in the relevant chapters, which cover all budget sectors, describing the approach on how the funds will be provided for their implementation from the Kosovo budget, financial assistance or loans from the development partners.

First two chapters of the Medium Term Statement of Priorities present the general fiscal framework for the next three years and the basic principles on which it is based. Chapter three presents a summary of the Government's priorities based on the main planning documents, presented according to the sector structure defined in the National Development Strategy¹.

¹ National Development Strategy 2016-2021 has expired at the end of 2021, while the Government of Kosovo is in the process of drafting the next Strategy which covers the period until 2030. The draft of the objectives and indicators is being reviewed with responsible institutions and other stakeholders.

Main priorities will instruct all budget organizations in preparing their budget proposals for 2023. Under these priorities, budget organizations may include proposals for finalizing or rationalization of existing programs in order to secure funding for those programs that present a high priority.

1.1 General fiscal framework for prioritization

Government Program 2021-2025, National Development Strategy 2030, Economic Reform Program 2022-2024 and the National Program for the Implementation of the Stabilization and Association Agreement, 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 2023-2025.

Implementing the priorities of these documents will constitute the largest part of the budget framework that the government will undertake in order to build a sustainable public finance system in line with the highest international standards, which ensure economic growth and development and better wellbeing for all citizens. This will be achieved through redesigning of fiscal policies, managing of public finances and the financial system that ensures accountability.

To achieve these, the Government will focus on creating the most favourable business and fiscal environment, on improving the trade and energy policies, integrating into the global economy, continuing of existing infrastructure modernization projects, and continuing to support agriculture and rural development. Adequate tax system and favourable business environment are the most important pillars for the sustainable development of the private sector in the country. Therefore, redesigning the current fiscal policies and implementing new policies, reviewing the tax format for small and medium-sized businesses, changing the form of personal income tax declaration and establishing the obligation for annual tax declaration on personal incomes will be made in the context of ensuring the sustainable economic growth.

In order to formalize the economy, capacities of tax inspectors, investigative skills and financial intelligence will be strengthened, as well as better coordination will be ensured between institutions responsible for preventing and stopping the undeclared work that will enable increase of tax revenues and the employment formalization.

1.2 Basic principles

Realization of government priorities will lead to the implementation of determined sectorial policies, which must respect expenditure limits.

Process of preparing the expenditure forecast (budget limits) for the period 2023-2025, is a prerequisite for sustainable economic growth, for improving the environment in which increased private sector activities take place, promoting sustainable employment and better wellbeing for all citizens. All of this will be guided by the following principles:

- Compliance with Government priority policies, National Development Strategy (NDS), Economic Reform Program (EPP) 2022-2024, National Program for Implementation of the Stabilization and Association Agreement and the Government Program 2021- 2025.

- Allocation of expenditures that are most effective in achieving the Government policy objectives;
- Increase quality and credibility in the budget process as well as better liaison between policies and budget.
- Higher execution of expenditures compared to their planning, with special emphasis on capital expenditures, achieving specific priority goals.
- Liaison with external financing provided through IPA and other channels.

1.3. Priority areas

The below mentioned priorities for the Medium Term Expenditure Framework 2023-2025 are specifically presented and derive from the draft of the National Development Strategy 2030 and are related to the measures presented in the Economic Reform Program 2022-2024, as well as the Implementation Program of SAA. Structured according to the pillars of NDS 2030, this section covers 16 public policy sectors, which are prioritized for the next budget period. Also, these priorities are based on other sectorial strategic documents, enabling budget organizations to have a flexibility measure to determine the most appropriate structure and the adequate funding levels to achieve these goals.

During the preparation and submission of their budget requests for 2023 with forecasts for the medium term (2023-2025), budget organizations are expected to show how their budget plan responds to the Government priorities presented below. Against the given priorities, budget organizations are encouraged to improve the expenditure efficiency through reallocation within the existing limits.

1.3.1 Sustainable economic development

For this medium term, in order to enable a sustainable economic development, the Government will focus on a digital, regional and internationally competitive economy, high quality, sustainable and integrated infrastructure, as well as a cleaner environment and better use of natural resources.

Budget sectors: support for businesses and industry; education and science; public finances; foreign policy; transport and communication; energy; environment and spatial planning; agriculture.

Horizontal issues: digital agenda, diaspora, environment- green agenda

Innovative, circular and internationally competitive economy

The aim is to create a suitable environment for businesses, which in essence has a horizontal stretching where the state through available mechanisms has a more active role in shaping a competitive economy towards value-added production and service activities. Innovation as an important determinant of competition and economic growth and the circular economy as a model for sustainable development, will pay a special attention to the new economic trajectory. This will be made possible by supporting the innovation and digitalization of SME, by enhancing and diversifying the industrial base and modernizing the mining industry, by improving productivity,

diversity and sustainability in agriculture, and strengthening ties (formally) between farmers, processors and traders. In parallel with these goals, the aim will be to increase the skills and competencies of the workforce by improving their productivity.

Foreign direct investments will also be a primary goal, by increasing export-oriented investment and strengthening and expanding the export promotion, as overall demand is limited due to the small domestic market and expansion towards the export markets will lead to sustainable economic development. In addition to innovation and digitalization, the aim is to implement the smart specialization.

Sustainable, integrated and high quality infrastructure

Increasing and improving the economic infrastructure is a primary strategic goal for sustainable economic development. Government will with special emphasis, during the next financing period focus on improving sustainable and affordable energy supply, by enabling investments in renewable energy sources and energy efficiency measures. Road and rail infrastructure will be improved to enable better connections to the regions of Kosovo as well for the industry, and their integration into the international multi-modal transport system. It also aims to improve the quality, affordability of services and safety in transport by reducing fatal accidents and establishment of an intelligent transport system.

Investments in ICT infrastructure are an important precondition for the digital transformation of the country through developing high quality broadband electronic communications networks and services and their international integration. Government will also address policies and future investments channels for the water sector, with a special emphasis on building water reservoirs, expanding and improving irrigation systems and increasing the water use efficiency.

The infrastructure in general will be of high quality, sustainable, suitable to change and integrated to improve cooperation, both domestically and internationally.

Clean environment and better use of natural resources

Creating and maintaining a clean environment, which essentially aims to prevent the soil, water and air pollution, as well as the general protection of the biosphere, for a better quality of life now and in the future, will be the goal and, in the same time, a principle that will accompany the development of the country, including the responsible territorial planning and development. This will be achieved by promoting a circular economy that aims to increase the share of recycling and waste management, environmentally friendly transport that will reduce greenhouse gas emissions and sustainable management for better forest use and biodiversity protection.

Also, the potential of natural resources, especially mineral resources, will be supported through various mechanisms in order to make the most effective and at the same time sustainable use of this potential.

3.1.2 Equal human development

Government aims for this medium term to increase the level of human development by providing quality and access to education, better employment opportunities through a more all-inclusive

market, better welfare and good quality health services, active and creative societies, as well as promotion and greater development of culture.

Budget sectors: education and science; labor market and employment; social protection; health; culture and recreation

Horizontal issues: human rights and equal opportunities; digital agenda, diaspora and migration; environment- green agenda.

Quality and accessible education

This will be achieved by: increasing children's participation in education and care in early childhood; improving access to education services, especially for children from low-income families, national minorities and rural areas; increase of investment in research and scientific development; greater quality, integrity and competitiveness in higher education; digitalization of educational services for better quality and access.

Meeting these priorities will contribute to improving Kosovo's ranking in the PISA test, as well as to the Education Index within the Human Development Index (HDI), reducing the NEET rate among young people and improving Kosovo's position in the international education scene.

All-inclusive labor market, higher and better employment

Aimed through: increase of employment and skills development with particular emphasis on youth, women and other vulnerable groups, as well as through promoting the sustainable employment. In order to further improve the labor market, we seek to reduce the work informality and improve working conditions by providing protection and promotion of workers' rights as well as by expanding employment services and vocational training to create a qualified workforce. These will result in a higher employment rate, a reduction in the skills gap, with a special emphasis on the gender participation gap, and an increase in employment in the highly productive sectors.

Improved health and wellbeing

These are sought to be achieved through structural changes by improving health services at all levels, as well as by functionalization of an integrated health information system and public health insurance scheme, in addition to the prevention, management and control of the COVID-19 pandemic. On the other hand, with a focus on healthcare professionals, we aim to stop brain drain in the healthcare sector. To ensure better well-being, our aim is also to better regulate social protection schemes as well as to provide good quality social services, provide decent and affordable housing and better air and food quality.

These will impact on having a better quality of life by increasing life expectancy and reducing poverty, as well as to decent and affordable housing.

Active, creative society and promoted culture

As sectors that have served as ambassadors of Kosovo on the international stage, they will be substantially supported by aiming to create an active and creative society, as well as a promoted culture. The development of culture and sports also helps the socio-economic and cultural

development of the country. This will be achieved by protecting and promoting the cultural heritage, by empowering institutions and the cultural community, ensuring that there is adequate management of physical infrastructure in sports and culture, increasing and strengthening human capital in sports, as well as sustainable cultural and sports tourism, involvement of young people in public decision-making as well as their artistic education and development of professional staff. Meeting these priorities will increase the contribution of the creative economy and sports to GDP, will impact on having a more promoted culture and the protection of cultural heritage as well as the empowerment of youth in the cultural activities.

3.1.3 Security and rule of law

Government priorities in the area of security and rule of law will focus on increasing preparedness for peace and security, effective law enforcement and the effective justice.

Budget sectors: security and protection; public safety; justice.

Horizontal issues: human rights and equal opportunities; digital agenda, diaspora and migration,

High preparedness for peace and security

This priority addresses the defense and security needs of the country. It includes strengthening the national defense capacities in line with the requirements of NATO membership. This priority also addresses the need to counter hybrid threats as well as strengthen the cooperation with Euro-Atlantic partners. Furthermore, this priority includes capacity building for civil emergency management.

Meeting this priority will increase the impact on increasing local security and requires an increase in the defense budget as % of GDP.

Effective law enforcement

This priority addresses the needs of the rule of law, focusing on public safety. It includes strengthening the combat against organized crime, corruption and terrorism. In addition, it addresses emerging security needs in the community, as well as issues related to irregular migration.

Meeting this priority impacts on strengthening the rule of law and better rating of Chapter 24 by the European Commission.

Effective justice

This priority addresses the needs of the rule of law, focusing on the justice system. It seeks to address the need to deliver justice in a timely manner, as well as through improving the professionalism, independence and accountability of members of the justice system. Furthermore, this priority includes issues of improving access to justice, including the vulnerable groups.

Realization of this priority will impact on better rating of European Commission for Chapter 23 and also on higher rating in the rule of law sector by the international indices.

3.1.4 Good governance

Government aims to strengthen the principles of good governance by implementing priorities for increasing government effectiveness and accountability, sustainable public finances, and strengthening the international subjectivity.

Budget sectors: Government and public administration; public finances and foreign policy.
Horizontal issues: digital agenda; diaspora and migration; human rights and equal opportunities

Effective and accountable government

This means a government capable of planning results-based policies and proper implementation of policies in the field, quality and professionalism of the civil service that is accompanied by quality service delivery for citizens and businesses, while being accountable both in between the levels of administration as well as to the citizen. This strategic goal also includes increasing the performance and financial management of public enterprises (central level) while also being accountable to the Government. Finally, increasing the performance of municipalities is included by measuring their performance towards democratic governance and providing services to citizens through municipal performance management system built in the MLG.

Meeting this priority increases the efficiency of government and increases the trust in Government.

Sustainable public finances

This priority aims at sustainability in the planning, spending and control of public finances. The aim is to achieve sustainable long-term budget planning through the MTEF, then a stable link between policies and the budget in order to eliminate cases where good policies are adopted, but as a result of not addressing them in the budget, remain without being implemented. Also, another goal is to strengthen public procurement management by greatly reducing negotiated contracts which eliminate the competitiveness. Finally, the aim is to increase the efficiency of internal and external audits to ensure adequate control over the spending of public money.

All these will impact on the reduction of public debt as a percentage of GDP, reducing the budget deficit as a percentage of GDP, percentage of capital investment expenditures compared to their planning, the percentage of budget spent per year and a higher rating for the field average by the SIGMA monitoring report.

Consolidated international subjectivity

This priority means consolidating subjectivity of Kosovo at the international level. This aims at regional cooperation and building good neighborly relations, as well as establishing and strengthening relations with countries that have not recognized the state of Kosovo so far. It also aims to increase professionalism and accountability in the diplomatic service by including the involvement of the diaspora in the promotion and development of Kosovo. Among other things, this priority will be achieved through interventions and achievements in other sectors, specifically in the sectors of economic development, through establishment of economic credibility, greater credibility in the local justice system, military strengthening in the function of peace and security,

and no lesser important, through improvement of education and protection and promotion of culture in order to strengthen the cultural identity and consequently the state identity.

Meeting these priorities will result in an increase in the number of new recognitions for Kosovo, in the number of international organizations that Kosovo is part of, the number of places where Kosovo citizens can travel without visas, foreign professional service, increased participation of members of the diaspora in diplomacy and economic development.

3.1.5 Horizontal priorities

As a principle, the horizontal priorities are presented in this Statement and they stem from the National Development Strategy 2030, which will be implemented and funded by various budget organizations in several sectors. These priorities need to be planned and included in the budget requests from the budget organizations responsible for implementing of those actions. Each horizontal agenda set out in the National Development Strategy will be coordinated by the responsible institution/s, but concrete actions will be implemented by different budget organizations.

Based on this and related to the sectoral priorities presented above, the horizontal priorities that the Government of Kosovo intends to achieve during the period 2023-25, include the following:

European Integration Agenda: Implementation of the obligations of Kosovo arising from the Stabilization and Association Agreement and the high-level dialogue expressed through the European Reform Agenda, remains a high priority for the Government of Kosovo. Meeting the obligations of the SAA requires implementation of a large number of deep legal, political, economic and institutional reforms. Therefore, funding requests from budget organizations should take into account the priorities under the SAA and ERA II, which include significant short- and medium-term engagements. These efforts should also be linked to the Instrument for Pre-Accession, budget support from the EU framework for investment in the Western Balkans, and other development partners. This is important to maximize the use of EU funds and other sources of funding. As well,

Kosovo digital agenda: Government of Kosovo has set the digital agenda as a high priority, for this purpose budget organizations should include in their budget requests addressing the following objectives: innovation and support for digitalization of businesses; further improving the communication infrastructure; security and integrity of the electronic communications network and services; cyber security; advancing the e-government and e-services; digitalization in education, health and justice.

Human rights and equal opportunities: all actions of the Government of Kosovo include efforts to eliminate various inequalities, actions which are expressed through the Government Program and are reflected in the form of objectives and indicators in the National Development Strategy. Consequently, budget organizations should envisage addressing the following priorities: ensuring equal access to education, in particular for children from low-income families, national minorities and rural areas; investing in preventive health care to improve results in health and access for all; better access to the labor market, with particular emphasis on youth, women and other vulnerable

groups; genuine access to justice and public services; targeted social protection expenditures to reduce inequalities; improving social schemes that target the efficient distribution so the most needy groups could benefit; better access to decent and affordable housing. Advancing a gender perspective and supporting economic activism are also important priorities, including the commitment of the Government of Kosovo to combat domestic violence and other forms of discrimination. The government also aims to advance policies to protect and promote the rights of communities.

Diaspora and migration: Diaspora and migration issues are relevant for most public policy sectors, so the Government aims to strengthen the diaspora engagement in the development of the country. This means creating reliefs and opportunities for investment in various sectors, and engagement of their intellectual potential. Preserving the identity and culture of the diaspora is an important objective of the Government, also aiming at engaging members of the diaspora to promote Kosovo in the areas where they live.

Environment - green agenda: Kosovo, like the countries of the region, is committed to addressing the priorities that derive from the European Union Green Deal. In the long run this should result in cleaner environment, affordable energy, smarter transportation, new jobs and generally better quality of life. In the medium term, the Government aims to address the numerous environmental problems ranging from integrated waste management, protection of natural resources, forest management and biodiversity preservation, reduction of air pollutants by encouraging more active lifestyles. This requires a coordinated action to reduce pollution in the industry, business, energy, transport, agriculture, forestry, housing and other sectors.

PART TWO

2. MACRO-FISCAL FRAMEWORK

2.1. MACROECONOMIC FRAMEWORK

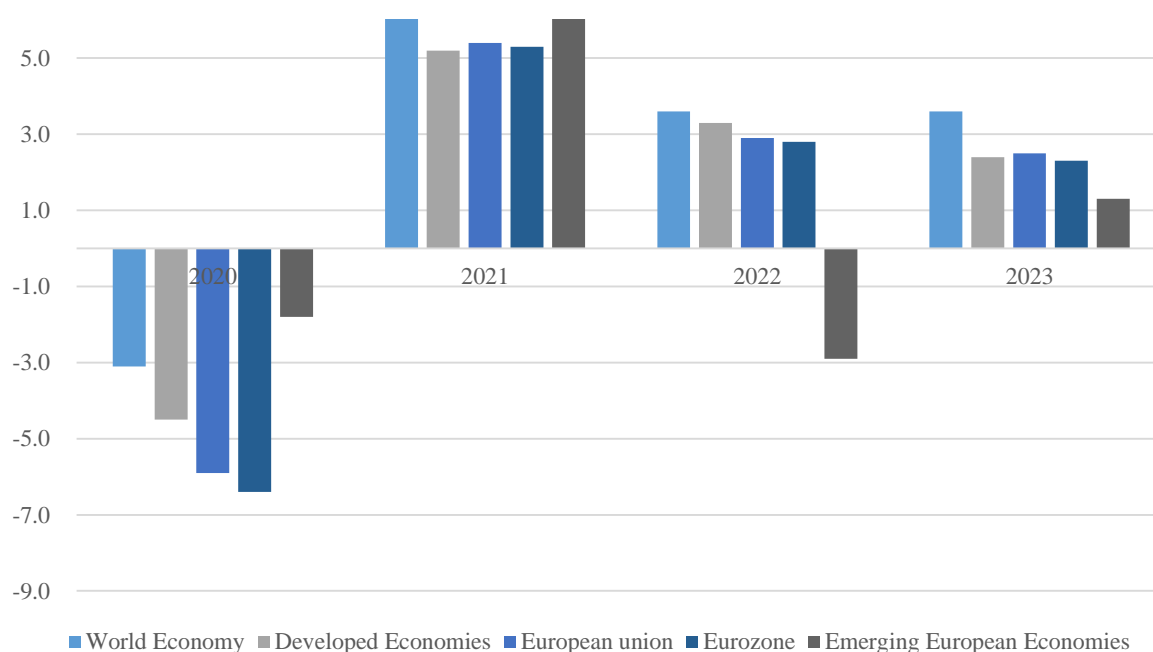
2.1.1. External Economic Environment

Given that Kosovo is a country with a negative trade balance, it is of particular importance to analyse global developments and their effect on the economy as they, in one way or another, will be manifested in Kosovo. Over the past two years, the global economy has experienced three major shocks. Firstly, the COVID-19 pandemic broke out in March 2020; secondly, the recent energy crisis that began in the last quarter of 2021; and finally, the beginning of the occupation of Ukraine by the Russian Federation at the end of February 2022. These three shocks are contributing to the slowdown in global economic growth as well as increasing prices.

Based on the analysis of the International Monetary Fund (IMF),² the recent war is expected to slow the pandemic recovery, affect the price increase and the duration of such increase. This war is expected to affect the global economy through trade and to some extent financial channels. The war impact is expected to contribute to further increases in the price of food and fuel; moreover, this price increase is expected to last longer than predicted before the outbreak of the war. In the light of this situation, it is quite challenging for policymakers as they have to implement economic policies, which on the one hand ensure the continuation of the economic recovery from the pandemic, and on the other hand impact to some extent in controlling inflation.

The latest IMF projections published in April 2022, which take into account the developments mentioned above, suggest that real-world economic growth in 2022 will be 3.6 percent, which represents a downward revision of 0.8 pp. compared to the projection published in January 2022. While the European Union is expected to have economic growth of 2.9 percent in 2022, emerging European economies are expected to have negative average growth of 2.9 percent on average. This negative economic growth is expected to be mainly caused by the drastic economic downturn in the two warring countries, Ukraine and the Russian Federation, as most other European developing countries are expected to have positive growth. In terms of projections for 2023, economic growth is expected both globally and in each group of economies presented in Chart 1

Graph 1: Economic growth by groups of different countries



Data published by IMF predict that inflation during 2022 will be about 5.7 percent in advanced economies, a figure higher by 1.8 p.p. than that in the projections in the analysis published in

² International Monetary Fund (2022), *World Economic Outlook* (see the [link](#))

January 2022. Regarding the developing European economies, including Kosovo, the inflation rate is expected to reach 27.1%, with the highest inflation recorded in Turkey (60.5%) and Russia (21%). According to the IMF, this price increase is expected to mostly affect low-income households, so this group should be taken into account when designing policies.

Table 1 presents the projections for commodity prices for 2022 and 2023 published by IMF in April 2021. According to these projections, in 2022 there is expected to be an increase in oil prices by 64.3 percent, food prices by 20.9 percent, and metal prices by 1.7 percent. For all these categories prices are expected to decrease in 2023, but at a slower rate than that of growth in 2022.

Table 1: Projecting price variations in international markets³

Main prices of basic goods (in percentage, v-m-v)	2020	2021	2022	2023
Oil	-34.0	61.3	64.3	-14.5
Basic goods without oil	4.7	22.2	18.3	-3.8
Food	-0.3	23.2	20.9	-7.0
Metals	1.5	41.6	16.7	-1.5

2.1.2. Recent Economic Developments in Kosovo

According to quarterly data from the Kosovo Agency of Statistics (KAS), real GDP during 2021 has had a double-digit increase of 10.53% compared to the previous year.

Data for 2021 show that **total consumption** has marked a positive contribution to the economic activity of 7.7 pp, with a real annual growth of 7.8%, which is reflected in the growth of both public and private sub-components by 7.6% and 9.1%, respectively. The increase in private consumption is attributed to the record increase in remittances, the growth of new consumer loans, and the fiscal stimulus in the form of subsidies and transfers. On the other hand, the increase in public consumption is attributed to government spending under the Economic Recovery Package but also the return to the normal operation of public administration.

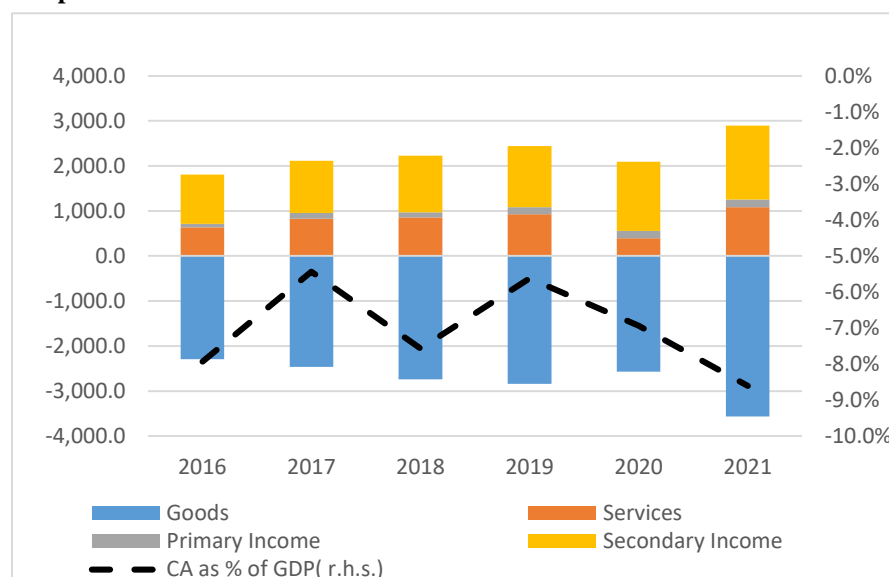
Investments during 2021 marked an increase of 10.3%, recording a positive contribution to GDP of 3.4 pp, as a result of the increase in private investment driven by foreign direct investment, bank lending, but also the mitigation of restrictive measures. Also, public investments recorded faster execution dynamics compared to the previous year.

³ International Monetary Fund (2022), *World Economic Outlook* (see the [link](#))

Net exports in real terms increased by about 1.9% in 2021, as the significant increase in imports of goods and services was almost fully offset by the increase in exports, especially those of services.

The consumer price index has grown on average by 3.4% in 2021, marking an accelerating trend in the second half of the year. The main positive contribution during this year came from the category of “Food and Non-Alcoholic Beverages”, “Transport” and “Communication”. The significant increase in prices in Kosovo, especially in the second half of 2021, is mainly explained by the ‘tight throats’ and disruptions in the supply chain in the global market.

Graph 2: Current account balance



The current account deficit during 2021 worsened, reaching -8.6% of GDP, mainly as a result of the widening trade deficit of goods (about 32.0% of GDP).

Export of goods and services recorded an annual increase of 78.2%. Compared to the previous year, exports of goods were 51.3% higher, while exports of services

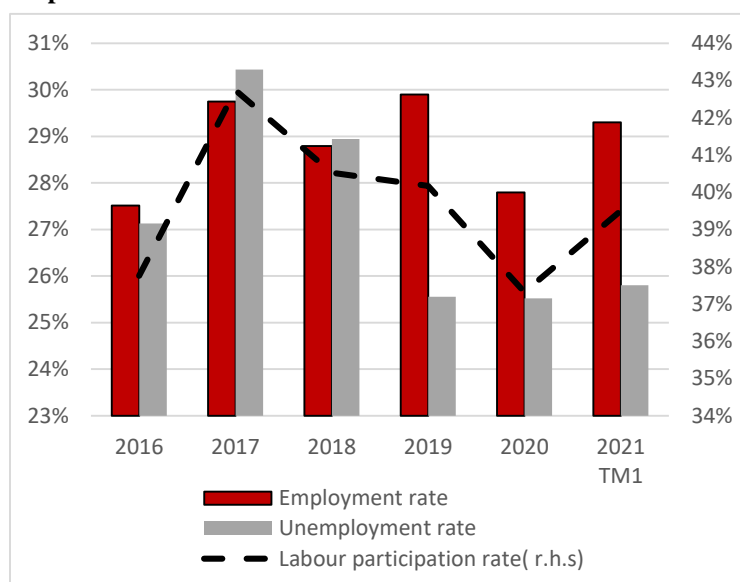
recorded a significant increase of 96.4%. Exports of goods had a continuous growth trend in recent years, as a result of the development of manufacturing capacity and penetration into new global markets. In 2021, exports of goods to CEFTA countries account for 36.9%, while exports to EU member states account for about 31.4% of total exports. While, from exports to countries other than the EU and CEFTA, those with the largest share were those to the US with 16.4% and Switzerland with 7.5%. Trade with the US has grown significantly in the last year, as in 2020, only 5.0% of total exports of goods were destined for the United States of America. On the other hand, the large increase in exports of services is attributed to the basic effect due to travel restrictions during 2020, but also the larger arrival of the diaspora during the summer months than the historical performance before the pandemic.

Import of goods and services recorded an annual increase of 41.6%. Imports of goods from EU countries account for about 44.3% of total imports, with 29.4% dominated by Germany, followed by Italy with 13.3%. Imports from CEFTA member countries account for about 19.1% of total imports, those from Turkey 12.6% and those from China 9.7%. This increase in imports coincides with the increase in aggregate demand. Imports of services in 2021 increased by 44.3% compared to the previous year. Travel and transportation costs are the main factors explaining this increase,

but always keep in mind the basic effect - in 2020, due to the lockdown, there were not many resident trips.

The primary income balance recorded an annual decline of 1.3%, mainly impacted by the category of employees' remuneration. **The secondary income balance** had an annual increase of 5.9%. An important role in this increase was played by net remittances which increased by 17.7%.

Graph 3: Labour market

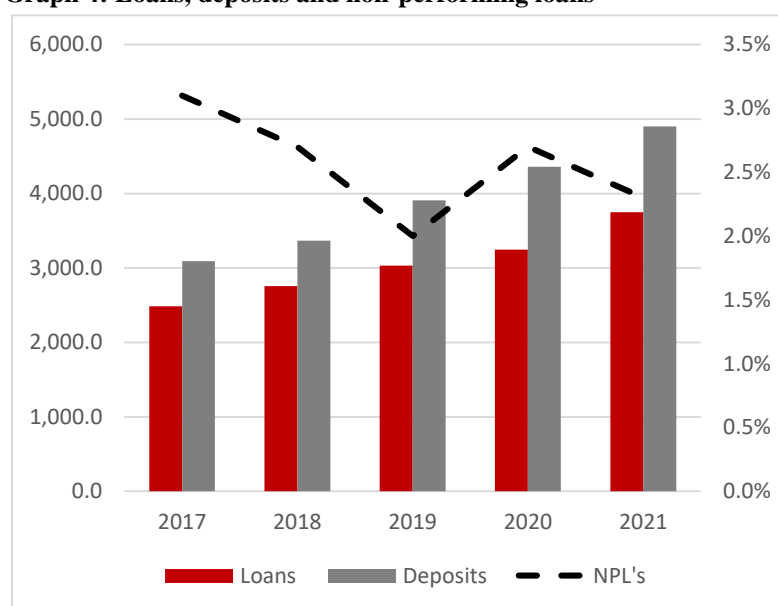


The latest available labour market data published by the Kosovo Agency of Statistics (KAS) show that the employment rate in the first quarter of 2021 recorded a slight improvement in annual terms, reaching 29.3%. Labour force participation improved by 0.7 pp, reaching 39.5%. The unemployment rate increased by 0.8 p.p. in annual terms reaching 25.8%. It should be noted that the general elections, which were held in February 2021, may have contributed to a temporary

improvement in labour market indicators. Due to the lack of data published by the KAS Labour Force Survey, administrative data from the TAK have been used to provide a more complete picture of employment for 2021. Recent data show an increase in employment, by 10.9% compared to last year, in line with the performance of the economic activity and government measures towards the formalization of employment.

In line with economic activity, the banking sector recorded satisfactory performance, characterized by a double-digit increase in the credit stock, by about 15.5%. Corporate loans increased by 14.0%, while those of households by 13.0%.

Graph 4: Loans, deposits and non-performing loans



At the end of 2021, total deposits reached the value of about €4.901 billion, recording an annual increase of 12.4%, of which corporate deposits increased by 12.3% (GDP), while those of households recorded an annual increase of 14.6%. Also, the level of non-performing loans has improved, reaching 2.3% at the end of 2021, from 2.7% at the end of 2020. The average interest rate on new loans during 2021 was 6.0%, or about 0.3 p.p. lower than last year.

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

To identify possible systematic slopes in projections (either up or down), in the following figure we have presented the comparison between the projections of key macroeconomic indicators presented in previous MTEFs and their current performance during the period 2014-2021⁴.

As shown in the figure below, the projected nominal GDP growth rate for 2015, 2016, 2017 and 2019 is lower compared to the current data, although the gap between them is narrow. The comparison between the GDP sub-components shows that the current level of investment has been higher than their projected level (except in 2019 when projections for investment growth were overestimated). The realization of the performance of exports was similar, with the exception of 2015, when exports had lower growth than expected. On the other hand, consumption and imports had smaller deviations. In 2014 and 2018, projections for nominal GDP growth were more optimistic, being higher than the current performance.

2020 and 2021 were characterized by the highest deviation between current values and projections (-9.6 pp and 7.92 pp, respectively). The deviation in 2020 was due to the economy being shocked by the COVID-19 pandemic, where exports were most severely affected with a negative deviation from the projected level of 35.9 pp, investments with 12.9p.p., imports with 14.5 p.p. and consumption 3.1 p.p. While in 2021 the deviation came as a result of faster

⁴ GDP values and constituent components are preliminary until the publication of annual data by the Kosovo Agency of Statistics (September 2022).

economic recovery than expected. Exports had a positive deviation of 76.9 pp, imports of 29.2 pp, investments of 6.9 pp. and consumption a deviation of 4.0 p.p.

As to inflation, the difference between current values and projections has historically been low. In 2019, the deviation was 1.0 p.p. due to lower expectations (than materialized) on inflationary pressures that the tariff imposed on goods from Serbia and Bosnia and Herzegovina could have, at the time when the initial projections for 2019 were realized. In 2020, a lower inflation rate than the projected level was recorded, mainly as a result of the decrease of oil prices in international markets during this period and the decline in economic activity. This low level of inflation is also attributed to the abolition of the 100% tariff on products imported from Serbia and Bosnia and Herzegovina.

In 2021, inflation was higher than originally planned, recording a positive deviation of 1.4 p.p. This increase in inflation came mainly from the post-epidemic economic recovery, both globally and in the domestic economy, which caused disruptions in the global supply chain thus leading to significant increases in oil and food.

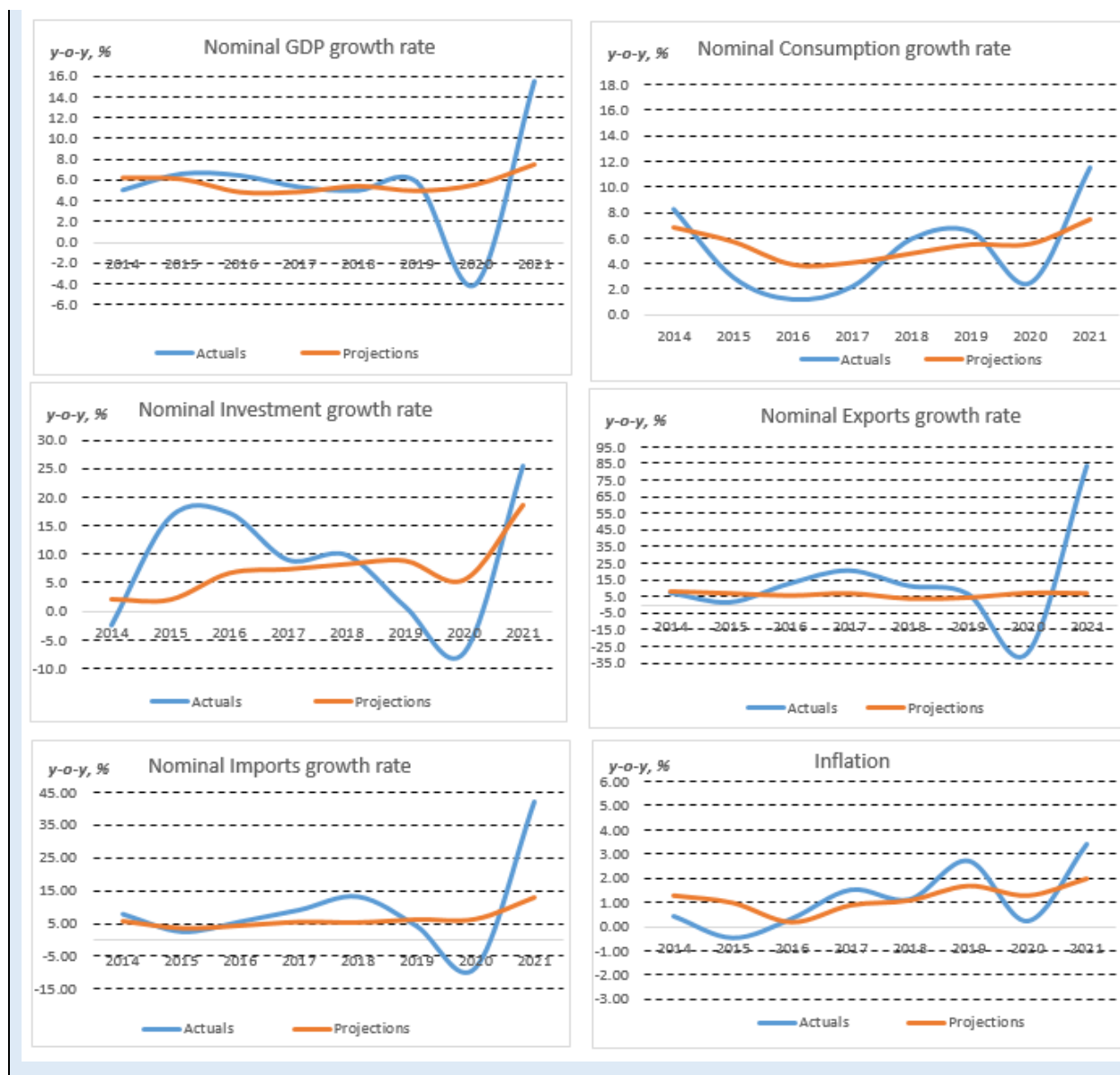
Given that nominal GDP is used as a key macroeconomic variable affecting budget revenues, the lower current values of GDP than those normally projected⁵ have a negative impact on revenue collection for those years compared to projections, especially for the categories of personal income taxes and corporate income;

Although the difference (gap) between projected and current consumption is not high, it still leads to higher expectations for revenues collected from domestic VAT.

These divergences between projections and current figures of economic variables may have contributed to lower-than-expected revenues, except for 2021.

Figure 1. Main macroeconomic variables 2014-2021: Projections for MTEF to the realization (current)

⁵ 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.



2.1.3. Macroeconomic Perspective in 2020 and the medium-term period

Following a double-digit growth of 10.5% in 2021, Kosovo's economy is expected to grow more moderately, mainly as a result of supply chain shocks in global markets and the aftermath of the war in Ukraine.

The available information for the first quarter of 2021, although limited, shows that economic growth remains in a positive trend, but with increased risks mainly from the external environment. As Table 2 shows, during the first three months of 2022, the import of goods in quantity has decreased in annual terms, thus signaling a slowdown in economic activity, while the import of goods in value has increased significantly, due to rising import prices. Although in December

2021, one of Kosovo's largest exporters (NewCo Ferronikeli) ceased manufacturing as a result of the energy crisis, the export of other goods has offset the gap created by NewCo Ferronikeli, keeping up with a satisfactory growth in the two last years (both in quantity and value).

Budget revenues (collected by TAK and Customs) have continued to record a significant growth, as a result of the formalization of the economy and the rapid growth of inflation during these months. Meanwhile, capital expenditures show lower execution dynamics than in the previous year.

The upward trend of prices continued in the first quarter of 2022, reaching a peak in March, with about 10.0%, which mainly reflects the change in prices in the category of food and transport. This trend was accelerated by the war in Ukraine and the imposition of sanctions by Western countries on Russia.

Table 2: Some Economic Indicators

Indicator, y-o-y,% unless otherwise stated	<i>Janar '22</i>	<i>Shkurt '22</i>	<i>Mars '22</i>
Import of Goods_Quantity	-14.9%	-1.0%	-9.7%
Import of Goods_Value	43.1%	37.6%	28.9%
Export of Goods_Quantity	31.0%	63.5%	63.4%
Export of Goods_Value	56.4%	35.3%	43.5%
Total Budget Revenues	20.1%	21.9%	22.5%
Revenues_TAK	26.7%	41.6%	32.5%
Revenues_Customs	16.0%	16.6%	12.2%
Capital expenditures (difference mln EUR)	(0.9)	(18.9)	(9.9)
HCPI	7.1	7.5	10.0

According to the latest projections updated by MFLT, Kosovo's economy during 2022 is expected to record a nominal growth of 12.0% while in real terms about 5.7%. This estimate is a downward revision of our initial estimates, reflecting increased inflationary pressures from the war in Ukraine, while pandemic-related risks have been significantly reduced. The real growth of 5.7% in 2022 is expected to come mainly as a result of net exports and the public sector, especially capital expenditures. Meanwhile, the negative impact of high inflationary pressures on disposable income and consumer confidence is expected to lead to a negative contribution of private consumption to real GDP growth. Similarly, private investment is expected to restrain as a result of rising uncertainty combined with rising prices in international markets.

The high inflationary pressures that characterize the second half of 2021 and the beginning of 2022 are expected to continue in the coming months, driven by rising food and energy prices, while this upward trend is expected to normalize in the second half of the year normalize, recording an average value of 6.6% for the whole 2022.

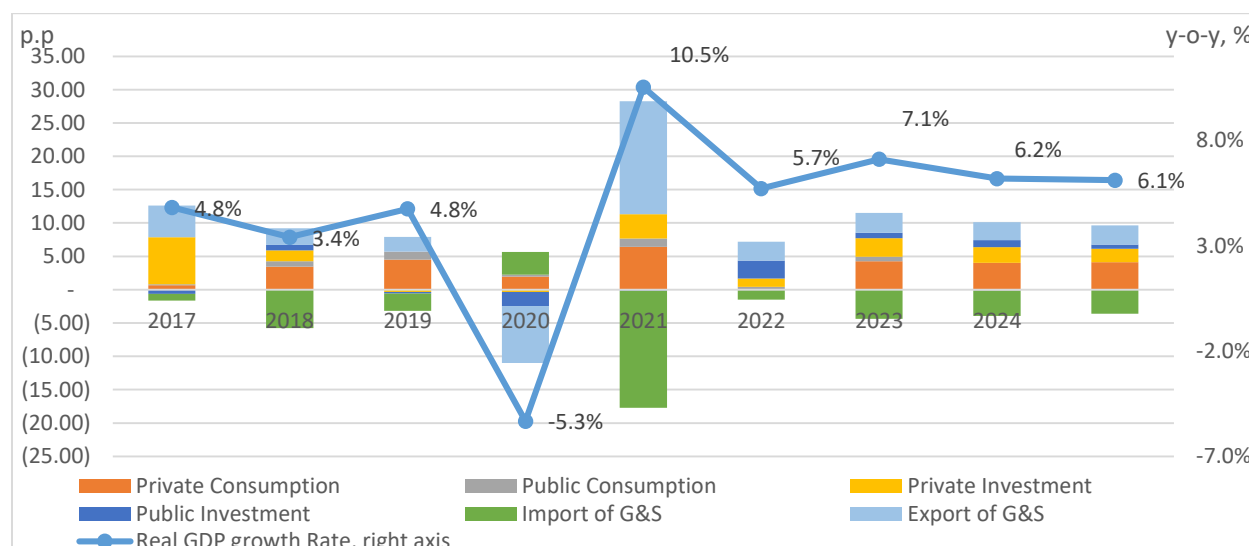
In the medium-term period (2023-2025), Kosovo's economy is expected to record real growth that stands above the historical pre-pandemic average, fluctuating around 6.5% in real terms.

Private consumption is expected to have the highest contribution to GDP. This increase is expected to come mainly as a result of a larger expansion of lending, driven by the increase in capitalization of the Kosovo Credit Guarantee Fund. Also, remittance inflows are expected to continue to be an important source of financing for private consumption. Meanwhile, private investment in the medium-term period is expected to increase, as a result of increased lending but also increased exports of goods, which encourages private investment.

Increasing the concession funds from International Financial Institutions and addressing the expropriation costs, which can help absorb these funds through investment projects, will affect the growth of public investment in the medium term period. Whereas the public consumption is expected to continue decreasing, due to the completion of the Economic Recovery Package during the current year (2022). Further reforms to boost competitiveness would help maintain a positive momentum in commodity export performance in the medium term period. Meanwhile, the import of goods will continue to grow, being in line with the performance of aggregate demand, especially with the expectations of execution of public investments, which have a high import content.

Inflation, in the medium term period, is expected to return to normal, on the assumption that there will be no new waves of pandemics and further disruptions in the global supply chain, with an average value of 1.8%.

Graph 5: GDP by components



2.2 FISCAL FRAMEWORK 2023-2025

2.2.1. Government Revenues and Expenditures

2.2.1.1 Revenues and expenditures in 2022

In the first quarter of 2022, the economic situation and perspective in Kosovo were impacted by global developments in the price level, as a result of disruptions in the global supply chain and most recently the war in Ukraine. According to the Revised Budget Law for 2022, MFLT estimates for 2022 show that budget revenues will record an annual increase of 10.4%, driven mainly by economic growth, reduced informality and rising prices.

On the other hand, budget expenditures in 2022 are expected to increase by around 26.1% compared to last year, mainly as a result of expectations for faster dynamics of capital expenditures.

During the first quarter of 2022, there is a significant increase in total revenues compared to last year, by about 19.3% (better than expected). This increase is reflected in all categories of revenues, both tax (20.3%) and non-tax ones (12.0%).

Budget expenditures decreased compared to the first quarter of last year by around 11.7%, mainly as a result of lower expenditures in the category of capital expenditures and subsidies and transfers.

Information Box 2. Comparison of macroeconomic projection for MTEF 2023-2025 to the other institutions

The following tables present the projections of the real GDP growth rate (if available) among the various institutions⁶ for the medium-term period. Such a comparison enables the judgment of whether the MFLT macroeconomic projections are in line with those of other institutions (local and international).

All institutions have expected acceleration of economic growth in 2021, as a result of the lifting of restrictive measures, the fiscal stimulus provided by the Government and the extraordinary support from the diaspora. The data of MFLT, CBK and EBRD for 2021 reflect the KAS data, while the data of other institutions are still estimates, due to the lack of availability of data from KAS at the time of preparation of the projections by them or due to their judgment for a different assessment of economic growth that is expected to be published in the annual national accounts by KAS in September 2022.

As Table 1 shows, the MFLT projections for 2022 and the medium-term period are higher than the average of the estimates of other institutions, mainly as a result of expectations for faster dynamics of capital expenditure execution. The biggest deviation between the projections is with the International Monetary Fund (IMF), mainly due to the higher inflationary pressures caused by the crisis in Ukraine, expected by the latter.

⁶ The projections of other institutions have been taken from their recent updates and not all of them cover the same projection horizon. The parentheses in the tables represent the date of the last update for each institution.

In terms of nominal GDP, the MFLT projections are quite similar to those of IMF in 2022, while in the medium-term period the gap between the estimates of these two institutions widens.

Table 1: Real GDP growth projections among institutions						
Year	2020	2021	2022	2023	2024	2025
MFLT (April'2022)	-5.3%	10.5%	5.7%	7.1%	6.2%	6.1%
Central Bank of Kosovo	-5.3%	10.5%	3.3%	<i>n/a</i>	<i>n/a</i>	<i>n/a</i>
World Bank (April 2022)	-5.3%	9.1%	3.9%	4.3%	4.2%	<i>n.a</i>
IMF (April 2022)	-5.3%	9.5%	2.8%	3.9%	4.1%	3.9%
EBRD (Mars 2022)	-5.3%	10.5%	4.0%	4.0%	<i>n/a</i>	<i>n/a</i>
The average of others	-5.3%	9.9%	3.5%	4.1%	4.2%	3.9%

Table 2. Nominal GDP projections (in mil of Euro) among institutions						
Vitia	2020	2021	2022	2023	2024	2025
MFLT	6.772	7.817	8,754.5	9,621.3	10,407.8	11,156.4
IMF	6.772	7.637	8.568	9.212	9.815	10.400

Table 3. Inflation rate projections among institutions						
Year	2020	2021	2022	2023	2024	2025
MFLT	0.2%	3.3%	6.6%	2.5%	1.8%	1.2%
World Bank	0.2%	3.4%	5.4%	1.6%	2.2%	<i>n/a</i>
IMF	0.2%	3.3%	9.4%	3.3%	2.3%	2.1%
The average of others	0.2%	3.4%	7.4%	2.5%	2.3%	2.0%

2.2.1.2. Revenue projection for the period 2023-2025

Budget revenues for the medium-term period are expected to stabilize, based on macroeconomic projections. However, it should be noted that there are uncertainties stemming from the situation created by developments in the global economy after the impact of the Russian occupation on Ukraine, which affects the review of revenues in the medium-term period.

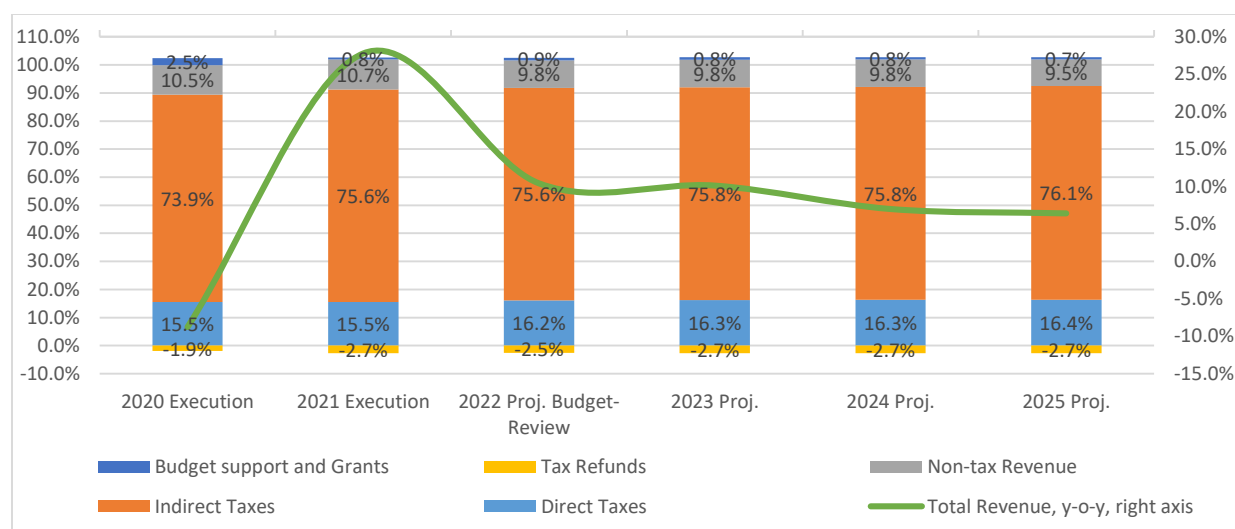
Based on the latest projections, **general budget revenues** are expected to grow on average by 8.0% over the medium-term period.

Revenues from indirect taxes continue to have the highest share in total revenues and are expected to grow by around 8.0% in the medium-term period. VAT is expected to increase by an average of 9.0%, driven by increased imports of goods and general consumption. Excise revenues are expected to increase by an average of 5.0% in the medium-term period, while customs duties are expected to increase by an average of 9.0% in the same period, based on increased imports, but taking into account the reduction of the SAA negative effect.

In addition, **revenues from direct taxes** are expected to increase on average also around 8.0% in the medium-term period. This projection also takes into account the negative effect on revenues that are expected to come from the increase of the tax-free wage threshold (up to 250 Euro which corresponds to the level of the minimum wage).

Non-tax revenues are projected to increase by 7.0% in the medium-term period. The projection reflects a more dynamic implementation of the payment process related to non-tax revenues.

Graph 6: Revenue structure in general revenues



Information Box 3. Comparison of budget projection and the current figures 2021

Table 1 in Annex 2 enables the comparison of the performance of key budget items according to their realization compared to the budget and MTEF (the initial and most recent ones) for 2021.

As to expenditures, the main observation is that current expenditures in 2021 presented in the revised MTEF (2021-2023) are underestimated, mainly due to the unforeseen increase in expenditures under the Economic Recovery Package, especially in the category ‘subsidies and transfers’. The comparison of the values of the initial budget for 2021 to the generated values is similar but to a lesser extent. The higher execution of expenditures compared to the projections comes mainly as a result of the frequent redesign of measures taken within the pandemic to respond to the dynamics of economic developments during this year but also the change of government during the period of MTEF 2021- 2023 preparation (initial and revised) and Budget 2021.

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;
- 2) non-execution of capital projects financed from the regular budget, partly as a result of the non-functioning of the Board of the Procurement Review Body;
- 3) lack of investments financed through liquidation proceeds;

In 2021, there was a positive difference between the generated revenues and the revenue projections in both the last MTEF (2021-2023) and the 2021 Annual Budget. Revenue performance was better than planned, mainly as a result of the recovery of economic activity above our initial expectations, increased inflationary pressures at the end of 2021 and the formalization of the economy driven mainly by the measures of the Economic Recovery Package.

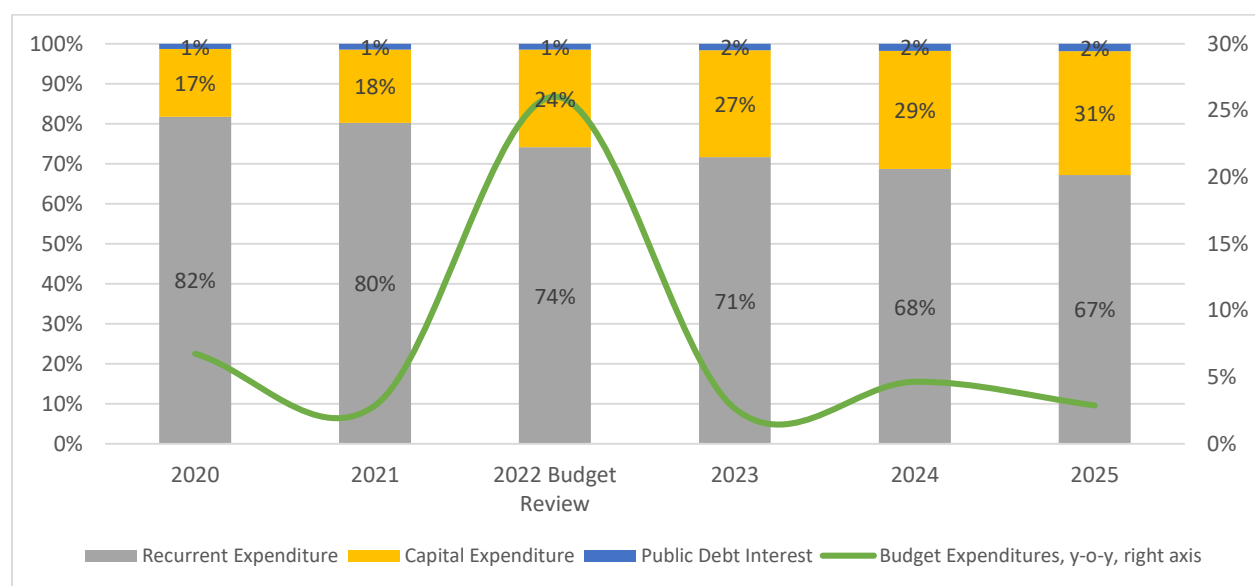
2.2.1.3. Expenditure projection for the period 2023-2025

Budget expenditures in the medium-term period are expected to stabilize and gradually return to historical growth levels. Their performance in the medium-term period 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 period 2023-2025, expenditures are projected to maintain a share of around 29.8% of GDP on average. Of these, current expenditures are expected to be around 20.6% of GDP, while capital expenditures will have a share of 8.6%. 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 2023-2025, it is planned that expenditures will increase by 3.4% on average. Chart 7 presents the structure of general government expenditures over the medium-term period which is planned as follows:

Graph 7: Structure of budget expenditures



Current expenses in the medium-term period are planned to increase by 0.1%. The expenditure category for **wages and salaries** is projected to grow at an average of around 2.6% over the next medium-term period. Category of **goods and services** is expected to maintain the same level of spending over the medium-term period. **Subsidies and transfers**, it is planned to have an average increase of 3.6% during the period 2023-2025. Expenditures in this category are expected to be 9.1% concerning GDP over the medium-term period.

Capital expenditures - constitute a significant share of total expenditures and are expected to represent about 29.0% of total expenditures in the medium term. During this period, the implementation of capital projects is expected based on a list of priorities containing 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 2023 is expected to increase by 12.6% compared to 2022. Whereas in 2024-2025 it is planned to continue with a lower 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 from external lending through the investment clause (Investment clause box in annex).

Information box 4. Main Deviations between MTEF-s 2022-2024 and 2023-2025 for the years 2023 and 2024

Tables 2 and 3 in Annex 2 identify and explain the differences in revenues and expenditures between MTEF 2022-2024 and MTEF 2023-2025. Table 2 presents the deviations of forecasts for 2023 while, Table 3 presents the deviations for of forecasts for 2024.

Regarding revenues, we have similar deviations in both years which mainly derives from indirect tax revenues such as Excise, Border VAT and local VAT, not excluding direct taxes and non-tax revenues. The deviation in revenues from indirect taxes was caused by three main factors: (i) real economic growth in 2021, by increasing the level of income for those categories in 2021, this level is used as a base effect for revenue forecasts in subsequent years; (ii) the increase in inflationary pressures in 2022 caused by the turmoil in the global economy as a result of the war in Ukraine; (iii) continued expansion of the tax base as a result of the formalization of the economy.

Budget expenditures are also higher for both 2023 and 2024 compared to those planned in the previous MTEF. These deviations are the result of two main factors: (i) the increase in the level of revenues has preceded the increase in expenditures; (ii) the increase in the category of goods and services as a result of the establishment of contingency for new laws; (iii) increase in goods and services as a result of external financing - credit for medicines and increase in state reserves and oil reserves; (iv) increase in the category of subsidies as a result of changes in social schemes;

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 2023, according to the fiscal rule, is expected to be €154.3 million, or about 1.6% of GDP projected for this year, while the usable bank balance is expected to be 3.1% of GDP.

While the deficit for 2024 is expected to be €91.8 million, or about 0.9% of GDP, to continue with a surplus of 0.5% of GDP during 2025. The usable bank balance is expected to be 3.4% of GDP in 2024 and 4.6% in 2025.

As it can be seen, our estimates suggest a return to the baseline deficit and a further transition to the surplus within the medium-term period.

2.2.3. State debt level, developments and prospects for the coming years

The total state debt at the end of 2021 is 1,682.89 million Euro, of which 1,106.14 million are domestic debt, and 576.75 million are international debt, as presented in the table below. The debt portfolio at the end of 2021 contained two state guarantees of 30.63 million Euro and had no municipal debt or municipal guarantees issued.

Table 3: Total Debt

<i>mln Eur</i>	2017	2018	2019	2020	2021
International debt	422.15	416.43	409.10	525.80	576.75
Domestic debt	574.27	676.62	791.94	961.90	1,106.14
Overall Debt	996.42	1,093.05	1,201.04	1,487.69	1,682.89
State guarantees	44.00	43.70	42.68	31.65	30.63

Debt as % of GDP	16.37%	16.90%	17.51%	22.44%	21.92%
BPV	6,356.46	6,671.52	7,056.17	6,771.60	7,816.58

Note: GDP values for 2017-2020 are taken from the official website of the Kosovo Agency of Statistics, for 2021 are taken from the Revised Budget Law 2021.

*Debt/GDP ratio has been retroactively revised as a result of revised GDP data by KAS published on 17.09.2021 on the KAS official website.

Domestic debt has a share of 65.7% in the total debt portfolio and consists of debt instruments with a maturity of 12 months to 10 years. Through securities, the Government of Kosovo has borrowed funds on favourable terms, which have been used for budget support contributing to the development of the domestic securities market. In addition to the issues from the regular planning, a Diaspora Bond of 10.4 million Euro was issued for the first time in 2021, with a maturity of 3 and 5 years, in accordance with the Law on Public Debt and the State Debt Program 2022-2024. It is projected that by the end of 2022, domestic debt will reach 1,226.1 million Euro or 14.0% of GDP.

On the other hand, international debt has a share of 34.3% in the total debt portfolio and consists of inherited debt, loans for budget support from the IMF and EU, as well as loans for financing specific projects from IDA, EBRD, EIB, BZKE KfW and other creditors with lesser 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 most from international borrowing are road infrastructure, water supply, wastewater treatment, education, health and agriculture. During 2020 and 2021, a significant portion of the debt was contracted to mitigate the effects of the COVID-19 pandemic. Thus, in order to address the emergency needs and then recover during 2020 and 2021, the Government of Kosovo has entered into a series of financial agreements with IFIs, focusing mainly on health and the economy. By the end of 2022, the international debt stock is projected to reach €885.9 million, representing about 10.0% of GDP.

The following table reflects the current state of the international debt portfolio, including committed - undisbursed debt (meaning debt arising 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 as of 31.03.2022

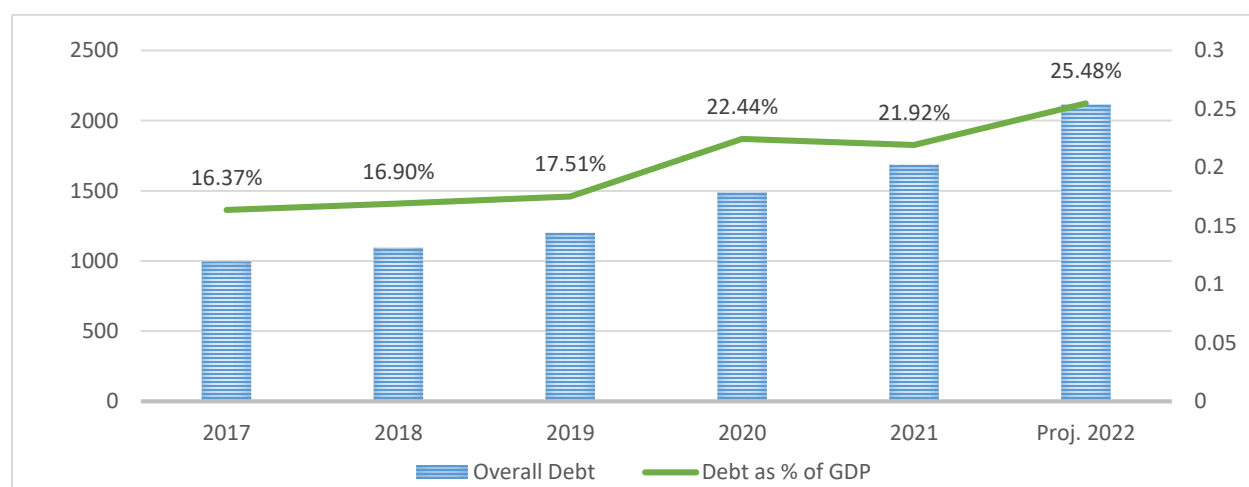
Creditor	Actual Ratified Debt (A)	Disbursed Debt (B)	Undisbursed Debt (C=A-B)	Outstanding Debt (D=B-E)	Debt Repayment (E)	Undisbursed Debt as % of GDP	Disbursed Debt (unpaid) % of GDP
IBRD	381.2	381.2	0.0	107.3	273.9	0.0%	1.3%
IMF	339.3	339.3	0.0	51.4	284.8	0.0%	0.6%
IDA	274.1	169.9	104.2	165.3	6.4	1.3%	1.97%
IsDB	15.3	15.3*	0.0	14.9	0.4	0.0%	0.2%
OFID	18.0	3.9	14.1	0.6	3.4	0.2%	0.0%
SFD	14.4	4.9	9.5	1.7	3.3	0.1%	0.0%

EBRD	179.9	24.6	155.3	19.8	4.9	1.9%	0.2%
EIB	173.0	7.0	166.0	7.0	0.0	1.98%	0.1%
UniCredit	24.98	23.8	1.2	23.3	0.5	0.0%	0.3%
RBI Austria	5.1	5.1	0.0	5.1	0.0	0.0%	0.1%
CEB	60.0	35.0	25.0	35.0	0.0	0.3%	0.4%
BE	100.0	100.0	0.0	100.0	0.0	0.0%	1.2%
NATIXIS Franca	66.0	0.0	66.0	0.0	0.0	0.8%	0.0%
KfW	70.9	68.4	2.5	29.9	38.5	0.0%	0.4%
International Debt	1,722.3	1,178.6	543.8	561.3	616.2	6.5%	6.7%

Note: Current ratified debt means the total amount⁷ of all international loan agreements which have been ratified⁸ by the Assembly of the Republic of Kosovo.

The level of total debt of the Government of Kosovo has gradually started to increase in recent years as shown in the chart below. This is especially noticeable during 2020 and 2021 as a result of the emergency funding needs caused by the COVID-19 pandemic. By the end of 2022, total debt is projected to reach 2,112.07 million Euro, representing 24.0% of GDP.

Graph 8: Total Debt Trend and as a percentage of GDP



Due to favourable lending conditions, in the medium-term period, 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 under preferential terms.

⁷ With the exception of projects/loans which have been completed without being fully spent, in these cases the unspent portion reduces the ratified loan amount.

⁸ With the exception of inherited debt and agreements with IMF which are not ratified as separate agreements, but through the Budget Law.

Financing of Kosovo's budget deficit will always be done in full consistency with the level of deficit presented in the Budget Law and the need to finance the bank balance. In any case, MFLT will ensure that the amount borrowed for the needs of the Government will be at the lowest possible cost and always within acceptable limits of exposure to market risks. To guarantee sound and strategic debt management, MLFT 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 issuance of securities to finance the deficit. And taking into account the returns for the medium-term period, a gradual increase of the debt stock is expected, but the total debt in relation to GDP will remain at acceptable and stable levels for the period 2023-2025.

2.3. MEDIUM-TERM RISKS 2023-2025

The basic framework presented in MTEF is followed, as every year, by risks, which can change the macro-fiscal picture negatively, depending on the probability of materialization and the intensity with which these risks are realized. For the sake of careful planning and in the interest of transparency, the part of the Macro-Fiscal Framework will also take into account these risks, the details of which will be provided below. Compared to last year, the risks continue to be high, mainly those originating from the external environment.

The external environment continues to pose a significant risk during 2022 and in the medium-term period.

- i) **The effects of the spread of the Ukrainian crisis** will negatively affect Kosovo's economy. Firstly, higher energy prices combined with outdated power generation capacity could put increased pressure on public finances, similar to what happened in late 2021 or early 2022. Secondly, although trade relations with the countries involved in the conflict are negligible, Kosovo, as a country importing food and agricultural products and energy, is significantly exposed by rising global prices for these goods. Thirdly, the prolongation or further escalation of the war in Ukraine could affect the countries where Kosovo emigrants live, worsening their financial situation, which may be further reflected in the slowdown in remittances, travel service exports, or foreign direct investment.

- ii) **Measures to address high inflation in the Eurozone**

One of the main challenges in almost all countries has been the monetary policy decision-making in such a way that addresses inflationary pressures but without hindering the momentum of economic recovery expected during 2022 and in subsequent years. It is possible that during 2022, austerity measures will be taken (an increase of the key interest rate or slowdown of the asset purchase program) within the Eurozone countries (where a large part of

our trading partners and emigrants are located) to address the constant rise in prices. These measures will negatively affect the economic activity of these countries, which could potentially be transmitted to our economy.

iii) The outbreak of new variants of Covid-19 virus

Although the pandemic is fading globally, there is still a risk of new outbreaks of the virus, which are resistant to vaccines and may require reinstatement of restrictive measures. This would curb travel and transport, further increasing existing inflationary pressures, which would translate into slowing economic growth in other countries and Kosovo. However, this risk is significantly lower than in the previous year.

Internal environment (local) will continue to generate risks during 2022 onwards (in the medium term period 2023-2025), although at a lower level than in the previous year.

- i) Internal energy crisis** caused by the sharp increase in energy consumption in terms of outdated domestic energy generation capacities may lead to a recurrence of the situation that occurred at the end of 2021 and significantly increase the demand for energy imports. This scenario would negatively affect producer prices and consequently consumption and would require greater financial support from the government.

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

In Kosovo's public debt portfolio, a potential source of this risk is guaranteed public sector loans and international loans sub-borrowed from companies providing essential public services. Guaranteed loans at the end of 2021 are €30.6 million and make up 1.8% 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 period 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. As a measure for the management of these risks also serves the inclusion of guarantees in the amount of total debt, in the calculation of the debt limit to GDP. 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.

iii) 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.

However, the under-execution of capital projects on the assumptions of the baseline scenario, especially for borrowing projects, is considered as a potential risk to lower economic growth projections and consequently budget revenues. This is because the execution of capital projects financed by the concession debt, after the signing of financial agreements, still remains a challenge for budget organizations. This is mainly a result of a hasty decision on loans, i.e. without ensuring that all the preconditions exist, or that proper preparations, studies and detailed analyses (including market analysis) have been made, to ensure the immediate commencement of implementation of projects after the ratification of loans and that funds from loans be used as efficiently as possible.

Another important factor that may affect the government's ability to maintain the projected level of capital expenditures at the medium-term level is increasing pressures on social transfers and energy to address the socio-economic consequences of the current situation of the significant price increase.

However, the risk arising from the under-execution of capital expenditures is significantly lower than in previous projections given the budget allocation for expropriation liabilities, which is expected to boost the absorption of donor-funded projects.

iv) Pressure to increase transfer spending

Good fiscal performance during 2021 and the first quarter of 2022 offers new opportunities for additional spending, new subsidy initiatives or other supporting initiatives. Extra care is needed in analyzing each scheme, focusing on two specific issues: the economic return or social issues that the scheme helps or solves, and the formulation of criteria in order to improve targeting. However, care should be taken that, despite the pressure to increase current expenditures with a view to significant price increases, special focus should be given to accelerating the dynamics of capital investment execution to support recovery and further economic growth, given that most of the crisis caused by the pandemic is already on the verge of extinction, and based on economic activity data losses are considered to be recoverable.

v) The fiscal risk from revenue collection

An important fiscal risk associated with tax revenues is whether taxes receivable can be collected or not. According to the annual financial report for 2021, uncollected receivables amounted to 773 million Euro, 560 of which were related to the level of central government and 212 million Euro to the local government level. These 773 million Euro of uncollected receivables represent

an increase of about 78 million Euro compared to the previous year. The average annual growth for the period 2018-2021 reaches 8.2%.

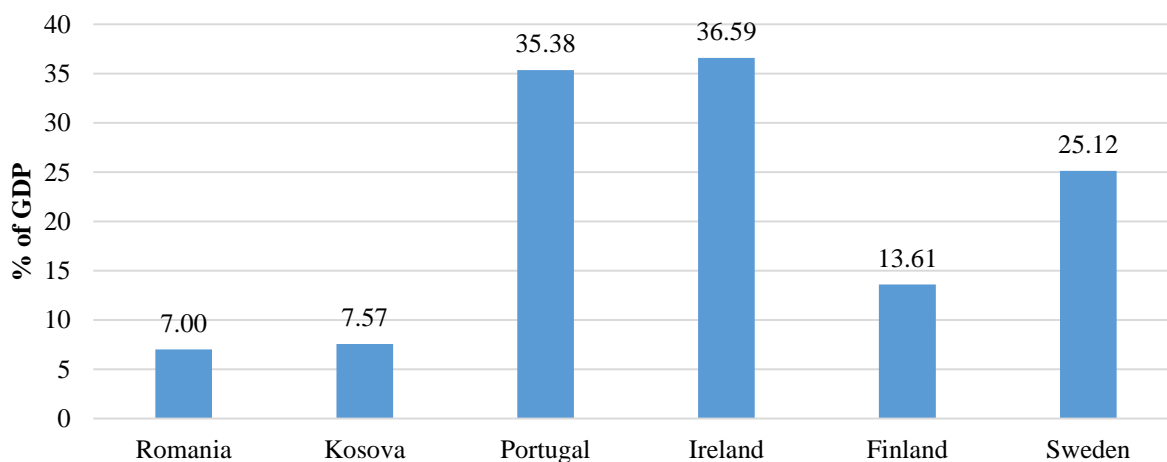
vi) Fiscal Risks from Publicly Owned Enterprises

Overview of Public Enterprises Structure

In the Republic of Kosovo, there are two types of public enterprises (POEs): those owned by the central government and those owned by local governments. At the central government level, the POE sector includes 19 enterprises. The Ministry of Economy supervises 17; the Assembly oversees the System, Transmission, and Market Operator (KOSTT); while Gjakova Airport is overseen by the Kosovo Security Force (KSF). The state owns 80 per cent of Trepça shares, and the staff own the remaining 20 per cent. The rest of the POEs are owned entirely by the government. POEs operate in several sectors, including electricity, transport, water supply, telecommunications and mining. The following analysis was conducted based on the financial data belonging to 17 POEs supervised by the Ministry of Economy.

The POE sector is relatively small compared to countries in the European Union (*see figure 10*).

Graph 9: Liabilities of public non-financial corporations (POEs) as a percentage of GDP (2020) (Eurostat, 2021)



Based on the quarterly reports submitted by 16 of the POEs during 2021, at the end of year 2021, the assets of POEs amounted to 14.4 percent of GDP, a reduction of 2 percentage points from 2020 (same level of 14.4 percent of GDP in 2019), also liabilities show a reduction, amounted to 6.9 percent of GDP, reduction of 0.7 percentage point from 2020. Their total revenues remained constant at are equivalent to 4.5 percent of GDP.

In total, the POE sector generated a profit of 87.4 million euros in 2021, an improvement from the profit of 19.0 million euros in 2020. More than half of the POEs generated a profit. The aggregate return on equity improved from 3 percent in 2020 to 13 percent in 2021. The liquidity of the sector

has improved; in aggregate the POEs have sufficient short-term assets to fulfill short-term obligations. On average, about 48 percent of POE funding comes from debt, up slightly from 2020 (47 percent). The improvement in profitability during 2021 means that the POE sector is now in a position to be able to service its aggregate debt from its own earnings.

Table 5: Summarized financial statements for the POEs sector (millions of euros)

	2017	2018	2019	2020(unaudited)	2021
Total Revenue	286.5	298.7	305.8	306.1	353.9
<i>Percent of GDP</i>	4.5	4.5	4.3	4.5	4.5
EBITDA	76.7	98.4	102.9	115.1	186.3
<i>Percent of GDP</i>	1.2	1.5	1.5	1.7	2.4
Net Profit	-33.4	7.3	-4.9	19.0	87.4
<i>Percent of GDP</i>	-0.5	0.1	-0.1	0.3	1.1
Total Assets	996.9	978.5	1,015.7	1,110.4	1,123.2
<i>Percent of GDP</i>	15.7	14.7	14.4	16.4	14.4
Total Current Assets	256.8	226.1	235.9	258.5	397.3
<i>Percent of GDP</i>	4.0	3.4	3.3	3.8	5.1
Total Liabilities	517.0	513.1	529.9	516.6	539.9
<i>Percent of GDP</i>	8.1	7.7	7.5	7.6	6.9
Total Current Liabilities	116.8	123.5	166.4	183.3	165.1
<i>Percent of GDP</i>	1.8	1.9	2.4	2.7	2.1
Total Equity	480.8	464.0	485.8	593.8	594.3
<i>Percent of GDP</i>	7.6	7.0	6.9	8.8	7.6

POEs fiscal risk assessment

Fiscal risks are factors that may cause deviations in the projected fiscal outcomes. POEs may directly impact fiscal indicators, for example, when higher-than-expected subsidies, loans or capital (equity) injections are provided; there is a crystallization of contingent (potential) liabilities; or tax and dividend income lower than expected. POEs may also have an indirect impact on fiscal indicators through the impact of their activities on economic growth. Materialization of risks at the company level is more likely to cause fiscal risks when POEs are not sufficiently capitalized, are at a loss and have low liquidity levels.

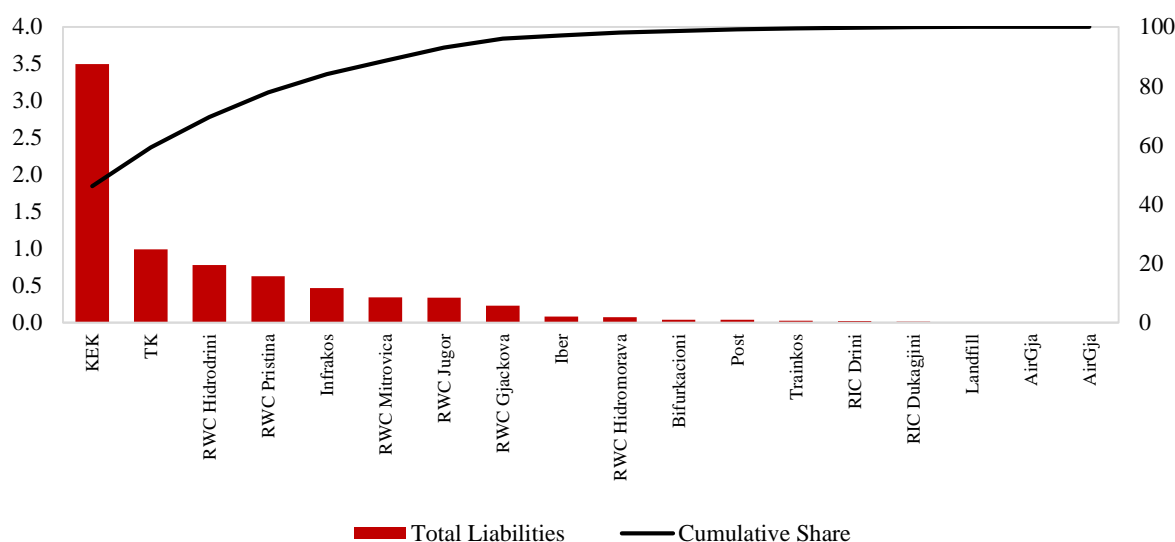
Unpaid tax debts of POEs have accumulated. There are also unpaid dividends to the government by POEs. The infrastructure and equipment of POEs are becoming obsolete and depreciating excessively. They now need to be replaced, however some POEs are unable to afford these investments. For POEs such as the railway companies and Post of Kosovo, among others, the tariffs they charge, which are regulated, are insufficient to cover their costs. Some POEs, especially Telecom of Kosovo, are experiencing such severe financial difficulties that government support may be needed to ensure their survival.

A fiscal risk assessment of 16 POEs has been compiled based on the quarterly reports submitted by these POEs during 2021. For 2020, the fiscal risk assessment was based on the audited annual results (audited financial statements) for 2020. For each company, six key financial indicators were

calculated: i) cost recovery ratio; ii) return on equity; iii) the current ratio, iv) accounts receivable days; v) debt to assets ratio; and vi) the debt-to-EBITDA ratio (income before interest, taxes, depreciation and amortization). These indicators are selected as they provide a good overall indicator of the profitability, liquidity and solvency of each POE. Each report was assigned a risk assessment, based on international norms. The overall risk assessment was calculated as the arithmetic mean of the risk assessments for the individual reports. The POE risk ratings ranged from Category 1 – lowest risk rating – to Category 5 – the highest risk rating. The methodology will continue to be improved and/or changed based on context and availability of data.

Of the 16 POEs, seven POEs were classified as Category 4, six as Category 3, and three as Category 2. There was an improvement relative to the fiscal risk assessment conducted using the 2020 annual financial results, where one POE was classified as Category 5, eight as Category 4, and eight as Category 3. The risk assessment shows that, in general, most POEs have a sound liquidity position, but some of the companies are experiencing difficulties in collecting debts from their debtors. Many POEs have high levels of debt when taking into consideration their (insufficient) ability to generate earnings to meet those liabilities.

Graph 10: Share of total liabilities by POEs (percentage of GDP)



To address some of the above problems, the Government is in the process of amending the Law on POEs, which creates the framework for the functioning of the POE sector, in order to adapt the corporate governance of POEs with internationally recognized standards, improve the performance of POEs, increase the value of their assets and provide qualitative services to the public. There are also a number of further measures that are being considered to address the existing problems of POEs, such as: stabilizing the boards and management of POEs through a transparent and merit-based process, restructuring, privatization, or even liquidation, among others.

vii) Outstanding liabilities

Article 39 of the Law on PFM stipulates that unpaid liabilities are payments that have exceeded the payment deadline by more than 30 days. The annual financial report of the Budget of the Republic of Kosovo for 2021 includes an annex for outstanding liabilities which include financial commitments, accounts payable and outstanding liabilities, dividing these amounts into two categories according to maturity: i) less than 30 days; and ii) more than 30 days.

Table 5 presents outstanding liabilities (>30 days) for three years at the central and local levels. Over the last three years, there has been a decrease in total outstanding liabilities, with the largest decrease reflected in 2021 at €54.6 million from €95.9 million in 2020, mainly as a result of the decrease in outstanding liabilities at the central level. In 2021, at the central level, most of the outstanding liabilities (>30 days) are attributed to the Ministry of Environment, Spatial Planning and Infrastructure, with about 54.0% of all liabilities within this level, although the level of liabilities for this budget organization has declined significantly in the last three years. It is also noted that the University of Prishtina had no outstanding liabilities in 2019, but it incurred outstanding liabilities in 2020 and 2021.

At the local level, in 2021 outstanding liabilities have increased by about €5 million compared to 2020, mainly as a result of increased liabilities in the municipality of Ferizaj. In 2021, the municipalities of Gjilan and Ferizaj are the two municipalities, which constitute the largest portion of outstanding liabilities (> 30 days).

In 2020, outstanding liabilities accounted for 2.0% of the current expenditures of budget organizations at the central level (a decrease from 5.37% in 2020) and about 3.75% at the local level (an increase from 2.75% in 2020), which altogether account for 2.42% of total budget expenditures (a reduction of 4.73% that was in 2020).

Table 6: Outstanding liabilities

	2019	2020	2021	2021/ Total BO spending
Central Government (mil Eur)	85.6	80.9	34.3	2.0%
<i>Ministry of Environment, Spatial Planning and Infrastructure</i>	<i>70.1</i>	<i>53.5</i>	<i>18.8</i>	<i>13.0%</i>
<i>Ministry of Agriculture, Forestry and Rural Development</i>	<i>0.7</i>	<i>10.4</i>	<i>7.6</i>	<i>10.2%</i>
<i>University of Pristina</i>	<i>-</i>	<i>1.9</i>	<i>2.5</i>	<i>8.8%</i>
<i>Health Insurance Fund</i>	<i>9.8</i>	<i>6.0</i>	<i>1.2</i>	<i>11.8%</i>
Local government (mil Eur)	15.8	15.0	20.3	3.8%
<i>Gjilan</i>	<i>9.8</i>	<i>9.8</i>	<i>9.5</i>	<i>33.7%</i>
<i>Ferizaj</i>	<i>0.6</i>	<i>0.7</i>	<i>5.7</i>	<i>16.1%</i>
<i>Mitrovica</i>	<i>0.8</i>	<i>0.9</i>	<i>1.6</i>	<i>7.2%</i>
<i>Pristina</i>	<i>0.8</i>	<i>0.6</i>	<i>0.8</i>	<i>1.0%</i>
Total (million euros): Central + Local	101.4	95.9	54.6	2.4%
Total payments / total budget expenditures%	4.9%	4.3%	2.4%	

viii) Fiscal risks from court cases

An important indicator of fiscal risks from court cases is the performance of annual government payments for court decisions. Table 6 presents payments according to court decisions during the last three years, both at the central and local levels. In general, payments for court decisions do not account for more than 2.3% 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 Environment, Spatial Planning and Infrastructure (37.4% of central level payments) and the Ministry of Finance, Labor and Transfers (16.3% of central level payments). At the local level, the municipalities of Ferizaj, Prizren, Mitrovica and Prishtina make up the bulk of these payments. In 2021, payments based on court decisions accounted for 1.17% of the current expenditures of budget organizations at the central level and about 5.89% at the local level, which altogether accounts for 2.30% 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 the amount of costs that could arise from the cases pending before the court.

Table 7: Payments based on court decisions (in millions of Euro)

	2019	2020	2021	2021/ Total BO spending
Central Government (mil Eur)	10.5	15.3	20.0	1.2%
<i>Ministry of Environment, Spatial Planning and Infrastructure</i>	8.7%	2.9%	37.4%	5.2%
<i>Ministria of Finance, Labour and Transfer</i>	27.5%	21.6%	16.3%	0.5%
<i>Ministria e Punëve të Brendshme</i>	2.5%	9.5%	14.5%	1.9%
<i>University Hospital and Clinical Service of Kosovo</i>	11.6%	6.9%	13.3%	2.0%
<i>Ministry of Culture, Youth and Sports</i>	4.0%	6.8%	4.3%	2.6%
Local government (mil Eur)	15.3	15.3	31.9	5.9%
<i>Ferizaj</i>	29.7%	9.5%	22.2%	20.2%
<i>Prizren</i>	4.3%	17.6%	15.6%	10.0%
<i>Mitrovica</i>	9.7%	12.0%	13.6%	19.4%
<i>Pristina</i>	8.0%	14.1%	7.3%	2.9%
<i>Gjakova</i>	5.5%	1.5%	6.3%	7.4%
Total (million euros): Central + Local	25.8	30.7	51.9	2.3%
Total payments / total budget expenditures, %	1.2%	1.4%	2.3%	

ANNEX 1

Tabela 1. Fiscal Forecasts

Description	2019	2020	2021	2022 Budget	2022 Review	2023 Proj.	2024 Proj.	2025 Proj.
In millions of Euros:								
1. Total Revenue [1]	1,888.2	1,722.2	2,200.9	2,364.5	2,430.4	2,676.6	2,864.0	3,047.7
1.1 Tax Revenue	1,662.0	1,507.0	1,947.9	2,102.9	2,168.9	2,392.2	2,561.5	2,735.2
Direct Taxes	292.3	267.2	342.2	398.8	392.6	435.5	467.3	499.0
Tax on Corporate Income	94.6	85.3	113.9	136.2	136.2	164.8	176.9	188.9
Tax on Personal Income	165.6	158.0	189.5	219.4	212.7	223.2	241.4	259.4
Tax on Immovable Property	27.3	22.7	36.3	41.0	41.0	44.6	45.9	47.4
Other	4.8	1.3	2.4	2.3	2.7	2.9	3.1	3.3
Indirect Taxes	1,415.3	1,272.7	1,664.7	1,762.8	1,837.8	2,028.9	2,171.6	2,318.9
Value Added Tax:	845.6	770.1	1,038.2	1,103.1	1,176.0	1,326.3	1,427.7	1,531.5
Domestic:	239.2	222.4	291.7	322.6	360.0	388.7	414.1	440.9
Border:	606.4	547.8	746.5	780.6	816.0	937.6	1,013.6	1,090.5
Customs Duty	130.3	101.6	124.6	125.6	134.3	148.1	161.1	174.3
Excise	435.5	398.1	501.3	531.8	524.9	551.6	579.7	609.8
Other indirect	3.8	2.9	0.6	2.3	2.6	2.9	3.1	3.3
Tax Refunds	-45.5	-33.0	-58.9	-58.7	-61.5	-72.3	-77.4	-82.7
1.2 Non-tax revenue	214.6	181.2	236.1	239.1	239.1	261.9	280.0	290.0
Fees, charges, and other	171.5	146.2	186.8	188.5	188.5	209.4	225.8	236.1
Fees, charges, and other - Central Level	121.4	103.5	129.6	142.1	142.1	155.4	169.1	176.6
Fees, charges, and other - Local Level	50.0	42.7	57.3	46.4	46.4	54.0	56.7	59.5
Concessionary fees	11.1	2.7	17.0	17.0	17.0	19.0	21.0	21.0
Royalties	29.4	29.4	19.2	30.2	30.2	30.2	30.1	30.1
Dividends Revenue	0.00	0.00	10.0	0.0	0.0	0.0	0.0	0.0
Interest income	2.7	3.0	3.1	3.4	3.4	3.4	3.1	2.8
1.3 Grants	19.6	43.1	16.8	22.5	22.5	22.5	22.5	22.5
Budget support and grants	11.5	34.0	0.0	10.5	10.5	10.5	10.5	10.5
DDG - Donor designated grants	8.1	9.0	16.8	12.0	12.0	12.0	12.0	12.0
2. Total Expenditure [1]	2,093.4	2,234.9	2,299.3	2,747.7	2,898.2	2,974.8	3,113.3	3,203.1
2.1 Recurrent Expenditure	1,538.8	1,827.7	1,837.6	1,990.3	2,140.8	2,123.2	2,132.3	2,146.1
<i>Wages and Salaries</i>	615.9	660.8	667.3	670.9	670.9	695.3	718.7	724.1
<i>Goods and Services</i>	295.6	299.2	327.7	403.8	403.8	475.7	468.2	482.6
<i>Subsidies and Transfers</i>	627.3	867.8	842.6	894.5	1,045.0	947.4	940.5	934.7
<i>Recurrent reserves</i>	0.0	0.0	0.0	21.0	21.0	4.8	4.8	4.8
2.2 Capital Expenditure	531.2	379.7	419.8	704.4	704.4	792.8	916.7	986.8
<i>Regular budget financing</i>	391.9	261.2	399.8	570.1	570.1	650.1	760.3	773.3
<i>Debt financing through the investment clause</i>	7.5	47.1	20.0	113.2	113.2	142.7	156.4	213.5
<i>Liquidation proceeds (PAK)</i>	131.9	71.5	0.0	21.0	21.0	0.0	0.0	0.0
2.3 Public Debt Interest	23.5	27.5	32.2	41.1	41.1	46.8	52.3	58.2
2.4 DDG- Donor designated grants	6.9	9.2	9.7	12.0	12.0	12.0	12.0	12.0
3. Budget Balance (1-2)	-205.3	-512.7	-104.2	-383.3	-466.5	-297.0	-248.3	-154.4
4. Expenditure exempted from the fiscal rule:	172.02	148.62	53.9	138.7	134.2	142.7	156.4	213.5
<i>Expenditure from dedicated revenue</i>	2.0	0.0	0.0	4.5	0.0	0.0	0.0	0.0
<i>Expenditure financed from municipal carried-over OSR</i>	30.7	30.1	33.8	0.0	0.0	0.0	0.0	0.0
<i>Capital spending from the liquidation p.</i>	131.9	71.5	0.0	21.0	21.0	0.0	0.0	0.0
<i>Capital spending from the investment clause</i>	7.5	47.1	20.0	113.2	113.2	142.7	156.4	213.5
5. Budget Balance, as per fiscal rule definition (5+6)	-33.3	-364.1	-50.3	-244.6	-332.3	-154.3	-91.8	59.1
A. Financing Need:	-205.3	-512.7	-104.2	-383.3	-466.5	-297.0	-248.3	-154.4

B. External Financing(net)	-11.0	139.5	53.4	319.9	359.9	241.3	185.7	190.4
C. Internal Financing(net)	259.6	240.8	122.7	52.5	52.5	99.8	118.8	121.7
D. Change in usable bank balance:	43.4	-132.5	71.8	-10.8	-54.1	44.1	56.2	157.7
E. Stock of Usable Bank Balance (Net)	362.0	235.5	312.7	301.9	258.7	302.8	359.0	516.7
F. Designated Funds,	96.3	94.5	129.5	132.8	129.5	129.5	129.5	129.5
G. END-YEAR GROSS BANK BALANCE	458.3	330.0	442.2	434.7	388.1	432.2	488.5	646.2
Memo 1:								
Revenues received from TAK	504.3	466.9	597.7	680.4	711.6	779.6	835.5	892.5
Revenues received from Customs	1,179.6	1,050.4	1,376.7	1,440.2	1,477.8	1,640.2	1,757.5	1,878.0
Tax Refunds	-45.5	-33.0	-58.9	-58.7	-61.5	-72.3	-77.4	-82.7
Inflows and Outflows from DDG-s	8.1	9.0	16.8	12.0	12.0	12.0	12.0	12.0
GDP	7,056.2	6,771.6	7,816.6	8,405.0	8,754.5	9,621.3	10,407.8	11,156.4
Budget deficit (fiscal rule def.) as % of GDP	-0.5%	-5.4%	-0.6%	-2.9%	-3.8%	-1.6%	-0.9%	0.5%
Available bank balance as % of GDP	5.1%	3.5%	4.0%	3.6%	3.0%	3.1%	3.4%	4.6%
Memo 2:								
Stock of Domestic Debt	791.9	961.9	1,106.1	1,236.1	1,226.1	1,356.1	1,486.1	1,616.1
Stock of Foreign Debt (+guarantees)	409.1	525.8	576.7	992.0	925.9	1,156.2	1,331.7	1,512.8
State guarantees	42.7	31.7	30.6	29.6	29.6	28.6	27.6	26.6
Total debt as % of GDP	17.6%	22.4%	21.9%	26.9%	24.9%	26.4%	27.3%	28.3%

Table 1.1 Budget Balance Financing

Description	2019	2020	2021	2022 Budget	2022 Review	2023 Proj.	2024 Proj.	2025 Proj.
In millions Euro								
Budget Revenues	1,888.2	1,722.2	2,200.9	2,364.5	2,430.4	2,676.6	2,864.0	3,047.7
Budget Expenditure	2,093.4	2,234.9	2,299.3	2,747.7	2,898.2	2,974.8	3,113.3	3,203.1
1. FINANCING NEEDS	-205.3	-512.7	-104.2	-383.3	-466.5	-297.0	-248.3	-154.4
2. Net external financing	-11.0	139.5	53.4	319.9	359.9	241.3	185.7	190.4
2.1. Inflows:	40.2	227.7	132.4	383.3	423.3	304.5	259.0	260.9
IMF	0.0	102.0	60.0	130.0	170.0	50.0	50.0	-
On-lending	12.1	11.2	13.5	59.9	59.9	46.1	27.2	24.3
Withdrawals from creditors	4.2	3.5	5.5	49.1	49.1	35.1	17.0	15.0
Receipts from public lending entities	7.9	7.7	8.0	10.8	10.8	11.0	10.2	9.3
Draft loans	28.1	114.5	58.9	193.5	193.5	208.4	181.8	236.5
IFI financing as per the investment clause	7.5	47.1	20.0	113.2	113.2	142.7	156.4	213.5
IFI project-loans	20.6	67.4	38.8	80.3	80.3	65.6	25.4	23.1
2.2. Outflows:	51.2	88.2	79.0	63.4	63.4	63.2	73.3	70.5
Debt principal repayments	51.2	88.2	79.0	63.4	63.4	63.2	73.3	70.5
3. Net domestic financing	259.6	240.8	122.7	52.5	52.5	99.8	118.8	121.7
3.1. Inflows:	526.4	455.3	322.3	361.6	361.6	396.2	415.1	389.3
Domestic borrowing: new debt issuance	115.3	170.0	144.2	120.0	120.0	130.0	130.0	130.0
Refinancing of treasury bills	244.6	200.0	162.0	204.8	204.8	250.3	269.1	243.3
Loans to POEs (principal)	10.9	11.4	11.4	11.4	11.4	11.4	11.5	11.5
One-off financing from liquidation / privatization and others	150.0	71.5	0.0	21.0	21.0	-	-	-
Inflows from designated funds PAK	1.0	0.0	-	-	-	-	-	-
Inflows from designated funds	4.5	2.5	4.6	4.5	4.5	4.5	4.5	4.5
Inflows from funds (FS2, FS3)	0.0	0.0	-	-	-	-	-	-
3.2. Outflows:	266.7	214.5	199.7	309.1	309.1	296.3	296.3	267.6
Loans to POEs (principal)	0.0	0.0	-	40.0	40.0	-	-	-
On-lending	17.0	11.7	14.3	59.9	59.9	46.1	27.2	24.3
Outflows from debt service	8.5	3.5	5.5	49.1	49.1	35.1	17.0	15.0

Outflows from on lending	8.5	8.2	8.8	10.8	10.8	11.0	10.2	9.3
Interest on lending	2.0	1.5	1.3	1.3	1.3	1.2	1.1	1.0
Outflows from issuance of treasury bills	244.6	200.0	162.0	204.8	204.8	250.3	269.1	243.3
Outflows for IFI memberships and quota increases	-	-	-	4.5	4.5	-	-	-
Outflows from funds (FS2, FS3, increase)	5.1	2.8	23.4	-	-	-	-	-
4. CHANGES IN BANK BALANCE (Undesignated)	43.4	-132.5	71.8	-10.8	-54.1	44.1	56.2	157.7
5. END-YEAR NET BANK BALANCE	362.0	235.5	312.7	301.9	258.7	302.8	359.0	516.7
Off which : ELA	46.0	46.0	46.0	46.0	46.0	46.0	46.0	46.0
6. Designated Funds	96.3	94.5	129.5	132.8	129.5	129.5	129.5	129.5
Stock of donor designated grants	8.9	9.8	15.8	17.4	15.8	15.8	15.8	15.8
Stock of carried-over OSR (Central level)	5.7	1.8	1.4	3.1	1.4	1.4	1.4	1.4
Stock of carried-over OSR (Local level)	49.5	56.0	79.4	80.5	79.4	79.4	79.4	79.4
The development trust	6.8	7.1	7.4	8.4	7.4	7.4	7.4	7.4
Designated revenue	0.8	0.1	0.5	3.0	0.5	0.5	0.5	0.5
Other	17.5	15.9	19.8	18.0	19.8	19.8	19.8	19.8
Unspent funds from borrowing	7.0	3.9	5.1	2.3	5.1	5.1	5.1	5.1
7. END-YEAR GROSS BANK BALANCE	458.3	330.0	442.2	434.7	388.1	432.2	488.5	646.2
8. CHANGE in BANK BALANCE	70.4	-128.3	112.2	-10.8	-54.07	44.1	56.2	157.7
Memo:								
Stock of Domestic Debt	791.9	961.9	1106.1	1,236.1	1,226.1	1,356.1	1,486.1	1,616.1
Stock of Foreign Debt	409.1	525.8	576.7	992.0	925.9	1,156.2	1,331.7	1,512.8
State guarantees	42.7	31.7	30.6	29.6	29.6	28.6	27.6	26.6
Interest expenditure as % of GDP	0.3%	0.4%	0.4%	0.5%	0.5%	0.5%	0.5%	0.5%

Table 2: Main Economic Indicators

Description	2019	2020	2021	2022 Proj.	2023 Proj.	2024 Proj.	2025 Proj.
Real growth rates (in percent)							
GDP	4.8%	-5.3%	10.5%	5.7%	7.1%	6.2%	6.1%
Consumption	6.2%	2.4%	7.8%	0.4%	5.5%	4.3%	4.8%
Investment	-1.6%	-7.1%	10.3%	10.9%	8.9%	8.3%	6.2%
Exports	7.6%	-29.1%	78.2%	8.3%	8.2%	7.3%	7.8%
Imports	4.5%	-6.1%	32.6%	2.2%	6.5%	5.6%	5.4%
Price changes (in percent)							
CPI (annual monthly average)	2.7%	0.2%	3.3%	6.6%	2.5%	1.8%	1.2%
GDP deflator	1.0%	1.3%	4.9%	6.3%	2.8%	2.0%	1.1%
Savings/investment balances (in percent of GDP)							
Net primary income from abroad	2.3%	2.4%	2.1%	1.9%	1.9%	1.8%	1.8%
Net secondary income from abroad	19.2%	22.8%	20.9%	19.6%	18.7%	18.1%	17.7%
of which: remittances	12.1%	14.5%	14.7%	13.8%	13.2%	12.8%	12.5%
Investment	34.6%	33.4%	36.3%	40.2%	41.0%	42.1%	42.4%
Current account balance	-5.7%	-7.0%	-8.8%	-9.6%	-10.0%	-10.1%	-9.9%
Trade balance	-40.3%	-38.0%	-45.6%	-45.2%	-44.8%	-44.7%	-44.7%
Gross national savings (GNDI- Total Consumption)	28.9%	26.4%	27.4%	30.6%	31.0%	31.9%	32.5%
Private domestic savings (GDP-Private Consumption)	21.4%	24.9%	21.6%	24.7%	23.4%	23.0%	22.5%
Main aggregates (in millions of euros)							

GDP	7,056	6,772	7,817	8,755	9,621	10,408	11,156
GNDI	8,571	8,481	9,610	10,638	11,601	12,484	13,336
Workers remittances	852	980	1,148	1,205	1,265	1,329	1,395
Private disposable income	7,134	7,407	8,105	8,994	9,640	10,306	10,949

Table 3. Nominal Gross Domestic Product and its components, in EUR mil

Description	2019	2020	2021	2022 Proj.	2023 Proj.	2024 Proj.	2025 Proj.
<i>In millions of euros</i>							
Consumption	6,532	6,694	7,466	7,964	8,616	9,159	9,710
Private consumption	5,621	5,720	6,417	6,833	7,386	7,913	8,443
Public consumption	881	942	1,018	1,099	1,198	1,214	1,234
NPISH	30	31	31	31	32	32	33
Investment	2,438	2,260	2,835	3,518	3,944	4,380	4,734
Private sector	1,907	1,880	2,414	2,814	3,152	3,464	3,747
General government investment	531	380	421	704	793	917	987
Net exports of goods and services	-1,914	-2,182	-2,485	-2,727	-2,939	-3,132	-3,287
Exports	2,068	1,469	2,699	3,170	3,539	3,893	4,282
Exports of goods	393	475	753	1,032	1,186	1,305	1,436
Exports of services	1,675	994	1,946	2,139	2,352	2,588	2,846
Imports	3,983	3,651	5,184	5,898	6,478	7,024	7,569
Imports of goods	3,233	3,048	4,320	4,985	5,493	5,962	6,423
Imports of services	749	602	864	912	984	1,062	1,146
GDP	7,056	6,772	7,817	8,755	9,621	10,408	11,156
GNDI	8,571	8,481	9,610	10,638	11,601	12,484	13,336
<i>Memorandum items:</i>							
Private sector disposable income (in million euros)	7,134	7,407	8,105	8,994	9,640	10,306	10,949
Private consumption to GDP ratio	80%	84%	82%	78%	77%	76%	76%
Private Investment to GDP ratio	27%	28%	31%	32%	33%	33%	34%
Exports to GDP ratio	29%	22%	35%	36%	37%	37%	38%
Imports to GDP ratio	56%	54%	66%	67%	67%	67%	68%

INVESTMENT CLAUSE

In 2012, as part of the then program with the International Monetary Fund (IMF), the Assembly of Kosovo approved amendments to the Law on Public Financial Management and Accountability, including the fiscal rule. This provided inter alia for an annual limit on government borrowing of up to 2% of Gross Domestic Product (GDP), despite the Government's capacity to provide more external financing for capital projects of public importance.

At the same time, the Government of Kosovo had identified the need for additional fiscal space to finance major capital projects and initiated in 2015 negotiations for the third IMF program, which inter alia would allow the relaxation of the fiscal rule on debt restraint for strategically

important capital projects. In other words, for these projects, the Government would be able to enter into debt beyond the fiscal rule of 2%, which rule would be valid for 10 years, as long as the public debt did not exceed 30% of the projected GDP. This would provide the Government of Kosovo with additional fiscal space of approximately 1.8% over the 2% set by the fiscal rule. This is known as the “Investment Clause Amendment” which introduced the approval of the necessary legislative amendments by the Assembly in January 2016.

The Government of Kosovo remains committed to including in the budget capital projects implemented through the “Investment Clause” so that the financing of such projects is based on analyzes of the long-term sustainability of public debt.

Another condition provided by the provisions of the investment clause is that the Ministry of Finance prepares twice a year a narrative report on the implementation of projects under this provision.

It is important to note that the Covid-19 pandemic has slowed down the implementation of projects planned during 2020-2021. Measures taken to manage the effect of the pandemic on public health have caused a slowdown in economic activity that has been accompanied by numerous problems for businesses in the country and the most vulnerable segments of society. To remedy the damage caused by the pandemic, the Ministry of Finance, Labor and Transfers has drafted the Economic Recovery Package, part of which will be financed through the Investment Clause.

The situation created by the pandemic has also brought about the need to provide additional funding to manage the economic and health situation.

The projects that are included in the investment clause are briefly summarized as follows:

- 1. Financing for the recapitalization of the Kosovo Credit Guarantee Fund** - In order to facilitate access to finance for local businesses, within the program for economic recovery from the crisis caused by the COVID-19 pandemic, the recapitalization of the Kosovo Credit Guarantee Fund (KCGF) is envisaged. The total financing of KCGF recapitalization is expected to be €40 million and is planned to be financed through the finance agreement between Kosovo and the European Investment Bank (EIB), which has been signed and ratified. The first disbursement in the amount of €10 million is expected to take place in the third quarter of 2022.
- 2. Public Sector Instrument Financing for Emergency Response to COVID-19** - This project is part of the economic recovery program in the health sector with the Council of Europe Development Bank. The total value of the loan is €35 million, while the interest rate is subsidized by the Council of Europe Development Bank (CEB) up to €1 million. The financial agreement has been ratified by the Assembly of Kosovo and has entered into force. The first disbursement of €17.8 million occurred at the end of 2020, while the rest was disbursed in April 2021. This agreement has been prepared by additional funding of €25 million, this amendment is in force and a portion of the amount has been used to finance the purchase of vaccines for

protection against COVID-19, as well as other COVID-19 related costs. So far, in April 2022, a total of about €35 million have been disbursed from this loan.

3. COVID-19 Emergency Project for Kosovo (and amendment of additional financing) - The basic project was negotiated and ratified in 2020. The main goal of the project is to support the Government of Kosovo in the fight against the COVID-19 pandemic. The main components of the project are related to the reimbursement of social transfer expenses incurred in 2020, as well as the purchase of medical equipment. The total value of the basic project is €46 million, as well as a €2 million grant awarded by WB. The preparation of additional funding has increased the project amount by another €15 million. About €49.12 million have been disbursed so far. Part of the procurement of medical equipment is being carried out by UNOPS. The rest is expected to be disbursed during the end of 2022 and the beginning of 2023.

4. Vital infrastructure emergency liquidity loan - Due to the COVID-19 pandemic, providers of vital infrastructure services in the Republic of Kosovo have consistently faced declining revenues. 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 agreement on vital infrastructure emergency loans with the European Bank for Reconstruction and Development. The value of the loan is €30,000,000 with a duration of 3 years. The financial agreement was signed and ratified at the end of 2020. The first disbursement of €10.3 million was made in the second quarter of 2021, while the rest is expected to be made by June 2022.

5. Financial Sector Strengthening Project - This project is being implemented by the Kosovo Credit Guarantee Fund (KCGF) and the aim of the project is to improve access to finance for micro, small and medium-sized enterprises, strengthening the KCGF financial and technical capacity. The financial agreement is concluded with the NDA/World Bank and has a value of €22.3 million. Of these, €21.5 million are intended to increase the KCGF capital and €0.8 million for the KCGF institutional strengthening. With the approval of the Law on Economic Recovery, it has been possible for the KCGF to cover more than 50% of the loan guarantee for certain investments and to cover the relevant fees for businesses. The technical assistance provided by the project is continuously working with KCGF to achieve the goals set in the project. So far the entire amount of the project has been disbursed.

6. Rehabilitation of the Railway Line 10 - The implementing institution of this project is the Public Enterprise “Infrakos” Prishtina. Initially, the total cost of the project is estimated to be around €194.5 million, half of which is funded by the EBRD and the EIB, while the other half of this project is funded by the European Union. The financial agreements with EBRD and the EIB have been signed and ratified. Regarding EU contribution, the first and the second grant agreements have already been signed and ratified. But due to changes in the market price and the need for additional experts, the total value of the project is expected to increase to €255 million. 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. In parallel, a grant application will be submitted to WBIF. Civil works for phase 1 have started at the

beginning of 2019, while for phase 2 the works have started in the first quarter of 2022. Detailed design for phase 3 is expected to take place in 2022. The first disbursement from the loans and the donation agreement was realized during 2019 and due to the delays in implementation in November of this year, the amendment agreement was signed with EIB and the loan term was extended until 2022.

7. Rehabilitation of Iber-Lepenc - The amount financed by borrowing for this project is €22 million, of which €7 million are direct loans to ME and 15 million are under-borrowed to Ibër-Lepenci which is also the implementing organization of the project. The financial agreement between the Republic of Kosovo and the World Bank was ratified in 2017, while the first disbursement was made in January 2018. By November 2021, 21% of the total loan amount has been disbursed. ME jointly with the World Bank have restructured part of the project and part of the funds have been transferred to the loan for Financing Development Policies for Public Finance and Sustainable Growth.

8. Rehabilitation of Regional Roads - The implementing institution for this project is the Ministry of Environment, Spatial Planning and Infrastructure. The finance agreement has been ratified and amounts to €29 million, funded by EBRD. Fieldwork started in May 2019 and all contracts have been signed. At the end of 2020, a grant extension agreement was signed to cover additional consultant services in support of the project implementation unit up to the amount of €450,000. By April 2022, a total of €3.6 million have been disbursed from the project concerned.

9. Construction of Highway N9 Prishtina - Peja (SEETO Route 6 A) segment Kijeve - Klina to Zahaq - Implementing institution for this project is the Ministry of Environment, Spatial Planning and Infrastructure (MESP). The cost of the project is €193 million. The Loan Agreement with the EBRD was signed in 2017 and the EIB in the second half of 2018. In January 2019, an agreement of €1 million was signed between the Republic of Kosovo and the EIB as part of the ERI Initiative for support during implementation. It is expected to receive a €100,000 grant from the EBRD for road financing and institutional study. The process for selecting the works supervisor has been completed and a tender for rough work has been launched. The project has encountered problems at the moment, and is expected to continue once the problems are solved.

10. Competitiveness and Export Readiness Project - The implementing organization for this project is the Ministry of Industry, Entrepreneurship and Trade (MIET). This project aims to support the certification of products for export, increase the capacity of export-oriented companies and reduce the cost of inspecting businesses. The agreement in the amount of €14.3 million was signed in 2017 with the International Development Agency - World Bank, and the first disbursement was made in 2019. By April 2022, €1 million of the total loan amount has been disbursed.

11. Additional Funding for the Agriculture and Rural Development Project - The implementing organization is MAFRD. The project aims to assist beneficiaries in improving the productivity and market access of horticulture and livestock to Kosovo companies and strengthening the institutional capacity of MAFRD. The agreement for this project in the amount

of €20.8 million was signed with the International Development Agency - World Bank, in 2017. The first disbursement was made in March 2019, while by April 2022, €13.4 million were disbursed from the total loan amount.

12. Wastewater Treatment in Prishtina (Construction of Wastewater Treatment Plant in Prishtina Region) - 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 in 2017. Based on the agreement, the project amounts to €86 million. Implementation started in the second half of 2020 when the design tender was launched. In parallel, work has been done to provide funding from other instruments for the rest of the project, where it is expected to apply for IPA funds.

13. Construction of Wastewater Treatment Plants in Mitrovica - Mitrovica Regional Water Company is the implementing institution for this project. The project is being evaluated by EBRD (as the main financial institution) and EIB, which will co-fund the project, and will be supported by a grant from the Western Balkans Investment Framework (WBIF). Agreements with these institutions were signed in November 2021, and are expected to be ratified in April 2022.

14. Digital Economy in Kosovo (KODE) - The implementing organization of this project is MIET. The main objective of the project is to improve fast and quality internet access in underdeveloped regions in this regard and to provide training for young people in order to get the skills to work online. The financial agreement for a loan in the amount of €20.7 million was signed in 2018 with the creditor IDA. The first disbursement was made in November 2019 and so far €7.7 million have been disbursed from the total loan amount. The implementation of the project is continuing at an accelerated pace.

15. Wastewater Treatment Development Project in Gjilan - Gjilan Regional Water Company is the implementing institution for this project, which has an estimated value of €23 million, to be funded by the EBRD and the EIB. The €10 million financing agreement with the EBRD was signed in May 2020 and ratified by the Assembly on 23 July 2020, while the €11 million agreement with the EIB was signed in May 2020 and ratified at the end of 2020. A grant agreement in the amount of €2.5 million for capital investments in this project will be signed as well. The project is expected to start implementation in 2022.

16. Real Estate Cadastre and Geospatial Infrastructure Project (REGIP) - The implementing institution of this project is the Kosovo Cadastral Agency. The main objective of the project is to help develop the land and real estate market and increase ownership security. The financial agreement in the amount of €14.6 million with the creditor IDA was signed in February 2019. The ratification of the agreement was done in August 2020 and so far in April 2022, €220 thousand has been disbursed from this loan.

17. Water Safety Promotion and Opportunity Project - It is a project aiming to increase the capacity of local authorities to manage water safety and improve water safety in the Morava e Binçën basin. The project is in the amount of €25.1 million. The Ministry of Finance, Labor and Transfers has requested support from the European Union to finance a part of the technical

assistance provided by the project so that the loan funds are more focused on capital investments. The signed agreement was ratified by the Assembly in February 2022, and the implementation of the agreement is expected to start soon.

18. Kosovo Social Assistance System Reform Project - This project aims to strengthen systems for providing social protection and improve the performance of the Social Assistance System. The project is funded by the ADA/World Bank, with a total amount of €47 million. The agreement has been signed and is expected to be ratified in April 2022. Most of the loan is dedicated to the budget line under Subsidies and Transfers, however, investments are foreseen for the systems of realization of the social assistance scheme, which are expected to start to be realized during 2022.

19. Wastewater Treatment Project in the Municipality of Podujeva - The Municipality of Podujeva is the implementing institution of this project. The financial loan agreement in the amount of €5.35 million 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 the project is expected to be completed soon.

20. Construction of Water Supply Scheme in the Municipality of Ferizaj - The Municipality of Ferizaj is the implementing institution of this project. The loan agreement amounting to €5.125 million 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 the project is expected to be completed soon.

21. Construction of Water Supply Scheme in the Municipality of Istog - The Municipality of Istog is the implementing institution for this project, which is funded by a loan amounting to €5,094 million. 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 the project is expected to be completed soon.

22. Wastewater Treatment Project in the Municipality of Shtime - The Municipality of Shtime is the implementing institution for this project, which is funded by a loan amounting to €2,385 million. 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 the project is expected to be completed soon.

23. Construction of Water Supply Scheme in the Municipality of Gracanica - The Municipality of Gracanica is the implementing institution for this project, which is funded by a loan amounting to €5,115million. 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 the project is expected to be completed soon.

24. Public Transport Project, Municipality of Prishtina Prishtina Public Enterprise 'Urban Traffic' is the implementing institution for this project, which has an estimated total cost

of €10 million. The project is funded by EBRD and its implementation began in 2016. Upon completion of the project, the loan is now being repaid.

25. From the Aid Tied Loan Framework Agreement with the Hungarian Government

These projects are being reviewed and it is expected that by 2022 it will be re-evaluated which projects will be financed through this loan. The following projects are indicative:

- SCADA (Supervisory Component And Data Acquisition) - A project which envisages the improvement of water management and supervision through digital systems that monitor and control key water infrastructure. As a result, the installation of physical components such as sensors, pumps and other instruments is foreseen, which are then related to the software developed by the Hungarian company. Financing Agreement negotiations are subject to the procedures of Law No. 05/L-153.

- The wastewater treatment plant in the Municipality of Ferizaj - This project includes the design, construction and maintenance of collection systems (Wastewater Treatment Plant) in the Municipality of Ferizaj. This project will be implemented by the Municipality of Ferizaj. The project has been approved by the National Investment Committee (NIC) which will be funded through the Agreement between the Government of the Republic of Kosovo and the Government of Hungary on the Establishment of the Framework Program for Financial Cooperation (Law No. 05/L-153). Financing Agreement negotiations are subject to the procedures of Law No. 05/L-153.

26. Environment and Green Earth Project - This project is expected to be financed by the World Bank, namely the International Development Association amounting to 21 million dollars (€17 million). The aim of the project is to demonstrate a risk-based approach to the management of contaminated land in certain areas and to improve the institutional and legislative capacity of the country for the management of contaminated land. The financial agreement is expected to be signed in 2022.

27. Energy Efficiency Project for the Municipality of Prishtina - The project aims to develop a reliable and affordable energy renewal program for municipal public buildings. The project amount is expected to be around €6 million and will be funded by EBRD. The agreement between EBRD and the Government of Kosovo was signed in April 2022. The loan will be taken as a sovereign loan from the central level and then transferred as a sub-loan to the municipality. The municipality will budget the project as a capital investment for 2023 when the conditions for starting the implementation of the project are prepared.

28. Energy Efficiency Project for the Municipality of Prizren - The project aims to develop a reliable and affordable energy renewal program for municipal public buildings. The project amount is expected to be around €5 million and will be funded by EBRD. The agreement between EBRD and the Government of Kosovo is expected to be signed in April 2022. The loan will be taken as a sovereign loan from the central level and then transferred as a sub-loan to the municipality. The municipality will budget the project as a capital investment for 2023 when the conditions for starting the implementation of the project are prepared.

29. Social Housing Project - The project aims to provide affordable housing for certain categories of citizens. The project is being developed with the support of UN-Habitat, which is conducting the feasibility study and concept paper for the program. The project is expected to cost around €50 million in total and part of it will be funded by CEB, while the modalities of

structuring the project and its implementation will be defined by the feasibility study. The feasibility study was finalized in February this year and the financial agreement with CEB is expected to be negotiated and signed by the end of 2022.

30. Solar District Heating Project - The main goal of this project is to contribute to an efficient, reliable and environmentally friendly supply of heating for houses, public institutions and businesses in Prishtina. This project will be funded by KfW and the EBRD. The value of this project will be around €64 million. The German government has committed around €0 million in the form of a grant for this project. While the ministry has also applied to the Western Balkans Investment Framework to benefit from support from this framework. The agreements are expected to be negotiated and signed during 2022.

31. Project for the solar photovoltaic generator in KEK - This project will build the electricity generation capacities from solar energy in the vicinity of KEK. The generation capacity of this project will be up to 100 MW of electricity which will be used to diversify energy sources in Kosovo. The project is expected to cost around €100 million and will be co-funded by KfW and EIB. An application for a €30 million investment grant will also be submitted to the Western Balkans Investment Framework. The financial agreements are expected to be signed by the end of 2022.

32. Development of the energy sector VII - Improvement of the transmission network - This project is expected to be implemented to improve the transmission system in Kosovo. Specifically, the project includes measures for the rehabilitation, expansion and modernization of the Kosovo transmission network. The project is funded by KfW and amounts to €25.5 million. The amount will be transferred as a sub-loan to KOSTT. The agreement has been negotiated, and once the sustainability criteria are met by KOSTT, the agreement is expected to be signed.

33. Habitable Cities - The project is a project financed by IDA (World Bank) and is expected to amount to €30 million. The project aims to support the development of green, low carbon urban infrastructure suitable for urban cities in Kosovo. For a component of this project, an application is expected to be submitted to the Western Balkans Investment Framework amounting to €10 million.

34. Green areas- This project aims to treat contaminated lands in Kosovo by decontaminating and greening them. The first land that is expected to be treated by the project is the land near KEK which has been contaminated by power plant waste over the years. The total cost of the project is expected to be around €50 million and will be developed in phases, which include feasibility studies for the identified lands, then capital investments for those lands. The project will be funded by IDA (World Bank) and an application will be submitted to the Western Balkans Investment Framework for a technical assistance grant, for a feasibility study for two lands, and a €10 million investment grant for land investments in the vicinity of KEK.

35. Besi - Merdare Road Construction Project - This project is funded by EBRD and EIB, the total amount of the project is expected to be over €200 million. The project is part of the Western Balkans Investment and Economic Plan drafted by the EU, and has so far benefited over €45 million in investment and technical assistance grants. The financial agreements are scheduled to be concluded in 2022.

36. Implementation of the feasibility study for medical equipment for secondary and tertiary care - The total value of the project is estimated to be around €53 million. Formal discussions on this project have not yet begun. Formal negotiations are expected to take place by the end of 2022. This project is expected to be financed through loans from the Council of Europe Development Bank and the European Bank for Reconstruction and Development.

37. Youth Involvement and Entrepreneurship - Due to the pandemic, the discussion of the project has been postponed to start later in 2022.

38. Water Project (Blue Economy for Sustainable Development) - this is a new project which will cover the water sector in the country and will be discussed and finalized with the World Bank this year.

Construction of Prishtina Ring Road - The implementing institution for this project is the Municipality of Prishtina. The feasibility study for this project is close to completion.

ANNEX 2

Table 1. Comparison of budget forecasts, MTEFs and implementation for 2021

	Initial MTEF (2019-2021)	Recent MTEF (2021-2023)	Revised Annual MTEF 2021-2023	Annual Budget 2021	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	2,483	2,276	2,475	2,454	2,454	2,263	-8.9%	-8.6%	-212.1	-7.8%	-191.2		
Total recurrent expenditure	1,613	1,631	1,781	1,790	1,790	1,842.6	14.2%	3.5%	61.5	3.0%	53.0		
of which recurrent	1,613	1,631	1,633	1,612	1,612	1609.0	-0.3%	-1.5%	-24.1	-0.2%	-2.6	1) Under performance in goods and services about 24 mln;	
of which Economic Recovery Program	0	0	148	178	178	234	-	58.1%	86.0	31.5%	56.0	1) Over performance in subsidies and transfers about 68 mln, 2)Over performance in goods and services about 23 mln;	1) Over performance in Subsidies and Transfers about 84 mln, which is partially offset by the underperformance in goods and services with about 37 mln;
Capital expenditure	869	599	645.6	626.1	626.1	420	-51.7%	-35.0%	-225.8	-32.9%	-206.3	1) Non-execution of the investment clause due to obstacles in the implementing units (-158.4 mln); 2) Lower regular budget execution due to a slowdown in execution as a result of restrictive measures caused by the COVID-19 pandemic (-37.4 mln); 3) Lack of investments	1) Non-execution of the investment clause due to obstacles in the implementing units (-175.0 mln); 2) Lack of investments financed through liquidation revenues (-28.0 mln)

												financed through liquidation revenues (-30.0 mln) in 2021	
Total revenue	2160	2007	1917	1888	1888	2184	1.1%	13.9%	267.2	15.7%	296.2	<p>1) Over performance in revenues from CIT and PIT (36.2 mln) as a result of a significantly higher economic activity than the expected level and formalization of the economy;</p> <p>2) Over performance of about 6.3 mln in property tax revenues mainly as a result of the largest diaspora income arrival and payment deferral by 2020.</p> <p>3) Over performance of border VAT and domestic VAT mainly due to higher economic activity, higher imports and consumption (164.9 mln)</p> <p>4) Higher revenues from excise, reflecting the increase in economic activity and performance of imports (75.8 mln)</p> <p>5) 13.8 million more tax refunds</p>	<p>1) Over performance in revenues from CIT and PIT (34.1 mln) as a result of a significantly higher economic activity than the expected level and formalization of the economy;</p> <p>2) Over performance of about 6.3 mln in property tax revenues</p> <p>3) Over performance of border VAT and domestic VAT mainly due to higher economic activity and the significant increase of the import of goods - driven also by prices (176.0 mln)</p> <p>4) Higher revenues from excise reflecting the increase in economic activity and performance of imports (76 mln)</p> <p>5) Higher non-tax revenues by 36.3 million</p>
Primary Balance	-323	-269	-558	-566	-566	-79	-0.8	-0.9	479.3	-0.9	487.4		
Interest payments	-19	46	48	39	39	31	-2.6	-0.4	-17.4	-0.2	-7.6		
Overall Balance	-342	-121	-344	-337	-337	-25	-0.9	-0.9	318.6	-0.9	312.2		

Table 2. Main differences between MTEF 2022-2024 and MTEF 2023-2025 for year 2023

year 2023	MTEF 2022-2024	MTEF2023- 2025	Deviations		Recent MTEF to Actuals
			Recent MTEFs to Actuals		
			%	mIn Eur	
Total Revenues	2207.4	2676.587	21.3%	469.19	
of which					
Excise	487.2	551.6493	13.2%	64.45	1) The positive real economic growth has led to a higher level of excise income in base year (2021) which is used to project the revenues in subsequent years
Customs Duties	155.1	148.066	-4.5%	-7.03	
Border VAT	704.3	937.625	33.1%	233.32	1) The higher level of border VAT income in year 2021, wich is used to project the revenues in 2022 and subsequent years; 2) The increase of inflanatory pressures in 2022 as well as in medium term as a result of Ukraine war, led to higher border VAT collection; 3) Significant rise on capital expenditures, which have high compound of imported ggods and materials; 4) She higher efective rate of border VAT in 2021, which is used to project the revenues in subsequent zears.
Domestic VAT	281.3	388.7248	38.2%	107.42	1) The higher level of domestic VAT income in year 2021, wich is used to project the revenues in 2022 and subsequent years; 2) The increase of domestic prices as a result of increase in prices of imported goods as well as the expectations for continuity of those pressures until end of the year 2022; 3) The extention of the tax base as a result of informality reduction 4) Higher effective rate of domestic VAT in 2021, which is used to project the revenues for subsequent years.
Direct Taxes	360.5	435.5066	20.8%	75.01	1) The basic effect on revenues from CIT and PIT in 2022 which has made the year 2023 have higher levels of revenues from these two taxes; 2) Continue to expand the tax base by reducing informality
Non Tax Revenues	236.7	261.9174	10.7%	25.22	1) Non-tax revenues are higher mainly due to a more dynamic implementation of the process of legalization of illegal constructions and improved compliance with vehicle registration. 2) Growth is in line with economic activity
Total Expenditure	2621	2903.854	10.8%	282.85	
of which					
Wages and Salaries	660.1	695.3	5.3%	35.16	1) In MTEF 2023-2025, 19.8 million Euros are projected to be added as a contingency in the category of Wages and Salaries within the Contingency program in the Ministry of Finance, Labor and Transfers; 2) The category of salaries is projected to be increased at the Ministry of Health. These funds will be used for the wages of specialists; 3) The category of Wages and Salaries has been increased in some organizations to cover unpaid liabilities and overtime work.

Goods and Services	352.9	475.7	34.8%	122.82	<p>1) The increase of the category of goods at the Ministry of Industry, Entrepreneurship and Trade as a result of the planning for the increase of state reserves and the increase of oil reserves;</p> <p>2) The increase of the category of goods at the Ministry of Health as a result of the planned purchase of medicines (source of financing borrowing);</p> <p>3) The increase of the category of goods and services at the Ministry of Environment, Spatial Planning and Infrastructure as a result of the planned increase of road maintenance services as well as the credit for waste water.</p> <p>4) Increase of the category of goods and services of the Ministry of Finance, Labor and Transfers as a result of the planned census</p>
Subsidies and Transfers	759.8	947.4	24.7%	187.58	<p>1) The expenditure plan in the current MTEF has addressed all the shortcomings in the social schemes and has been budgeted based on the payment needs of these schemes;</p> <p>2) The xpansion of social schemes, by adding maternity allowances and child allowances;</p> <p>3) The increase of the basic pension from 90 to 100 euros.</p>
Capital Expenditure	787	792.8	0.7%	5.83	<p>1) Allocation to the Budget 2022 for the payment of expropriation costs, which will allow for a quicker capital expenditures execution;</p> <p>2) Functionalization of the Board of the Public Procurement Review Body</p>
Interest Payments	56.4	46.8	-17.0%	-9.61	<p>1) Assumptions for higher rates for Securities instruments, given that during the pandemic there was a tendency for their increase</p>

Table 3. Main differences between MTEF 2022-2024 and MTEF 2023-2025 for year 2024

year 2024	MTEF 2022-2024	MTEF2023- 2025	Deviations		
			Recent MTEFs to Actuals		
			%	mIn Eur	
Total Revenues	2309.3	2863.975	24.0%	554.67	
of which					
Excise	506.3	579.7423	14.5%	73.44	1) The positive real economic growth in 2021 has led to a higher level of excise revenues in the base year (2021) which is used to estimate revenues in subsequent years.
Custom Duties	163.3	161.0895	-1.4%	-2.21	
Border VAT	741.2	1013.596	36.8%	272.40	1) The higher level of border VAT revenue in 2021, which is used to estimate revenues in 2022 and subsequent years; 2) The increase of inflationary pressures for 2022 and in the medium term as a result of the war in Ukraine leads to higher border VAT collection; 3) The significant increase in capital investments, which have high import content; 4) The higher effective border VAT rate 2021, which is used to forecast revenues in subsequent years.

Domestic VAT	291.8	414.1117	41.9%	122.31	<p>1) The higher level of domestic VAT revenues in 2021, which is used to estimate revenues in 2022 and subsequent years;</p> <p>2) The increase in domestic prices as a result of import prices and expectations for the continuation of these pressures until the end of 2022;</p> <p>3) The increase of the tax base as a result of the reduction of informality;</p> <p>4) The higher effective domestic VAT rate for 2021, which is used to forecast revenues in subsequent years.</p>
Direct Taxes	377.5	467.2543	23.8%	89.75	<p>1) The base effect as a result of the significant increase of the tax base for revenues from CIT and PIT in 2022 which has made year 2023 have higher levels of revenues from these two taxes;</p> <p>2) The tax base expansion by reducing informality</p>
Non Tax Revenues	249	280.0229	12.5%	31.02	<p>1) The non-tax revenues are higher mainly due to a more dynamic implementation of the process of legalization of illegal constructions and improved compliance with vehicle registration.</p> <p>2) Growth is in line with economic activity</p>
Total Expenditure	2708.6	3065.237	13.2%	356.64	
<i>of which</i>					
wages and Salaries	663.2	718.7	8.4%	55.53	<p>1) In MTEF 2023-2025, 19.8 million Euros are projected to be added as a contingency in the category of Wages and Salaries within the Contingency program in the Ministry of Finance, Labor and Transfers;</p> <p>2) The category of salaries is projected to be increased at the Ministry of Health. These funds will be used for the wages of specialists;</p> <p>3) The category of Wages and Salaries has been increased in some organizations to cover unpaid liabilities and overtime work.</p>
Goods and Services	364.6	468.2	28.4%	103.62	<p>1) The increase of the category of goods at the Ministry of Industry, Entrepreneurship and Trade as a result of the planning for the increase of state reserves and the increase of oil reserves;</p> <p>2) The increase of the category of goods at the Ministry of Health as a result of the planned purchase of medicines (source of financing borrowing);</p> <p>3) The increase of the category of goods and services at the Ministry of Environment, Spatial Planning and Infrastructure as a result of the planned increase of road maintenance services as well as the credit for waste water.</p> <p>4) Increase of the category of goods and services of the Ministry of Finance, Labor and Transfers as a result of the planned census</p>
Subsidies and Transfers	766.3	940.5	22.7%	174.23	<p>1) The expenditure plan in the current MTEF has addressed all the shortcomings in the social schemes and has been budgeted based on the payment needs of these schemes;</p> <p>2) The xpansion of social schemes, by adding maternity allowances and child allowances;</p> <p>3) The increase of the basic pension from 90 to 100 euros.</p>
Capital Expenditure	849	916.7	8.0%	67.72	<p>1) Allocation to the Budget 2022 for the payment of expropriation costs, which will allow for a quicker capital expenditures execution;</p> <p>2) Functionalization of the Board of the Public Procurement Review Body</p>
Interest Payments	60.8	52.3	-13.9%	-8.46	<p>1) Assumptions for higher rates for Securities instruments, given that during the pandemic there was a tendency for their increase</p>

THIRD PART

3. SECTORAL EXPENDITURE FRAMEWORK 2023-2025 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 2021-2022 and budget projections for the next three-year period 2023-2025. Within each sector are also presented the budget organizations according to the respective sectors.

The tables in the third part present the projections for the years 2023-2025 for the total Kosovo budget, at the central level and by sectors. In regard to budget expenditure projections for the next medium-term period 2023-2025, the main element that should be considered 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.

Financing trends 2021-2022 and estimations 2023/2025 for Kosovo General Budget

Kosovo General Budget	Year 2021 Expenditure	Year 2022 Budgeted	Year 2023 Estimated	Year 2024 Estimated	Year 2025 Estimated
Total	2,217,963,033	2,735,749,613	2,962,771,219	3,101,333,048	3,191,083,775
Number of employees	83,802	87,308	88,163	88,163	88,163
Wages and allowances	666,039,073	670,946,904	695,257,941	718,726,745	724,053,551
Goods and services	298,386,443	372,876,251	442,544,998	434,483,899	448,347,870
Utilities	25,085,963	30,895,773	33,172,705	33,732,705	34,232,706
Subsidies and transfers	847,840,904	894,520,233	947,378,381	940,532,013	934,714,728
Capital expenditures	380,610,651	704,927,195	792,831,160	916,715,535	986,784,519
Reserves	-	20,446,730	4,800,000	4,800,000	4,800,000
Interest	-	41,136,527	46,786,034	52,342,152	58,150,401
Sources of financing					
Government grants	2,106,373,188	2,379,462,848	2,595,000,244	2,755,907,780	2,782,925,280
Own source revenues	59,591,114	96,343,516	108,489,943	112,855,356	117,081,970
Revenues from PAK	3,260,449	21,000,000	-	-	-
Dedicated revenues	4,230,730	4,499,888	5,064,073	4,438,423	4,452,553
Financing from borrowing	44,507,553	193,306,834	207,430,925	175,789,337	228,473,571
Financing from borrowing - 04	28,666,323	80,588,526	64,700,263	19,364,560	15,020,134
Financing from Investment clause - 06	15,841,230	112,718,308	142,730,662	156,424,777	213,453,437
Donor grants *	1,329,506	2,316,443	1,446,175	663,502	762,361

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

Financing trends 2021-2022 and estimations 2023/2025 for Central Level Budget

Central level budget	Year 2021 Expenditure	Year 2022 Budgeted	Year 2023 Estimated	Year 2024 Estimated	Year 2025 Estimated
Total	1,715,677,023	2,168,220,230	2,309,184,418	2,405,337,785	2,466,694,493
Number of employees	39,498	42,904	43,071	43,071	43,071
Wages and allowances	377,529,588	388,239,123	403,991,979	426,004,453	429,867,648
Goods and services	222,319,807	284,899,417	332,544,998	319,483,899	328,347,870
Utilities	14,453,589	18,710,417	19,172,705	19,232,705	19,232,706
Subsidies and transfers	831,009,985	874,680,823	918,378,381	906,532,013	896,714,728
Capital expenditures	270,364,053	554,333,923	583,510,321	676,942,564	729,581,140
Reserves	-	6,220,000	4,800,000	4,800,000	4,800,000
Interest		41,136,527	46,786,034	52,342,152	58,150,401
Sources of financing					
Government grants	1,654,216,948	1,899,335,122	2,039,932,702	2,162,439,298	2,165,408,441
Own source revenues	9,461,343	8,941,859	9,970,684	10,328,575	10,209,526
Revenues from PAK	3,260,449	21,000,000	-	-	-
Dedicated revenues	4,230,730	4,499,888	5,064,073	4,438,423	4,452,553
Financing from borrowing	44,507,553	193,306,834	207,430,925	175,789,337	228,473,571
Financing from borrowing - 04	28,666,323	80,588,526	64,700,263	19,364,560	15,020,134
Financing from Investment clause - 06	15,841,230	112,718,308	142,730,662	156,424,777	213,453,437
Donor grants *	1,329,506	2,316,443	1,446,175	663,502	762,361

*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, increasing effectiveness and accountability, sustainable public finances, socio-economic development, advancing the country's integration processes and strengthening international subjectivity.

The main objectives during the next three-year period 2023-2025 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, fair and transparent management of public funds, supervision the coordination of fiscal and economic policies, developing and improving the system of collection and administration of tax and customs revenues, reducing tax evasion, informal economy and money laundering;
- Advancing the electronic procurement system, increasing the efficiency, effectiveness and transparency of public tenders, equal treatment and value for money, improving the quality of public financial management;
- Increasing the efficiency of internal and external audit;
- Preventing and combating corruption through preventive mechanisms of declaration of assets, conflict of interest and whistleblowing;
- Increasing the level of quality of public services for citizens and businesses;

- More sustainable interconnection of strategic document planning and resources;
- Balanced development and increase of inter-municipal and cross-border cooperation;
- Increasing the professional foreign service, increasing the participation of members of the diaspora in diplomacy and economic development, preserving the identity and culture of the diaspora and engaging members of the diaspora to promote Kosovo in the areas where they live;
- Promoting and protecting human rights and ensuring gender equality through the empowerment of women as well as promoting and protecting the rights of communities, and
- Food safety and public health protection.

The budget organizations comprising the General 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 Ministry of Labor and Welfare Social-MLSW), 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, Privacy and Information Agency, the National Audit Office, the Central Election Commission, the Independent Oversight Board for the Kosovo Civil Service, the Constitutional Court of Kosovo, as well as Contingencies.

Financing trends 2021 - 2022 and estimations 2023 -2025

Public Governance	Year 2021 Expenditure	Year 2022 Budgeted	Year 2023 Estimated	Year 2024 Estimated	Year 2025 Estimated
Total	109,475,054	407,065,957	375,103,283	493,245,565	527,918,849
Number of employees	3,878	4,224	4,291	4,291	4,291
Wages and allowances	43,348,329	56,494,121	67,531,991	87,865,003	89,501,101
Goods and services	37,875,279	71,023,952	67,399,822	52,731,618	58,239,106
Utilities	1,162,403	2,210,346	2,390,346	2,390,346	2,390,347
Subsidies and transfers	18,845,245	147,923,085	128,076,672	107,214,304	87,897,086
Capital expenditures	8,243,797	123,374,452	104,904,452	238,244,294	285,091,210
Reserves	-	6,040,000	4,800,000	4,800,000	4,800,000
Sources of financing					
Government grants	109,414,572	321,232,171	304,269,797	401,467,679	381,758,163
Own source revenues	60,482	160,686	160,686	160,686	160,686
Revenues from PAK	-	21,000,000	-	-	-
Dedicated revenues	-	-	-	-	-
Financing from borrowing	-	64,673,100	70,672,800	91,617,200	146,000,000
Financing from borrowing - 04	-	10,673,100	10,672,800	117,200	-
Financing form Investment	-	54,000,000	60,000,000	91,500,000	146,000,000
Donor grants*	505,032	2,301,731	1,437,463	654,790	753,649

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

3.2 DEFENSE SECTOR

The Defense Sector consists of civil servants of the Ministry of Defense (MD) and military personnel of the Kosovo Security Force (KSF). The mission of the institutions in question 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 laws into force. The Kosovo Security Force is a multiethnic, professional military force, armed and authorized to serve in the country and abroad, in accordance with the given constitutional and legal competencies.

Based on the objectives set out in the Comprehensive Transition Plan (CTP), the Ministry of Defense is in the fourth year of transition (second phase) which continues with the establishment of priority units, and the development of necessary skills to fulfill the constitutional and legal mission.

Cooperation with partners will be conceived in order to contribute to creating an environment of peace and stability in the region and the world, re-modeling the way of acting and thinking about issues of strengthening the security, as well as expanding the country's defense capacities. International and Military Cooperation will further aim at expanding the map of bilateral and multilateral cooperation, and this should eventually turn into a partnership on the basis of serving the growth and consolidation of our capacities.

The Republic of Kosovo will respond to the current situation and new developments in the security environment through concrete state defense and security policies, advancing relations with strategic allies, and pursuing the most appropriate ways to achieve goals and objectives in the defense field, becoming a factor of peace and stability for the region and beyond.

Ministry of Defense and the Kosovo Security Force, based on the defense policies of the Republic of Kosovo, Development Plans, Program of the Government of the Republic of Kosovo; The Defense Strategy, Strategic Goals and Operational Objectives of the Ministry of Defense 2021-2025, the Comprehensive Transition Plan, the Medium Term Plan and other plans into force, in order to implement the Comprehensive Transition Plan, will develop, standardize and modernize skills and capacities in order to ensure the independence of the country, the protection of the territorial integrity, assistance to the civilian population as well as participation in international operations.

During the period 2023 - 2025, the Ministry of Defense and the Kosovo Security Force will focus on: harmonizing and fulfilling the objectives set out in the strategic documents; unification and realization of the process of planning-programming, budgeting and execution; fulfilling the obligations set out in the Comprehensive Transition Plan; consolidation of the education and training system; consolidation of the cyber protection system, as well as increasing the level of capabilities of the KSF units to contribute to operations inside the country and abroad.

The strategic objectives of the Defense Sector are:

- Development of military capabilities in order to protect sovereignty and territorial integrity.
- Strengthen democratic civilian oversight and increase accountability and transparency.
- Expanding bilateral cooperation, membership in organizations and participation in international operations.
- Maintaining essential capacities in order to provide military support to civilian authorities.
- Completion and advancement of the legal framework in the field of defense.
- Advancing interstate cooperation to achieve access to interstate and international programs for military equipment and purchases from the field of security and defense.

The Sector of Defense comprises of Ministry of Defense.

Financing trends 2021 - 2022 and estimations 2023 -2025

Defense	Year 2021 Expenditure	Year 2022 Budgeted	Year 2023 Estimated	Year 2024 Estimated	Year 2025 Estimated
Total	91,278,094	102,305,450	123,163,888	142,930,577	143,091,654
Number of employees	3,695	4,879	4,879	4,879	4,879
Wages and allowances	25,930,519	31,895,564	32,055,042	32,215,317	32,376,394
Goods and services	8,177,788	13,983,886	28,532,000	35,026,000	35,026,000
Utilities	758,968	1,130,000	1,138,000	1,148,000	1,148,000
Subsidies and transfers					
Capital expenditures	56,410,819	55,296,000	61,438,846	74,541,260	74,541,260
Reserves					
Sources of financing					
Government grants	91,278,094	102,305,450	123,163,888	142,930,577	143,091,654
Own source revenues					
Revenues from PAK			-		
Dedicated revenues					
Financing from borrowing	-	-	-	-	-
Financing from borrowing - 04					
Financing form 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, legal and sub-legal acts and mandatory standards in the field of justice in accordance with the Constitution and legislation into force, as well as to provide an independent, impartial, professional and effective system of prosecutorial and judicial system. Part of this mission is the rule of law, public safety throughout the territory of the Republic of Kosovo, as well as the advancement and modernization of the entire public administration to serve efficiently, transparency, professionalism and impartiality of all citizens, businesses and the institutions of the Republic of Kosovo.

The Ministry of Justice, as the bearer of the law sector, is committed to make Kosovo a state of law and rule of law. The Ministry of Justice will show special commitment towards the formation of a stable 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.

The Ministry of Justice will lead and implement reforms in the field of rule of law and is implementing a series of measures in order to increase efficiency, accountability and full involvement in meeting the needs and priorities of citizens in the field of rule of law. This Ministry is committed to fulfill the obligations arising from several strategic documents including the Government Program 2021-2025, the Kosovo Program for Economic Reform 2022-2024, the National Program for the Implementation of the Stabilization and Association Agreement, and the Rule of Law Strategy for years 2021-2026.

The implementation of the Case Management Information Project (CMIS) is close to the completion of the consolidation phase of the project funded by the Norwegian Ministry of Foreign Affairs. As a result of the successful implementation of the previous phases, the project donor has expressed readiness to continue the project with another phase. This phase is called the transition phase of the CMIS project and is focused on providing capacity building assistance to the Kosovo Judicial Council and the Kosovo Prosecutorial Council and ensuring the sustainability of its implementation in courts and prosecutors.

In addition to the above-mentioned activities, in cooperation with the relevant institutions of the Rule of Law Sector and international partners, the final phase 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 set for 2021. Preventing and combating crime, increasing and maintaining public safety, modernizing public administration and strengthening the integrity of institutions have been the main priorities of the Ministry of Internal Affairs in order to meet these objectives, the efforts in capacity building in the Kosovo Police and the Police Inspectorate have been continued and intensified through various specialized trainings and the provision of advanced equipment to combat these occurrences.

Preventing and Combating Terrorism, Violent Extremism and Radicalism - The Kosovo Police continues to address strategically, starting with cooperation at the local level through the Municipal Community Safety Councils (MCSC/s), Local Public Safety Committees (LPSC/s), and to the implementation of the state strategy against terrorism and action plan 2018-2023 and the national strategy of the Republic of Kosovo for preventing and combating the informal economy, money laundering, terrorist financing financial crimes 2019-2023.

Ne lidhje me situatën aktuale Policia e Kosove është ballafaquar me shume aktivitete dhe angazhime ne zbatim të Ligjit nr. 07/L-006 për parandalimin dhe luftimin e pandemisë Covid-19 në territorin e Republikës së Kosovës. Janë angazhuar gjithsejtë 6,500 zyrtarë policorë të cilët kanë qenë të angazhuar në patrullimin parandalues në inspektimin e 20,634 qytetarëve të cilët kanë qenë në vet izolim në shtëpi; në përcjellje policore.

The Ministry of Internal Affairs has developed the Central Platform for the provision of electronic services "e-Kosova" and the Interoperability Platform. "e-Kosova" has been launched, and in it are being provided electronic services in a centralized way for citizens, businesses and the administration itself, while the second enables secure interconnection of electronic systems of the institutions of the Republic of Kosovo and exchange of data between these systems in real time. The Interoperability Platform integrates several modules such as: TAX office, Address Register to be used by the Civil Registration Agency and the Kosovo Business Registration Agency, family tree certificate and civil status certificate.

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

- Functional Review of the Rule of Law Sector;
- Vetting in the justice system;

- Combating 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;
- Prevention, combat against organized crime, corruption and terrorism as well as efficient management of migration and border control;
- Maintaining public safety and improving services for citizens;
- Continued increase of KIA warning and preventive intelligence capacities to avoid global security threats to national security;
- Strengthening integrity, institutional development and modernization of public administration;
- Improving the capital infrastructure of MIA agencies and raising the level of quality of public services;
- Raising citizens' awareness of the services provided by the Free Legal Aid Agency;
- Protection and supervision of fundamental human rights and freedoms through the increased influence of the Ombudsperson Institution.

The Sector of Order, Law and Public Security comprises of: Ministry of Justice, Ministry of Internal Affairs, Kosovo Judicial Council, Kosovo Prosecutorial Council, Kosovo Intelligence Agency, Kosovo Constitutional Court, Ombudsperson Institution and Agency for Free Legal Aid.

Financing trends 2021 - 2022 and estimations 2023 -2025

Order, Law and Public Safety	Year 2021 Expenditure	Year 2022 Budgeted	Year 2023 Estimated	Year 2024 Estimated	Year 2025 Estimated
Total	232,056,668	263,600,574	274,145,326	277,389,263	279,385,894
Number of employees	15,505	16,526	16,526	16,526	16,526
Wages and allowances	149,776,894	151,309,328	152,565,875	153,326,203	154,592,834
Goods and services	40,970,079	48,495,326	53,690,282	54,694,391	55,694,391
Utilities	5,774,432	6,671,049	6,690,799	6,740,799	6,740,799
Subsidies and transfers	9,446,477	10,069,367	10,189,367	10,189,367	10,189,367
Capital expenditures	26,088,786	47,025,504	51,009,003	52,438,503	52,168,503
Reserves	-	30,000	-	-	-
Sources of financing					
Government grants	229,497,874	261,042,495	271,587,247	274,831,184	276,827,815
Own source revenues	2,558,794	2,558,079	2,558,079	2,558,079	2,558,079
Revenues from PAK	-	-	-	-	-
Dedicated revenues	-	-	-	-	-
Financing from borrowing	-	-	-	-	-
Financing from borrowing - 04	-	-	-	-	-
Financing form Investment clause - 06	-	-	-	-	-
Donor grants*	-	-	-	-	-

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

3.4. ECONOMIC ISSUES

This sector aims to improve the environment of doing business, improve economic infrastructure, orientation towards digital transformation and support of agriculture and rural development, in order to increase economic development and well-being of citizens.

Regarding the current situation of this sector, it can be stressed that the energy field is accompanied by challenges that need to be addressed with policies that focus on sustainable energy supply at an affordable price, and without harming the environment. On the other hand, the Information and Communication Technology (ICT) industry is growing every year, especially in the export of information technology services. Progress is being made to advance trade policies and improve quality infrastructure, including consumer protection, industrial property protection, and advancing market surveillance. Also, road infrastructure projects have been implemented in the field of road construction and rehabilitation, road maintenance and signaling of national and regional roads. Regarding the agriculture, the government of Kosovo has continued with the continuous support of agriculture and rural development, and among other things at the end of 2021 has approved the Strategy for Agriculture and Rural Development 2022-28, a document.

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

- 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;
- Creating a stable environment for investment in the energy sector, and enabling an appropriate framework for the development of competition and non-discriminatory conditions of access to transmission and distribution systems;
- Improving the business environment, developing competitiveness in the private sector as well as improving the infrastructure of standards and quality including consumer protection;
- Development of industrial and trade policies as well as the incitement, promotion and support of foreign investments;
- Development of broadband infrastructure and human capital so that ICT becomes the main driver of economic growth and employment as well as increasing international competitiveness in the ICT industry;
- Development of entrepreneurship and innovation;
- 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;
- Increasing the competitiveness of the agri-food sector and improving the efficiency and sustainability of farm production for agricultural crops;
- Sustainable management of natural resources (water, land and forests);
- Supporting businesses in rural areas in increasing employment and improving social infrastructure;
- Integration of the Republic of Kosovo within the regional road network through the development of Route 6 & 7 along the pan-European corridors, turning it from an isolated country into a transit country for the transport of Southeast Europe;
- Increasing security and efficiency in providing services in air traffic management.

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 (divisions related to economic issues-Infrastructure), Ministry of Economy, Ministry of Agriculture, Forestry and Rural Development, Energy Regulatory Office, Regulatory Authority for Electronic and Postal Communications, Kosovo Competition Authority, Railway Regulatory Authority, Civil Aviation Authority, Air Navigation Services Agency, Kosovo Independent Mines and Minerals Commission.

Financing trends 2021 - 2022 and estimations 2023 -2025

Economic Issues	Year 2021 Expenditure	Year 2022 Budgeted	Year 2023 Estimated	Year 2024 Estimated	Year 2025 Estimated
Total	282,915,826	286,031,366	358,008,190	306,967,782	327,062,996
Number of employees	1,678	1,926	1,926	1,926	1,926
Wages and allowances	18,645,143	18,255,753	18,355,668	18,448,457	18,540,700
Goods and services	21,535,012	29,581,486	53,879,378	48,908,293	52,392,519
Utilities	528,174	1,011,830	1,064,568	1,064,568	1,064,568
Subsidies and transfers	132,579,767	79,604,323	92,738,706	89,019,706	90,019,706
Capital expenditures	109,627,730	157,577,975	191,969,870	149,526,758	165,045,503
Reserves	-	-	-	-	-
Sources of financing					
Government grants	261,752,866	204,406,589	275,401,779	259,303,204	264,108,543
Own source revenues	145,434	183,155	183,155	183,155	183,155
Revenues from PAK	-	-	-	-	-
Dedicated revenues	4,230,730	4,499,888	5,064,073	4,438,423	4,452,553
Financing from borrowing	16,786,796	76,941,734	77,359,183	43,043,000	58,318,745
Financing from borrowing - 04	8,058,345	33,943,426	21,364,960	1,443,000	1,200,000
Financing form Investment clause - 06	8,728,451	42,998,308	55,994,223	41,600,000	57,118,745
Donor grants*	-	-	-	-	-

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

3.5. ENVIRONMENT

This sector aims the protection and monitoring of the environment, water as well as the development and strengthening of spatial planning, construction, housing, cadaster and expropriation at the national level.

Kosovo faces problems of water, waste, air and land 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.

In order to improve the state of the environment and prevent further degradation, the Ministry of Environment, Spatial Planning and Infrastructure has prepared legislation which is in line with EU directives and has drafted strategies and action plans for each environmental component, such as: Air, Biodiversity, Climate Change and Integrated Waste Management.

Regarding the next period, the Government intends to take concrete actions to improve the current situation. The main objectives of the environmental 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 and management of water resources and rehabilitation of river beds and waste management;
- Strengthening the inspectorate of environment, water, nature, spatial planning, housing and construction;
- Advancing tariff policies, raising water service standards and reducing water losses.

The Environmental Sector consists of the part of the environment which is within the Ministry of Environment, Spatial Planning and Infrastructure as well as the Water Services Regulatory Authority.

Financing trends 2021 - 2022 and estimations 2023 -2025

Environment	Year 2021 Expenditure	Year 2022 Budgeted	Year 2023 Estimated	Year 2024 Estimated	Year 2025 Estimated
Total	30,350,921	90,158,476	85,229,771	69,784,122	53,321,655
Number of employees	316	329	329	329	329
Wages and allowances	1,747,891	2,284,143	2,357,060	2,368,845	2,380,689
Goods and services	1,193,904	2,884,592	8,900,812	7,988,779	4,504,553
Utilities	10,844	97,803	97,803	97,803	97,803
Subsidies and transfers	25,000	200,000	200,000	200,000	200,000
Capital expenditures	27,373,283	84,691,938	73,674,096	59,128,695	46,138,610
Reserves	-	-	-	-	-
Sources of financing					
Government grants	30,254,896	77,518,476	54,246,368	40,704,985	41,216,829
Own source revenues	-	-	-	-	-
Revenues from PAK	-	-	-	-	-
Dedicated revenues	-	-	-	-	-
Financing from borrowing	96,025	12,640,000	30,983,403	29,079,137	12,104,826
Financing from borrowing - 04	96,025	800,000	6,096,964	5,854,360	1,870,134
Financing form Investment clause - 06	-	11,840,000	24,886,439	23,224,777	10,234,692
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 from the Serbian authorities, and the current cadastral documents in the Republic of Kosovo.

Regarding 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 from 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 rental scheme;
- Addressing informality, e.g. recognition and formalization of uncontested and legitimate property rights transferred informally before March 24, 1999.

These objectives will be achieved through respective 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 Agency for Property Comparison and Verification.

Financing trends 2021 - 2022 and estimations 2023 -2025

Housing and Community Issues	Year 2021 Expenditure	Year 2022 Budgeted	Year 2023 Estimated	Year 2024 Estimated	Year 2025 Estimated
Total	6,128,210	6,951,227	6,967,708	6,824,408	6,841,022
Number of employees	292	321	321	321	321
Wages and allowances	1,816,867	1,999,597	2,016,078	2,026,126	2,036,257
Goods and services	783,664	1,114,607	1,114,607	961,259	967,742
Utilities	45,350	105,523	105,523	105,523	105,523
Subsidies and transfers	415,579	300,000	300,000	300,000	300,000
Capital expenditures	3,066,749	3,431,500	3,431,500	3,431,500	3,431,500
Reserves	-	-	-	-	-
Sources of financing					
Government grants	6,128,210	6,951,227	6,967,708	6,824,408	6,841,022
Own source revenues	-	-	-	-	-
Revenues from PAK	-	-	-	-	-
Dedicated revenues	-	-	-	-	-
Financing from borrowing	-	-	-	-	-
Financing from borrowing - 04	-	-	-	-	-
Financing form Investment clause - 06	-	-	-	-	-
Donor grants*	-	-	-	-	-

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

3.7. HEALTH

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 2021 is fully focused on the management of the COVID-19 pandemic in order to preserve the health of the citizens of the Republic of Kosovo, strengthen diagnostic capacity with emphasis on strengthening the capacity of microbiological laboratories for RT PCR testing and capacity for the provision of quality health services.

Initially, the required quantities of vaccines were provided through a bilateral contract with Pfizer of 1.2 million vaccines, vaccines donated through COVAX for 20% of the population and other donations. In total, over 2.2 million vaccines have been provided. During 2021, 1,660,446 vaccines were administered, while currently this number has reached 1,820,308. The vaccination process has continued and is being followed by public campaigns.

Regarding the drafting of policies and strategic documents, the government of Kosovo has approved the State Strategy for prevention, management and control of the COVID-19 pandemic, which includes other additional plans such as the Action Plan for mass vaccination of citizens with updated COVID-19 vaccine, Mental Health Action Plan during and after the COVID-19 pandemic, Action Plan for providing field health services during the pandemic for COVID-19 patients in primary health care, and Action Plan for the implementation of COVID-19 testing procedures.

In the University Clinical Hospital Service of Kpsova Hospital University Center Service of Kosovo (HUCSK) in the working period in 2021, despite the pandemic situation, 6.5 million services were provided, 742,994 services were recovery days in Kosovo, with a total of 145,567 patients hospitalized. 33,666 operations were performed at the level of HUCSK. Outpatient services were 1,223,415. While laboratory services (parameters) are 3,789,875 for 562,349 patients. The number of births in HUCSK reaches the number of 19,682 births performed in all units of HUCSK. Dialysis was performed 117,431, while the average number of healing days per patient was 5.1 days. The average capacity utilization in HUCSK is 51%.

The Ministry of Health has started the procedures for membership in the "EU Digital Green Certificate" which enables the movement of citizens in EU countries. Two additional modules (negative test and recovery from COVID-19) remain in the development process together with the vaccination module to be fully compliant with the EU digital certificate.

In primary health care, activities have continued in strengthening human capacities within the specialist program of Family Medicine, as well as professional development through continuing professional education.

The strategic objectives in this sector are:

- Prevention, management and control of the COVID-19 pandemic,
- Protecting health and improving the quality of health services provided,
- Reorganization of the health sector and
- Ensuring sustainable health financing.

To achieve these objectives, actions will be taken such as the establishment and operation of an electronic surveillance system for COVID-19, the provision of mental health services to those affected by COVID 19, the improvement of accessible and equitable health services, the

completion of -changing the legal framework, supplementing the legal framework for Health Insurance, extension and functioning of the unique and integrated health information system, planning and strengthening of human resources in the health sector through the drafting of a plan for human resources, establishment of infrastructure, equipment medical services and their maintenance, drafting health policies, improving services for vulnerable groups in society, advancing the concept of family medicine, networking Kosovar doctors in the diaspora and liaising with organizations and chambers of health professionals through the exchange program, capacity building in facing with chronic non-communicable diseases and rare diseases, increase regional and international cooperation.

The sector of Health comprises of: Ministry of Health, Hospital, University Clinical Service of Kosovo and Health Insurance Fund.

Financing trends 2021 - 2022 and estimations 2023 -2025

Health	Year 2021 Expenditure	Year 2022 Budgeted	Year 2023 Estimated	Year 2024 Estimated	Year 2025 Estimated
Total	205,850,576	198,182,842	206,017,200	207,780,180	210,003,418
Number of employees	8,400	8,771	8,771	8,771	8,771
Wages and allowances	85,577,246	72,414,131	74,276,202	74,647,584	75,020,822
Goods and services	81,493,910	91,371,442	91,321,929	91,353,527	91,703,527
Utilities	3,805,518	3,853,964	3,855,764	3,855,764	3,855,764
Subsidies and transfers	23,357,251	10,083,805	12,313,805	10,813,805	10,813,805
Capital expenditures	11,616,651	20,459,500	24,249,500	27,109,500	28,609,500
Reserves	-	-	-	-	-
Sources of financing	-	-	-	-	-
Government grants	173,660,791	164,764,069	189,101,661	204,480,180	206,703,418
Own source revenues	2,161,532	2,761,773	3,300,000	3,300,000	3,300,000
Revenues from PAK	3,260,449	-	-	-	-
Dedicated revenues	-	-	-	-	-
Financing from borrowing	26,767,805	30,657,000	13,615,539	-	-
Financing from borrowing - 04	19,655,026	27,047,000	12,565,539	-	-
Financing form Investment clause - 06	7,112,779	3,610,000	1,050,000	-	-
Donor grants*	-	-	-	-	-

***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, evaluation, protection of cultural heritage, promotion and protection of copyright and approximate copyrights as well as regulation, management and supervision of the transmission frequency spectrum.

During 2021, despite the pandemic measures, Kosovo was presented at the 17th International Exhibition of Architecture at the Venice Biennale, participation in International Film Festivals: in

Cannes, Berlin, participation in book fairs, as well as other film festivals, music and other cultural events in the world. It is also important to note the participation of the Ministry of Culture, Youth and Sports in the co-financing with the Municipality of Prishtina in "Manifesta 14". In the field of sport, Kosovo has participated for the second time in the Olympic Games in TOKYO 2021, which judo athletes received 2 gold medals, evaluating the sport of judo in Kosovo as a success story in the world, as well as achieving the norms for participation in the Winter Olympic Games "Beijing 2022". In the physical, sports and cultural infrastructure, over 60 projects have been realized, in the cultural heritage, the implementation of Emergency Interventions, Preventive Measures has been undertaken in over 40 objects. About 750 young people have been trained in Skills Schemes, Entrepreneurship and Professional Development program in accordance with the needs of the labor market. 20 start-up businesses and 60 start-up projects with spin-off projects have been supported. Over 30 projects have been supported in the framework of the public call for NGO subsidies.

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

- Supporting independent culture, advancing cultural diplomacy and supporting publishing;
- Development of policies, programs and measures that promote substantive organization, standardization of sports infrastructure, staff development, for participation and successful presentation of sports in Kosovo and in the international arena;
- Massification of participation in sports activities as a percentage of our population, with special emphasis on young people with the state program for the identification and development of talents;
- Advancing the legal and institutional system of heritage 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 prerequisite for sustainable development, advancing the emergency intervention program, ongoing maintenance and monitoring;
- Education, promotion of cultural heritage and civic awareness, study and objective and inclusive interpretation of socio-cultural and economic values through increasing the number of publications, guides, virtual and digital media;
- 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;
- Regulation, management and supervision of the transmission frequency spectrum;
- Digitalization on RTK and implementation of digital terrestrial television broadcasting.

The budget organizations that make up 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 2021 - 2022 and estimations 2023 -2025

Recreation, Culture and Religion	Year 2021 Expenditure	Year 2022 Budgeted	Year 2023 Estimated	Year 2024 Estimated	Year 2025 Estimated
Total	47,228,452	55,179,479	66,089,742	65,999,169	67,570,026
Number of employees	781	860	860	860	860
Wages and allowances	5,542,322	6,070,555	6,140,908	6,171,414	6,242,271
Goods and services	3,564,345	3,493,916	4,033,826	4,112,747	4,112,747
Utilities	341,361	498,458	498,458	498,458	498,458
Subsidies and transfers	28,652,344	19,176,550	21,326,550	21,776,550	22,276,550
Capital expenditures	9,128,081	25,940,000	34,090,000	33,440,000	34,440,000
Reserves	-	-	-	-	-
Sources of financing					
Government grants	47,211,213	55,115,089	66,003,652	65,905,079	67,469,936
Own source revenues	17,239	64,390	86,090	94,090	100,090
Revenues from PAK	-	-	-	-	-
Dedicated revenues	-	-	-	-	-
Financing from borrowing	-	-	-	-	-
Financing from borrowing - 04	-	-	-	-	-
Financing form Investment clause - 06	-	-	-	-	-
Donor grants*	-	-	-	-	-

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

3.9. EDUCATION

Within this sector it is aimed to create a society based on knowledge and competitive 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. Kosovo as a democratic society offers equal opportunities for personal development of all citizens, where access to knowledge, scientific research, justice and skills, are in function of the accelerated development of our society and competitive capabilities inside and outside Kosovo in compliance with international standards.

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

In 2021 the education sector is faced with many difficulties, the pandemic situation changed the normal course in carrying out activities. During this period the whole focus has been on providing physical and distance learning. However, with the commitment of all parties involved and with the help of development partners and donors, the situation caused by the COVID-19 pandemic has been managed and achievements have been made in all segments of education. This sector is going through a reform process that aims to increase participation and improve the quality of education. Legislation has been drafted 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, laptops, many educational facilities have been built and renovated. Curricula have been improved and in the design and provision of 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 capabilities inside and outside Kosovo in accordance with international standards.

There have also been significant achievements in the field of academia, where work has been done on a considerable number of specific projects, while cooperation with international, academic and scientific institutions has continued.

This sector is characterized by continuous developments in all sub-sectors that have addressed numerous challenges in terms of improving the quality of education. Early childhood education, increasing 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. Review early childhood education standards and improve access to education services, especially for children from low-income families, national minorities, and rural areas to increase investment in research and scientific development; greater quality, integrity and competitiveness in higher education; digitalization of educational services for better quality and access.

The main objectives of the education sector for the next period are:

- Increase inclusion and equal access to early childhood education by providing safe support and encouraging environments as well as integrated and quality services.
- Improving the quality of pre-university education through the consolidation of quality assurance mechanisms and the provision of quality teaching.
- Harmonization of vocational education and training with dynamic developments in technology and the labor market, for the purpose of lifelong learning.
- Improving the quality, integrity and competitiveness of higher education through the implementation of high quality standards, excellence in teaching and research, innovation, liaison with the labor market.
- The use of digital technology to improve services and quality in education, in line with digital transformation trends.

The budget organizations that comprise the Sector of Education are: Ministry of Education, Science and Technology, University of Pristina, Kosovo Academy of Sciences and Arts and The Academy of Justice.

Financing trends 2021 - 2022 and estimations 2023 -2025

Education	Year 2021 Expenditure	Year 2022 Budgeted	Year 2023 Estimated	Year 2024 Estimated	Year 2025 Estimated
Total	92,947,711	107,060,504	113,554,351	115,310,869	116,529,531
Number of employees	4,343	4,349	4,349	4,349	4,349
Wages and allowances	41,045,996	43,049,572	43,514,819	43,732,394	43,951,056
Goods and services	25,551,151	20,937,400	21,285,000	21,369,943	21,369,943
Utilities	1,816,790	2,781,959	2,981,959	2,981,959	2,981,959
Subsidies and transfers	6,088,344	7,144,519	8,964,519	8,964,519	8,964,519
Capital expenditures	18,445,430	32,997,054	36,808,054	38,262,054	39,262,054
Reserves	-	150,000	-	-	-
Sources of financing					
Government grants	88,316,891	103,846,728	109,871,677	111,278,304	112,622,015
Own source revenues	4,517,862	3,213,776	3,682,674	4,032,565	3,907,516
Revenues from PAK	-	-	-	-	-
Dedicated revenues	-	-	-	-	-
Financing from borrowing	112,958	-	-	-	-
Financing from borrowing - 04	112,958	-	-	-	-
Financing form Investment clause - 06	-	-	-	-	-
Donor grants*	824,474	14,712	8,712	8,712	8,712

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

3.10. SOCIAL PROTECTION

Within this sector is aimed at the development, implementation, coordination of policies, laws and other instruments in reforming current policies to provide social and pension protection, improving the quality of social and family services, advancing work policies and implementing active measures labor market, occupational safety, social dialogue and inspection of entities for the implementation of labor legislation.

Furthermore, it will continue to implement active labor market measures and will invest in advancing and raising the quality of employment and vocational training services. Also, through the Labor Inspectorate, the monitoring of the implementation of the legislation that regulates the contractual legal relations, including the rights and obligations, between the employer and the employee will continue.

The implementation of the existing agreements for the realization of the right to external pensions and social insurance will continue, as well as the coordination and advancement of other policies in the field of social security.

It will also invest in information systems integrating and digitizing payments of social schemes, pensions and all other benefits, to eliminate weaknesses and identify beneficiaries' revenues and revenues from public funds and the state budget. This will be achieved through the creation of the social registry platform and the implementation of the Poverty Test.

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

- Increasing social welfare through restructuring, expanding to increase 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 right to pensions and better services;

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

Financing trends 2021 - 2022 and estimations 2023 -2025

Social Protection	Year 2021 Expenditure	Year 2022 Budgeted	Year 2023 Estimated	Year 2024 Estimated	Year 2025 Estimated
Total	617,445,511	610,547,828	654,118,925	666,763,699	676,819,048
Number of employees	610	719	819	819	819
Wages and allowances	4,098,382	4,466,359	5,178,336	5,203,110	5,225,526
Goods and services	1,174,676	2,012,810	2,387,342	2,337,342	4,337,342
Utilities	209,749	349,485	349,485	349,485	349,485
Subsidies and transfers	611,599,977	600,179,174	644,268,762	658,053,762	666,053,695
Capital expenditures	362,728	3,540,000	1,935,000	820,000	853,000
Reserves					
Sources of financing					
Government grants	616,701,543	602,152,828	639,318,925	654,713,699	664,769,048
Own source revenues					
Revenues from PAK					
Dedicated revenues					
Financing from borrowing	743,969	8,395,000	14,800,000	12,050,000	12,050,000
Financing from borrowing - 04	743,969	8,125,000	14,000,000	11,950,000	11,950,000
Financing form Investment clause - 06		270,000	800,000	100,000	100,000
Donor grants*					

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

In the following are presented budget ceilings for years 2023-2025 in the level of budget organizations in central level

Appendix 1 . Estimated budget ceilings for 2023-2025 .																
Org. code	Ministries/Institutions	Estimated for 2023								Estimations for 2024			Estimations for 2025			
		No. of approved employees	Wages and salaries	Goods and services	Utilities	Subventions and Transfers	Capital expenditure	Reserves	Total 2023	Operation expenditure	Capital expenditure	Total 2024	Operation expenditure	Capital expenditure	Total 2025	
101	Assembly of Kosovo	415	6,941,641	1,823,000	200,000	70,000	430,000	-	9,464,641	9,069,349	200,000	9,269,349	9,104,231	200,000	9,304,231	
102	Office of the President	83	1,116,142	2,246,421	6,700	419,305	15,000	-	3,803,568	3,644,149	15,000	3,659,149	3,649,757	15,000	3,664,757	
104	Office of the Prime Minister	601	4,494,376	5,521,541	141,373	3,975,687	724,000	-	14,856,977	14,205,449	424,000	14,629,449	14,228,033	424,000	14,652,033	
201	Ministry of Finance, Labor and Transfers	2,897	44,094,476	36,623,495	1,329,952	761,779,362	84,501,452	-	928,328,737	842,032,996	217,340,294	1,059,373,290	831,232,944	264,220,210	1,095,453,154	
203	Ministry of Agriculture, Forestry and Rural Development	462	3,061,006	3,128,681	135,660	69,477,022	4,250,000	-	80,052,369	76,317,674	4,250,000	80,567,674	77,333,056	4,250,000	81,583,056	
204	Ministry of Industry, Entrepreneurship and Trade	296	2,068,697	20,540,303	158,280	9,115,000	3,590,000	-	35,472,280	20,243,081	2,820,000	23,063,081	20,253,477	2,220,000	22,473,477	
205	Ministry of Environment, Spatial Planning and Infrastructure	622	4,083,931	31,598,416	481,490	1,643,814	232,744,192	-	270,551,843	37,971,989	176,552,103	214,524,092	37,992,510	173,180,763	211,173,273	
206	Ministry of Health	1,281	10,791,349	37,572,583	227,348	4,313,805	9,543,000	-	62,448,085	51,143,503	11,403,000	62,546,503	51,547,729	12,403,000	63,950,729	
220	Hospital and University Clinical Service of Kosova	7,438	63,071,047	53,249,346	3,603,416	-	14,706,500	-	134,630,309	120,239,164	15,706,500	135,945,664	120,556,096	16,206,500	136,762,596	
207	Ministry of Culture, Youth and Sports	782	5,373,105	2,901,079	404,908	12,366,550	29,210,000	-	50,255,642	21,601,429	28,610,000	50,211,429	22,168,428	29,610,000	51,778,428	
208	Ministry of Education, Science, Technology and Innovation	2,216	21,811,370	17,380,000	1,590,459	6,805,360	31,212,054	-	78,799,243	47,566,246	32,862,054	80,428,300	47,675,848	33,862,054	81,537,902	
211	Ministry of Communities and Return	121	802,823	273,517	17,000	300,000	3,000,000	-	4,393,340	1,444,006	3,000,000	4,444,006	1,454,491	3,000,000	4,454,491	
212	Ministry of Local Government Administration	129	923,223	302,945	15,500	-	3,950,000	-	5,191,668	1,256,284	4,050,000	5,306,284	1,260,923	4,050,000	5,310,923	
213	Ministry of Economy	182	1,166,122	3,342,973	23,130	12,702,870	21,795,514	-	39,030,609	18,547,636	22,400,000	40,947,636	18,553,495	28,900,000	47,453,495	
214	Ministry of Internal Affairs	11,071	94,634,897	35,558,000	4,950,400	2,141,367	42,939,003	-	180,223,667	137,857,838	43,939,003	181,796,841	138,333,379	43,939,003	182,272,382	
215	Ministry of Justice	1,992	14,090,266	8,525,000	1,070,769	6,998,000	1,421,000	-	32,105,035	31,529,486	1,005,000	32,534,486	32,600,290	1,005,000	33,605,290	
216	Ministry of Foreign Affairs and Diaspora	389	8,157,017	20,250,000	890,551	230,000	12,895,000	-	42,422,568	29,818,353	12,895,000	42,713,353	30,359,342	12,895,000	43,254,342	
217	Ministry of Defense	4,879	32,055,042	28,532,000	1,138,000	-	61,438,846	-	123,163,888	68,389,317	74,541,260	142,930,577	68,550,394	74,541,260	143,091,654	
221	Ministry of Regional Development	54	379,428	247,000	11,360	1,580,000	2,000,000	-	4,217,788	2,217,685	2,000,000	4,217,685	2,219,592	2,000,000	4,219,592	
230	Public Procurement Regulatory Commission	42	361,947	299,253	5,000	-	200,000	-	866,200	668,010	100,000	768,010	669,829	100,000	769,829	
231	Kosovo Academy of Sciences and Arts	20	156,000	320,000	5,000	715,159	-	-	1,196,159	1,251,882	-	1,251,882	1,252,666	-	1,252,666	
235	Regulatory Authority of Electronic and Postal Communications	42	472,021	310,000	18,200	-	600,000	-	1,400,221	812,581	600,000	1,412,581	814,953	600,000	1,414,953	
236	Anti Corruption Agency	43	415,288	114,056	8,500	-	10,000	-	547,844	539,920	-	539,920	542,007	-	542,007	
238	Energy Regulatory Office	33	477,524	228,332	22,000	-	72,000	-	799,856	730,244	80,800	811,044	732,643	80,800	813,443	
240	Procurement Review Body	30	258,176	156,355	5,100	-	-	-	419,631	420,922	-	420,922	422,219	-	422,219	
241	Free Legal and Aid Agency	36	254,170	180,000	10,000	-	-	-	444,170	454,550	-	454,550	455,827	-	455,827	
242	University of Pristina	2,081	21,302,582	3,150,000	1,370,000	1,444,000	5,400,000	-	32,666,582	27,523,095	5,400,000	32,923,095	27,630,140	5,400,000	33,030,140	
243	Constitutional Court of Kosovo	70	1,395,781	488,000	4,000	91,080	110,000	-	2,088,861	2,029,542	110,000	2,139,542	2,036,556	110,000	2,146,556	
244	Kosovo Competition Authority	24	271,668	65,000	14,000	-	-	-	350,668	352,026	-	352,026	353,391	-	353,391	
245	Kosovo Intelligence Agency	140	6,142,113	2,395,282	45,000	550,000	2,920,000	-	12,052,395	9,163,106	2,920,000	12,083,106	9,693,970	2,920,000	12,613,970	
246	Kosovo Council for Cultural Heritage	18	145,989	81,993	2,550	-	-	-	230,532	231,262	-	231,262	231,996	-	231,996	
247	Election Complaints and Appeals Panel	20	140,922	50,000	7,820	-	-	-	198,742	202,447	-	202,447	203,155	-	203,155	
249	Independent Oversight Board for the Civil Service of Kosovo	30	272,889	98,000	3,825	-	-	-	374,714	378,078	-	378,078	379,450	-	379,450	
250	Kosovo Prosecutorial Council	938	11,240,153	2,600,000	199,630	-	1,509,000	-	15,548,783	14,045,984	2,354,500	16,400,484	14,102,466	2,084,500	16,186,966	
302	National Audit Office	180	2,302,491	688,100	40,000	-	74,000	-	3,104,591	3,042,103	-	3,042,103	3,053,673	-	3,053,673	
313	Water Services Regulatory Authority	21	243,332	125,000	6,503	-	-	-	374,835	378,052	-	378,052	379,274	-	379,274	
314	Railway Regulatory Authority	29	241,932	105,000	6,400	-	-	-	353,332	356,542	-	356,542	357,757	-	357,757	
317	Civil Aviation Authority	30	768,543	150,000	3,738	-	-	-	922,281	926,124	-	926,124	929,986	-	929,986	
318	Minerals and Mines Independent Commission	77	834,207	369,281	30,600	-	200,000	-	1,434,088	1,238,259	200,000	1,438,259	1,242,451	200,000	1,442,451	
319	Media Independent Commission	39	463,465	339,883	28,000	-	50,000	-	881,348	833,665	-	833,665	835,994	-	835,994	
320	Central Election Committee	93	1,174,343	748,998	63,700	4,200,000	-	-	6,187,041	6,192,913	-	6,192,913	14,198,814	-	14,198,814	
321	Ombudsperson	78	992,704	289,000	15,000	-	-	-	1,296,704	1,271,668	-	1,271,668	1,276,656	-	1,276,656	
322	Justice Academy	32	244,867	435,000	16,500	-	196,000	-	892,367	707,591	-	707,591	708,822	-	708,822	
328	Kosovo Judicial Council	2,271	25,211,572	4,143,000	400,000	500,000	2,220,000	-	32,474,572	30,630,630	2,220,000	32,850,630	30,757,318	2,220,000	32,977,318	
329	Kosovo Property Comparison and Verification Agency	200	1,213,255	841,090	88,523	-	431,500	-	2,574,368	1,948,934	431,500	2,380,434	1,955,031	431,500	2,386,531	
251	Privacy and Information Agency	34	282,187	130,000	6,450	-	-	-	418,637	425,048	-	425,048	431,466	-	431,466	
253	Memorial Complex Management Agency	21	158,349	710,871	63,000	-	4,830,000	-	5,762,220	933,012	4,830,000	5,763,012	933,807	4,830,000	5,763,807	
232	Unpredicted Expenditure	-	-	-	-	-	1,930,000	4,800,000	6,730,000	4,800,000	1,930,000	6,730,000	4,800,000	1,930,000	6,730,000	
248	Radio Television of Kosovo Kosoves	-	-	-	-	8,960,000	-	-	8,960,000	8,960,000	-	8,960,000	8,960,000	-	8,960,000	
224	Health Insurance Fund	52	413,806	500,000	25,000	8,000,000	-	-	8,938,806	9,288,012	-	9,288,012	9,290,091	-	9,290,091	
	Total	42,634	396,968,234	329,727,794	18,910,335	918,378,381	581,118,061	4,800,000	2,249,902,805	1,665,831,834	675,190,014	2,341,021,848	1,668,706,424	727,828,590	2,396,535,014	
239	Privatization Agency of Kosovo	257	4,211,752	1,317,204	150,000	-	20,000	-	5,698,956	5,782,811	20,000	5,802,811	5,803,975	20,000	5,823,975	
254	Air Navigation Service Agency	180	2,811,993	1,500,000	112,370	-	2,372,260	-	6,796,623	4,438,423	1,732,550	6,170,973	4,452,553	1,732,550	6,185,103	
	Grand Total with PAK and ANSA	43,071	403,991,979	332,544,998	19,172,705	918,378,381	583,510,321	4,800,000	2,262,398,384	1,676,053,068	676,942,564	2,352,995,632	1,678,962,952	729,581,140	2,408,544,092	

Municipal level

1. Introduction

This document defines the government grants for financing the municipalities for 2023 and the orientations for the years 2024-2025, based on the strategic priorities of the Government in the field of intergovernmental fiscal relations. Also, this document determines the level of own source revenues of municipalities for fiscal year 2023 and the medium-term forecast 2024-2025.

The principles, criteria and formulas applied for the allocation of government grants for financing municipalities for 2023, are based on the Law on Local Government Finance (LFPL) and Table 1 of macro-fiscal projections, prepared by the Ministry of Finance, Labor and Transfers as specified in the Law on Public Financial Management and Accountability (LPFMA).

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 chart of accounts,
- Improvements in the results and performance oriented budgeting approach,
- Implementation of the multi-year concept on capital project planning, and
- Determining the structure of expenditures by categories of expenditures.

Multi-year capital projects must be reported to the performance-based Public Investment Projects (PIP) system. Consequently, municipalities are required to design a framework strategy based on results-oriented goals and objectives.

2. Sources of Municipal Financing for the year 2023-2025

2.1. General Grant

Based on Table 1, presented below, prepared by the Department of Economic Policy, Public Policy and International Financial Cooperation of the Ministry of Finance, Labor and Transfers in accordance with the LFPL, the General Grant for Municipalities for 2023 is in the amount of 255.2 million euro.

This allocation 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 revenues as well as taxes, charges and others from the local government.

As shown in the table below, based on estimates from the Department of Economic, Public Policy and International Financial Cooperation, total government revenue for 2023 is expected to be 2,676.3 mil. euro. From this amount, subtract those revenues as specified in Article 24 of the LFPL and we come to the basis for allocating the general grant to municipalities, which grant for 2023 is in the amount of 255.2 million euros.



Table 1: Determining the value of the General Grant for municipalities 2023-2025 (mil. Euro)

Description	Year 2020	Year 2021	Year 2022	Year 2023	Year 2024	Year 2025
A. General incomes of the Government	2,060.5	1,921.8	2,037.1	2,676.3	2,863.7	3,047.7
Deducted :						
Dedicated incomes						
Budgetary Support and Grants	(10.5)	(15.0)	(10.5)	(10.5)	(10.5)	(10.5)
Property Tax	(33.2)	(30.0)	(41.0)	(44.6)	(45.9)	(47.4)
Incomes and dividends						
Determined grants by the donors				(12.0)	(12.0)	(12.0)
Tax fees and others by the Local Governance	(50.0)	(48.0)	(46.9)	(54.0)	(56.7)	(59.5)
Single-time incomes from debts						
Incomes from interest	(4.0)	(3.0)	(3.4)	(3.1)	(2.8)	(2.8)
B. Basis for calculating the total grant for municipalities	1,962.8	1,825.8	1,935.3	2,552.1	2,735.8	2,915.5
C. General grant for municipalities (10%)	196.28	182.58	193.53	255.21	273.58	291.55

In order to level the low own source capacity of smaller municipalities, based on the LFPL, each municipality will receive a total total amount of 140,000 euros per year, reduced from 1 euro per capita or 0 euro for municipalities with a population equal to or greater than 140,000 inhabitants. Thereafter, the distribution across municipalities is based on the formula for allocating the total grant to municipalities under the LFPL: (i) the population is estimated at eighty-nine percent (89%); (ii) the geographical size of the municipality by six percent (6%); (iii) the number of minority population in the municipality by three percent (3%); (iv) municipalities where the majority of the population consists of minorities by two percent (2%).

Table 2: General Grant Structure for 2023-2025 according to LFPL (mil. Euro)

Factors	Year 2020	Year 2021	Year 2022	Year 2023	Year 2024	Year 2025
General Grant	196.28	182.58	193.53	255.21	273.58	291.55
Contingency for formula correction (2.7%)						
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	171.5	159.2	169.0	223.9	240.2	256.2
Municipal area (km2)	10,901	10,901	10,901	10,901	10,901	10,901
Budget: 6% of the aggregate amount	11.56	10.74	11.39	15.09	16.20	17.27
Minority communities in the municipality	107,926	107,926	107,926	107,926	107,926	107,926
Budget: 3% of the aggregate amount	5.8	5.4	5.7	7.5	8.1	8.6
Population of minority municipalities	62,031	62,031	62,031	62,031	62,031	62,031
Budget: 2% of the aggregate amount	3.9	3.6	3.8	5.0	5.4	5.8

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 in municipalities 2023-2025

General Grant allocation formula for 2023-2025

Criteria		Year 2023	Year 2024	Year 2025
Budget revenues (mil. €)		2,552.1	2,735.8	2,915.5
General grant (10%)	10%	255,210,000	273,580,000	291,550,000
Fixed amount	140,000	3,636,657	3,636,657	3,636,657
Total		251,573,343	269,943,343	287,913,343
Population	89%	223,900,275	240,249,575	256,242,875
Geographic size	6%	15,094,401	16,196,601	17,274,801
Minority population	3%	7,547,200	8,098,300	8,637,400
Municipalities with minority population	2%	5,031,467	5,398,867	5,758,267

Municipalities	Criteria for the allocation of General Grant (according to LFPL)										General grant for 2023	General grant for 2024	General grant for 2025			
	Population		Geographic size		Minority population		Municipalities with minority population		Fixed amount (140,000-1€)	Amount per population (89%)				Amount per geographic size (6%)	Amount per minority population in municipalities (3%)	Amount per municipalities with minority population (2%)
	Population	89%	Geographic 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	5,033,797	411,284	38,531	-	5,583,593	5,984,009	6,375,706
2 Dragash	33,997	1.91%	430	3.94%	13,559	12.56%		0.00%	106,003	4,276,319	595,453	948,173	-	5,925,948	6,350,923	6,766,644
3 Ferizaj	108,610	6.10%	345	3.17%	4,193	3.89%		0.00%	31,390	13,661,529	477,751	293,214	-	14,463,884	15,517,751	16,548,671
4 Fushë Kosovë	34,827	1.96%	83	0.76%	4,511	4.18%		0.00%	105,173	4,380,721	115,113	315,452	-	4,916,458	5,267,780	5,611,453
5 Gjakovë	94,556	5.31%	587	5.39%	6,679	6.19%		0.00%	45,444	11,893,744	813,018	467,058	-	13,219,265	14,181,223	15,122,235
6 Gjiilan	90,178	5.07%	392	3.60%	2,264	2.10%		0.00%	49,822	11,343,057	542,995	158,320	-	12,094,194	12,973,680	13,834,015
7 Glogoc	58,531	3.29%	276	2.53%	45	0.04%		0.00%	81,469	7,362,333	382,366	3,147	-	7,829,315	8,395,066	8,948,498
8 Hani i Elezit	9,403	0.53%	83	0.76%	44	0.04%		0.00%	130,597	1,182,758	115,113	3,077	-	1,431,545	1,526,541	1,619,468
9 Istog	39,289	2.21%	454	4.17%	3,085	2.86%		0.00%	100,711	4,941,974	628,849	215,732	-	5,887,266	6,309,803	6,723,139
10 Junik	6,084	0.34%	74	0.68%	4	0.00%		0.00%	133,916	765,277	102,650	280	-	1,002,123	1,065,520	1,127,536
11 Kaçanik	33,409	1.88%	211	1.94%	36	0.03%		0.00%	106,591	4,202,357	292,359	2,517	-	4,603,824	4,932,214	5,253,454
12 Kamenicë	36,085	2.03%	424	3.89%	1,864	1.73%		0.00%	103,915	4,538,958	587,307	130,348	-	5,360,529	5,744,369	6,119,851
13 Klinë	38,496	2.16%	309	2.84%	1,241	1.15%		0.00%	101,504	4,842,227	428,062	86,782	-	5,458,575	5,849,751	6,232,409
14 Leposaviq	13,773	0.77%	539	4.95%	323	0.30%	13,773	22.20%	126,227	1,732,439	746,551	22,587	1,117,157	3,744,962	4,009,204	4,267,691
15 Lipjan	57,605	3.24%	338	3.10%	3,107	2.88%		0.00%	82,395	7,245,856	468,220	217,271	-	8,013,741	8,592,891	9,159,431
16 Malishevë	54,613	3.07%	306	2.81%	54	0.05%		0.00%	85,387	6,869,506	423,908	3,776	-	7,382,578	7,915,422	8,436,664
17 Mamushë	5,507	0.31%	32	0.29%	379	0.35%	5,507	8.88%	134,493	692,699	44,491	26,503	446,685	1,344,871	1,433,254	1,519,712
18 Mitrovicë	71,909	4.04%	331	3.04%	2,199	2.04%		0.00%	68,091	9,045,087	458,526	153,775	-	9,725,479	10,430,666	11,120,498
19 Novo Bërdë	6,729	0.38%	204	1.87%	3,202	2.97%		0.00%	133,271	846,409	282,665	223,914	-	1,486,259	1,585,055	1,681,699
20 Obiliq	21,549	1.21%	105	0.96%	1,655	1.53%		0.00%	118,451	2,710,545	145,577	115,733	-	3,090,306	3,307,312	3,519,593
21 Pejë	96,450	5.42%	603	5.53%	8,334	7.72%		0.00%	43,550	12,131,981	835,174	582,792	-	13,593,497	14,582,920	15,550,799
22 Podujevë	88,499	4.97%	633	5.81%	849	0.79%		0.00%	51,501	11,131,863	876,716	59,370	-	12,119,450	13,000,657	13,862,676
23 Prishtinë	198,897	11.17%	514	4.72%	4,146	3.84%		0.00%		25,018,296	711,933	289,927	-	26,020,156	27,920,160	29,778,792
24 Prizren	177,781	9.99%	603	5.53%	31,682	29.36%		0.00%		22,362,216	835,174	2,215,503	-	25,412,893	27,268,554	29,083,809
25 Rahovec	56,208	3.16%	278	2.55%	944	0.87%		0.00%	83,792	7,070,134	385,136	66,013	-	7,605,075	8,154,282	8,691,531
26 Shtërpcë	6,949	0.39%	248	2.28%	3,182	2.95%		0.00%	133,051	874,081	343,594	222,515	-	1,573,241	1,678,405	1,781,278
27 Shtime	27,324	1.54%	134	1.23%	858	0.79%		0.00%	112,676	3,436,954	185,734	59,999	-	3,795,364	4,064,276	4,327,332
28 Skenderaj	50,858	2.86%	374	3.43%	109	0.10%		0.00%	89,142	6,397,183	518,070	7,622	-	7,012,017	7,517,529	8,012,033
29 Suharekë	59,722	3.36%	361	3.31%	575	0.53%		0.00%	80,278	7,512,143	500,068	40,209	-	8,132,699	8,720,690	9,295,878
30 Viti	46,987	2.64%	270	2.48%	258	0.24%		0.00%	93,013	5,910,269	374,058	18,042	-	6,395,381	6,855,583	7,305,764
31 Vushtrri	69,870	3.93%	345	3.17%	960	0.89%		0.00%	70,130	8,788,611	477,913	67,132	-	9,403,786	10,085,334	10,752,041
32 Zubin Potok	6,616	0.37%	333	3.06%	995	0.92%	6,616	10.67%	133,384	832,195	461,296	69,580	536,638	2,033,092	2,171,810	2,307,507
33 Zveçan	7,481	0.42%	123	1.13%	386	0.36%	7,481	12.06%	132,519	940,999	170,502	26,993	606,800	1,877,813	2,005,255	2,129,922
34 Gracanice	10,675	0.60%	131	1.20%	3,423	3.17%	10,675	17.21%	129,325	1,342,757	181,580	239,368	865,872	2,758,902	2,950,915	3,138,747
35 Klokot	2,556	0.14%	23	0.21%	1,193	1.11%		0.00%	137,444	321,507	32,029	83,426	-	574,406	606,313	637,525
36 Mitrovica veriore	12,326	0.69%	5	0.05%	867	0.80%	12,326	19.87%	127,674	1,550,428	7,104	60,629	999,788	2,745,623	2,936,787	3,123,788
37 Partesh	1,787	0.10%	29	0.27%	2	0.00%	1,787	2.88%	138,213	224,778	40,337	140	144,947	548,416	578,369	607,670
38 Ranillug	3,866	0.22%	69	0.63%	168	0.16%	3,866	6.23%	136,134	486,286	95,727	11,748	313,580	1,043,474	1,109,728	1,174,540
Total	1,780,021	100%	10,901	100%	107,926	100%	62,031	100%	3,636,657	223,900,275	15,094,401	7,547,200	5,031,467	255,210,000	273,580,000	291,550,000

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 are funded by the general grant in the municipalities.

Specific grants for education and health will also be supplemented from the general grant when needed.

2.2 Additional grant for financing the Capital city

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

For 2023 the Capital, Prishtina receives an additional grant of 15,312,600 euros, while for 2024 it receives 16,414,800 euros and for 2025 it receives 17,493,000 euros.

Table 4: Distribution of the Additional Grant for the financing of the Capital 2023-2025

Description	Year 2020	Year 2021	Year 2022	Year 2023	Year 2024	Year 2025
General Grant for municipalities	196.28	182.58	193.53	255.21	273.58	291.55
Additional Grant for financing of capity city (6%)	11.78	10.95	11.61	15.31	16.41	17.49

2.3 Specific Grant for Pre-University Education

The Specific Grant for Pre-University Education according to LFPL, is based on an open funding system, taking into account the criteria in the formula of pre-university education of MESTI for 2023-2025.

The proposal for the specific grant for pre-university education for 2023 is approved by the Grants Commission in the amount of 201.2 million euros, as follows:

- I. The basic grant is proposed in the amount of 194.4 million euros, as follows:
 - a. Salaries and allowances in the amount of 178.6 million euros
 - b. Goods and services in the amount of 13.4 million euros;
 - c. Capital expenditures in the amount of 2.3 million euros.
- II. Approved ongoing policies by GC in the amount of 6.3 million euros, as follows:
 - a. Assistant for children with special needs for salaries and allowances, cost in the amount of 2.4 million euros, 300 new staff positions are added (200 staff has been approved in the previous years by the GC;
 - b. Expenses for the daily meal for students from class 1-5 in the amount of 4 million euros (GC has approved the amount of 4 million euros in 2022).
- III. Approved new policies by GC in the amount of 0.4 million euros, as follows:
 - a. Number of school-based career counselors grades 6 to 9 is increased for 59 and its cost policy for salaries and allowances is in the amount of 131,990 euros;
 - b. Are added 30 positions of IT specialists and its cost policy for salaries and allowances is in the amount of 360,000 euros;

Grant Commission has decided that the vacant positions to some municipalities based on the national pre-university education formula to be reconciled with the others, which have shortages on staff.



This reconciliation has reflected in the increase of 310 positions and its cost of 2 million euros for the eight (8) municipalities, as in the attached table, while, the decrease of positions will be reflected to the municipalities with vacant positions based on the national pre-university education formula.

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 2021/2022;
- b) Student-teacher ratio for primary and secondary education for majority students 1: 21.3 (based on Administrative Instruction no. 22/2013 of MESTI);
- 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-primary 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 according to the data received from the Treasury, multiplied by the number of teachers calculated according to the formula of pre-university education;
- l) Professional Pedagogical / Psychological Service;
- m) Quality coordinators;
- n) Calculation of salaries for replacements during maternity leave 6%;
- o) Goods and services are calculated according to the criteria per student (23 euros for majority students and 25 euros for minority students) and for school (1,500 euros for pre-primary and primary school and 3,250 euros for secondary school);
- p) Capitals are calculated according to the criterion of 7 euros per student;

Approved policies by GC until 2022 are incorporated to the basic grant, as follows:

- a) Calculation of three salaries after retirement at a cost of 1.5 million euros;
- b) Salary for assistants for children with special needs at a cost of 1.5 million euros;
- c) Jubilee salaries according to the collective contract for education, at a cost of 1.25 million euros;
- d) Professional practice at a cost of 3.5 million euros;
- e) Salary for pre-school education 2 to 5 years old, at a cost of 1.9 million euros;
- f) Salaries for teachers with aggravated health condition, at a cost of 1.7 million euros,
- g) Goods and services for children (4 to 5 years old), at a cost of 78,848 euros;
- h) Cost of payment for validation and accreditation procedures for vocational high schools (8 schools), at a cost of 38,400 euros.

According to MESTI, it's reported less than 12,002 students in pre-university education compared to the previous year.

Tabela 5: Distribution of specific grant for education, basic grant for 2023-2025

Table 5. Distribution of specific grant for education, base grant for years 2023-2025

No.	Municipalities	TOTAL NUMBER OF PUPILS	STAFF																			TOTAL NUMBER OF TEACHERS, ADMINISTRATIVE AND ASSISTANT STAFF	Staff in education based to the Budget Law 2022	Current staff in education - March 2022	Staff reconciliation
			Number of teachers in special education	Number of teachers in special education in sick and woman after child	Number of pre-primary education teachers	Number of teachers in pre-primary on sick and woman after child birth leave	Number of primary teachers	Number of teachers in primary school on sick and woman after child	Number of teachers at secondary schools	No. of teachers at Correctional Center in Lipjan/SHMLP	Teachers at secondary schools on sick and woman after child birth	Additional teachers for forest areas	Number of teachers of english language	Number of quality coordinators	Assistant for children with special needs	Number of educators (4- 5)	TOTAL NUMBER OF TEACHERS	Number of administrative staff for kindergarten and primary schools	Number of administrative staff for secondary schools	Professional Pedagogical/Psychological Service	Number of assistant staff per pupil				
TOTAL		336,726	433	16	2,085	141	9,067	606	3,913	11	263	2,810	305	837	200	286	20,971	1,180	301	520	3,151	26,124	29,656	28,333	(3,532)
1	Deçan	5,212	1	0.1	39	3	174	12	53	0	4	0	6	20	6	6	322	25	4	8	54.7	414	580	547	(166)
2	Dragash	3,559	0	0.1	7	1	-	0	0	0	0	245	7	13	2	4	278	19	1	6	50.9	354	509	449	(155)
3	Ferizaj	22,730	32	1.1	119	8	516	34	308	0	21	289	18	47	9	18	1,420	69	20	35	191.9	1,736	1,779	1,762	(43)
4	Fushë Kosovë	10,580	5	0.2	22	2	374	25	78	0	5	0	5	12	10	7	544	23	6	14	75.0	663	507	501	156
5	Gjakovë	16,068	12	0.4	101	7	484	32	196	0	13	31	15	46	11	15	962	60	14	25	157.2	1,218	1,541	1,507	(323)
6	Gjilan	16,748	51	1.7	111	7	403	27	238	0	16	141	16	39	9	12	1,071	54	19	26	151.5	1,322	1,813	1,695	(491)
7	Gilgoc	11,535	10	0.4	68	5	253	17	127	0	9	196	10	31	6	11	742	47	7	18	101.3	915	939	931	(24)
8	Hani i Elezit	1,822	6	0.2	13	1	54	4	14	0	1	9	1	4	4	2	113	6	2	3	17.5	141	137	122	4
9	Istog	6,767	4	0.2	38	3	123	8	69	4	5	162	6	13	6	6	447	26	5	11	71.6	561	641	622	(80)
10	Junik	690	1	0.1	-	-	22	2	8	0	1	0	1	2	1	1	38	2	1	1	5.8	48	64	61	(16)
11	Kaçanik	5,738	16	0.6	40	3	174	12	52	0	4	28	6	14	7	5	360	21	4	9	56.8	451	540	523	(89)
12	Kamenicë	3,743	7	0.3	32	2	112	8	44	0	3	18	7	19	9	3	263	21	7	6	39.0	336	768	693	(432)
13	Klinë	7,196	12	0.5	48	3	201	13	71	0	5	56	7	19	6	8	449	28	5	11	70.7	564	649	637	(85)
14	Leposaviq	2,233	1	0.1	34	2	63	4	25	0	2	1	2	7	0	0	143	9	4	3	37.1	196	329	231	(133)
15	Lipjan	12,236	15	0.6	63	4	267	18	125	7	8	212	11	28	6	9	776	42	8	19	126.1	971	1,059	1,030	(88)
16	Malishevë	10,848	8	0.3	53	4	279	19	107	0	7	148	12	39	6	11	692	52	7	18	105.8	875	1,002	993	(127)
17	Mamusha	925	1	0.1	5	0	47	3	11	0	1	0	1	2	1	1	73	3	1	1	8.3	88	67	63	21
18	Mitrovicë	15,286	22	0.8	96	6	441	30	200	0	13	45	12	33	8	14	921	48	13	24	132.3	1,138	1,282	1,182	(144)
19	Novo Bërdë	1,414	3	0.2	14	1	36	2	15	0	1	23	3	10	2	1	110	11	3	2	29.3	155	180	178	(25)
20	Obiliq	4,581	11	0.4	30	2	122	8	43	0	3	69	4	13	6	4	315	18	5	7	48.9	394	393	387	1
21	Pejë	17,426	23	0.8	114	8	536	36	203	0	14	37	14	35	12	18	1,051	51	15	27	148.4	1,293	1,514	1,403	(221)
22	Podujevë	16,208	18	0.7	72	5	432	29	195	0	13	155	15	41	9	13	997	59	11	26	152.3	1,245	1,465	1,409	(220)
23	Prishtinë	44,002	69	2.4	293	20	1,334	89	509	0	34	55	29	57	27	37	2,555	105	35	66	325.4	3,086	3,081	3,051	5
24	Prizren	28,952	43	1.5	151	10	828	55	348	0	23	257	28	60	9	28	1,841	91	20	44	252.4	2,249	2,259	2,244	(10)
25	Rahovec	9,012	4	0.2	98	7	270	18	72	0	5	46	10	34	3	9	576	45	8	14	95.0	739	838	834	(99)
26	Shtërpcë	2,269	2	0.1	10	1	50	3	34	0	2	28	4	8	0	1	143	9	3	3	26.3	184	265	198	(81)
27	Shtime	5,377	5	0.2	33	2	119	8	62	0	4	85	5	9	2	4	339	15	5	8	51.6	418	448	436	(30)
28	Skenderaj	9,239	5	0.2	55	4	186	12	110	0	7	170	9	26	6	9	601	37	7	15	92.5	752	869	826	(117)
29	Suharekë	9,968	11	0.4	51	3	206	14	107	0	7	193	10	32	8	10	653	43	7	16	105.9	825	977	966	(152)
30	Viti	7,399	16	0.6	46	3	227	15	78	0	5	24	9	21	4	6	455	28	6	12	83.5	585	818	800	(233)
31	Vushtrri	13,286	15	0.5	91	6	386	26	146	0	10	86	12	39	5	11	832	54	10	21	125.6	1,042	1,123	1,103	(81)
32	Zubin Potok	1,260	-	0.0	1	0	48	3	16	0	1	0	1	6	0	0	77	6	4	2	15.4	103	202	119	(99)
33	Zveçan	1,167	-	0.0	-	-	44	3	15	0	1	0	1	5	0	0	69	6	2	2	15.8	95	167	94	(72)
34	Kllokot	593	1	0.1	4	0	21	1	9	0	1	0	1	6	0	0	43	6	1	1	9.5	61	54	63	7
35	Mitrovica veriore	4,874	-	0.0	55	4	89	6	131	0	9	0	3	18	0	0	316	16	12	7	46.7	397	402	283	(5)
36	Partesh	1,001	1	0.1	5	0	27	2	20	0	1	0	1	8	0	0	66	5	7	1	15.9	95	78	79	17
37	Ranillug	973	-	0.0	19	1	21	1	18	0	1	0	1	4	0	0	67	4	3	2	14.7	90	93	89	(3)
38	Graçanice	3,809	1	0.1	56	4	102	7	54	0	4	0	4	17	0	0	249	17	10	6	42.4	323	224	222	99

Table 6: Ongoing policies and new policies proposed by MESTI for 2023

MUNICIPALITIES	TOTAL WAGES AND ALLOWANCES	TOTAL GOODS AND SERVICES	CAPITAL EXPENDITURE	TOTAL BASIC EDUCATION GRANT FOR 2023	Policy in continuity			COST OF CONTINUOUS POLICIES	New policies				COST OF NEW POLICIES	TOTAL NEW AND CONTINUOUS POLICIES	TOTAL SPECIFIC GRANT FOR EDUCATION FOR YEAR 2023	ASSESSMENTS FOR YEAR 2024	ASSESSMENTS FOR YEAR 2025
					Assistant for students in pre-university education	Assistant for children with special needs	Expenses for the daily meal for students from class 1-5		Number of IT specialists	Wages of IT specialists	Number of school-based career counselors grades 6 to 9	Wages for school-based career counselors grades 6 through 9					
Total	178,653,084	13,425,051	2,321,928	194,400,063	300	2,362,986	4,000,000	6,362,986	30	306,000	59	131,990	437,990	6,800,976	201,201,039	216,184,204	217,096,457
Deçan	3,427,200	199,277	36,484	3,662,961	5	39,383	67,124	106,507	1	10,200	1	1,839	12,039	118,546.02	3,781,507	4,018,676	4,033,684
Dragash	2,785,651	136,572	24,913	2,947,136	3	23,630	50,122	73,751	1	10,200	1	1,316	11,516	85,267.93	3,032,404	3,234,682	3,247,509
Ferizaj	10,994,224	915,668	158,165	12,068,057	20	157,532	272,524	430,056	1	10,200	3	7,384	17,584	447,640.11	12,515,697	13,515,321	13,575,393
Fushë Kosovë	4,206,620	324,654	67,788	4,599,063	14	110,273	158,784	269,057	1	10,200	2	3,330	13,530	282,586.64	4,881,649	5,260,558	5,283,444
Gjakovë	9,238,411	674,809	109,753	10,022,974	20	157,532	195,016	352,548	1	10,200	2	5,351	15,551	368,099.38	10,391,073	11,088,840	11,131,022
Gjilan	10,681,446	705,129	116,067	11,502,642	20	157,532	191,085	348,617	1	10,200	2	5,017	15,217	363,834.16	11,866,477	12,627,455	12,673,601
Gilgoc	5,802,702	448,544	80,094	6,331,340	6	47,260	146,041	193,300	1	10,200	2	3,894	14,094	207,394.23	6,538,735	7,063,591	7,095,276
Hani i Elezit	858,496	54,103	12,523	925,123	4	31,506	24,438	55,945	1	10,200	1	2,220	12,420	68,364.86	993,487	1,075,671	1,081,066
Istog	3,840,044	262,494	47,075	4,149,613	5	39,383	81,308	120,691	1	10,200	1	2,400	12,600	133,291.32	4,282,905	4,604,262	4,624,169
Junik	401,372	19,880	4,550	425,802	2	15,753	8,550	24,303	1	10,200	1	2,220	12,420	36,723.40	462,526	492,475	494,684
Kaçanik	3,353,405	205,729	40,166	3,599,300	6	47,260	75,248	122,508	1	10,200	1	2,095	12,295	134,802.23	3,734,102	3,992,711	4,008,532
Kamenicë	4,184,976	153,035	26,201	4,364,212	8	63,013	45,011	108,024	1	10,200	1	1,309	11,509	119,532.83	4,483,745	4,676,318	4,688,580
Klinë	4,010,508	276,938	49,609	4,337,055	5	39,383	92,119	131,502	1	10,200	1	2,509	12,709	144,210.64	4,481,266	4,805,359	4,825,229
Leposaviq	1,013,958	127,826	15,610	1,157,394	-	-	328	328	-	0	1	2,220	2,220	2,547.59	1,159,942	1,269,476	1,276,331
Lipjan	6,338,140	452,810	84,560	6,875,510	7	55,136	160,094	215,231	1	10,200	2	3,895	14,095	229,325.66	7,104,836	7,660,503	7,694,457
Malishevë	6,259,775	390,418	75,936	6,726,128	6	47,260	140,439	187,699	1	10,200	2	3,918	14,118	201,816.82	6,927,945	7,428,764	7,459,349
Mamusha	544,300	29,036	6,349	579,685	1	7,877	12,678	20,554	1	10,200	1	2,220	12,420	32,974.44	612,659	665,054	668,582
Mitrovicë	7,408,891	646,538	105,133	8,160,561	20	157,532	189,872	347,405	1	10,200	2	4,802	15,002	362,406.73	8,522,968	9,178,985	9,218,545
Novo Bërdë	979,294	90,050	9,884	1,079,228	3	23,630	8,845	32,475	1	10,200	1	2,220	12,420	44,894.85	1,124,123	1,211,642	1,217,356
Obiliq	2,435,563	186,390	32,067	2,654,020	6	47,260	52,841	100,100	1	10,200	1	1,472	11,672	111,772.21	2,765,793	2,991,090	3,005,152
Pejë	9,142,907	673,177	119,469	9,935,553	20	157,532	214,540	372,073	1	10,200	3	5,818	16,018	388,090.07	10,323,643	11,066,746	11,111,360
Podujevë	8,791,084	660,237	112,259	9,563,580	10	78,766	201,273	280,039	1	10,200	3	5,789	15,989	296,027.53	9,859,607	10,573,638	10,616,588
Prishtinë	19,754,949	1,545,522	300,356	21,600,827	40	315,065	543,312	858,377	1	10,200	6	14,372	24,572	882,948.83	22,483,776	24,255,659	24,360,968
Prizren	14,524,083	1,161,753	198,072	15,883,907	20	157,532	373,553	531,086	1	10,200	4	9,655	19,855	550,940.62	16,434,848	17,727,178	17,804,548
Rahovec	5,309,212	322,964	63,084	5,695,260	6	47,260	116,525	163,784	1	10,200	1	3,000	13,200	176,984.61	5,872,245	6,293,261	6,318,621
Shtërpcë	1,174,487	76,910	15,771	1,267,167	-	-	6,716	6,716	1	10,200	1	2,220	12,420	19,135.64	1,286,303	1,391,747	1,398,577
Shtime	2,688,232	207,383	37,583	2,933,198	4	31,506	68,336	99,842	1	10,200	1	1,764	11,964	111,806.01	3,045,004	3,286,793	3,301,713
Skenderaj	5,072,278	400,856	63,693	5,536,828	9	70,890	111,185	182,074	1	10,200	1	3,124	13,324	195,397.93	5,732,226	6,163,284	6,189,543
Suharekë	6,197,477	412,083	68,894	6,678,454	9	70,890	127,630	198,520	1	10,200	2	3,384	13,584	212,103.91	6,890,558	7,362,517	7,391,658
Viti	5,003,002	286,945	51,793	5,341,740	10	78,766	93,102	171,868	1	10,200	1	2,646	12,846	184,714.16	5,526,454	5,862,379	5,882,783
Vushtrri	6,891,367	544,552	92,365	7,528,284	10	78,766	167,105	245,871	1	10,200	2	4,571	14,771	260,641.99	7,788,926	8,385,771	8,421,899
Zubin Potok	541,265	69,771	8,820	619,855	-	-	1,540	1,540	-	0	1	2,220	2,220	3,759.68	623,615	683,021	687,029
Zveçan	441,563	63,930	8,092	513,585	-	-	1,245	1,245	-	0	1	2,220	2,220	3,464.85	517,050	571,510	575,205
Kllokot	363,488	37,652	4,151	405,291	1	7,877	1,474	9,351	-	0	1	2,220	2,220	11,570.79	416,862	452,661	455,228
Mitrovicë veriore	1,348,825	323,550	34,118	1,706,493	-	-	-	-	-	0	1	1,839	1,839	1,839.27	1,708,332	1,931,570	1,945,371
Partesh	534,333	73,596	7,007	614,936	-	-	-	-	-	0	1	1,839	1,839	1,839.27	616,775	671,017	674,795
Ranillug	429,861	65,303	6,811	501,975	-	-	-	-	-	0	1	1,839	1,839	1,839.27	503,814	555,620	559,079
Graçanice	1,679,694	198,966	26,663	1,905,324	-	-	-	-	-	0	1	1,839	1,839	1,839.27	1,907,163	2,088,400	2,099,532

2.4 Specific Grant for Primary Health

The Specific Grant for Primary Health according to LGFL is based on financial open system, taking into consideration the criteria of Ministry of Health for period 2023-2025.

The Specific Grant for Primary Health for 2023 has been approved in the amount of 70.5 million euros, as follows :

- I. The basic grant is approved in the amount of 62.6 million euros,
- II. Ongoing policies and new policies are approved by GC to 2023 in the amount of 8 million euros, as follows:
 - a. Increase of professional medical staff, as follows:
 - Family and emergency doctors of 299 and
 - Salaries and allowances, cost in the amount of 2.4 million euros.
 - b. Home-based visits for pregnant and children (visit x 10 euros), cost in the amount of 3.4 million euros,
 - c. Palliative healthcare visits (visit x 20 euros), cost in the amount of 2.2 million euros.

Table 7: Specific grant for Primary Health, basic grant for 2023-2025

Nr	Municipality	Population	Basic Grant											Total Basic Grant	Ongoing policies						Total grant proposal for 2023-ongoing policies	Specific Grant Proposal 2023	Total grant proposal for year 2024	Total grant proposal for year 2025	
			Standards for doctors and nurses								Primary Health Care Institutions				Additional staff based on the standards		Home visits for pregnant and children			Palliative care					
			Standards 1 MF/ 2000 inhabitants	Standards 01 Dentist 5000 inhabitants	Standards 01 Pharmacist at MFVC	Standards 01 Biochemist at MFVC	Total medical staff	Family nurse	Nurse (for specialist doctor, dentist, laboratory, etc.	Total (doctor and nurse and pharmacist)	Main Family Medicine Center (MFMC)	Family Medicine Center (FMC) 10,000 inhabitants	Family Medicine Clinics (FMC)		Staff	Salaries and allowances	Population to be visited, criteria for pregnant	Recommended number of visits made each year	Estimated cost for home visits (10 euros)	Palliative care visits (visit x 20 euros)					Cost for palliative care
1	Deçan	40,019	20	8	1	1	30	40	27	97	1	3	6	1,390,381	-	1,767	6,124	61,240	1,080	21,600	82,840	1,473,221	1,546,882	1,624,226	
2	Dragash	33,997	17	7	1	1	26	34	49	109	1	5	8	1,187,422	22	174,240	1,358	4,709	47,090	241	4,820	226,150	1,413,572	1,484,251	1,558,463
3	Ferizaj	108,610	54	24	1	1	80	118	74	272	1	7	7	3,855,475	-	6,276	21,757	217,570	7162	143,240	360,810	4,216,285	4,427,099	4,648,454	
4	Fushë Kosovë	34,827	17	7	1	1	26	34	48	108	1	5	3	1,251,487	19	150,480	2,552	8,846	88,460	0	238,940	1,490,427	1,564,948	1,643,196	
5	Gjakovë	94,556	48	19	1	1	69	94	54	217	1	12	16	3,283,258	-	4,869	16,879	168,790	797	15,940	184,730	3,467,988	3,641,387	3,823,457	
6	Gjilan	90,178	45	18	1	1	65	90	52	207	1	5	9	3,167,054	-	4,516	15,654	156,540	4052	81,040	237,580	3,404,634	3,574,866	3,753,609	
7	Gillogovc	58,531	30	12	1	1	44	60	71	175	1	5	7	2,052,614	24	190,080	3,653	12,664	126,640	3102	62,040	378,760	2,431,374	2,552,943	2,680,590
8	Hani i Elezit	9,403	5	2	1	1	9	10	7	26	1	0	1	325,871	-	541	1,877	18,770	996	19,920	38,690	364,561	382,789	401,929	
9	Istog	39,285	20	8	1	1	30	40	41	111	1	4	7	1,381,862	-	1,943	6,735	67,350	0	67,350	1,449,212	1,521,673	1,597,756		
10	Junik	6,084	3	1	1	1	6	6	8	20	1	0	0	244,547	-	189	656	6,560	113	2,260	8,820	253,367	266,035	279,337	
11	Kaçanik	33,409	17	7	1	1	26	34	59	119	1	4	8	1,161,004	26	205,920	1,876	6,502	65,020	2112	42,240	313,180	1,474,184	1,547,893	1,625,288
12	Kamenicë	36,085	18	7	1	1	27	36	57	120	1	3	17	1,278,384	-	1,020	3,535	35,350	4206	84,120	119,470	1,397,854	1,467,747	1,541,134	
13	Klinë	38,496	19	8	1	1	29	38	15	82	1	3	9	1,426,360	-	2,423	8,400	84,000	3381	67,620	151,620	1,577,980	1,656,879	1,739,723	
14	Leposavic	13,773	7	3	1	1	12	14	15	41	1	0	1	489,198	-	80	277	2,770	0	2,770	491,968	516,566	542,395		
15	Lipjan	57,605	29	12	1	1	43	58	65	166	1	4	7	1,996,362	-	3,524	12,218	122,180	1087	21,740	143,920	2,140,282	2,247,296	2,359,661	
16	Malishevë	54,614	35	14	1	1	51	70	29	150	1	6	7	1,892,671	55	435,600	3,688	12,784	127,840	1980	39,600	603,040	2,495,711	2,620,497	2,751,521
17	Mamushë	5,508	3	1	1	1	6	6	3	15	1	0	0	198,151	-	323	1118	11,180	1947	38,940	50,120	248,271	260,685	273,719	
18	Mitrovicë	71,909	36	14	1	1	52	72	76	200	1	11	11	2,506,903	-	5,103	17,690	176,900	2792	55,840	232,740	2,739,643	2,876,625	3,020,456	
19	Novobërdë	6,730	3	1	1	1	6	7	8	21	1	1	0	239,501	-	208	721	7,210	0	7,210	246,711	259,046	271,998		
20	Obiliq	21,549	11	4	1	1	17	22	34	73	1	2	3	807,703	-	1,357	4,705	47,050	6297	125,940	172,990	980,693	1,029,728	1,081,214	
21	Pejë	96,451	57	23	1	1	82	116	105	303	1	10	10	3,342,577	-	5,420	18,788	187,880	16652	333,040	520,920	3,863,497	4,056,672	4,259,505	
22	Podujevë	88,499	44	18	1	1	64	88	68	220	1	4	18	3,073,967	-	4,679	16,222	162,220	4729	94,580	256,800	3,330,767	3,497,305	3,672,171	
23	Prishtinë	198,897	99	40	1	1	141	198	156	495	1	15	15	6,950,006	-	13,115	45,466	454,660	5396	107,920	562,580	7,512,586	7,888,215	8,282,626	
24	Prizren	177,781	89	36	1	1	127	178	116	421	1	15	27	6,161,189	-	9,747	33,790	337,900	719	14,380	352,280	6,513,469	6,839,142	7,181,099	
25	Rahovec	56,208	28	11	1	1	41	56	77	174	1	7	7	1,951,048	69	546,480	2,957	10,251	102,510	0	648,990	2,600,038	2,730,040	2,866,542	
26	Shtërpçë	6,949	3	1	1	1	6	7	8	21	1	0	2	240,825	6	47,520	357	1238	12,380	35	700	60,600	301,425	316,496	332,321
27	Shtime	27,324	14	5	1	1	21	28	20	69	1	4	0	967,282	8	63,360	1,565	5,425	54,250	3039	60,780	178,390	1,145,672	1,202,956	1,263,103
28	Skenderaj	50,858	26	10	1	1	38	52	50	140	1	5	8	1,775,198	19	150,480	3,162	10,963	109,630	586	11,720	271,830	2,047,028	2,149,379	2,256,848
29	Suharekë	59,722	30	12	1	1	44	60	38	142	1	6	11	2,091,049	40	316,800	3,296	11,425	114,250	3430	68,600	499,650	2,590,699	2,720,234	2,856,246
30	Viti	46,987	23	9	1	1	34	46	25	105	1	4	7	1,628,384	6	47,520	2,127	7,372	73,720	5604	112,080	233,320	1,861,704	1,954,789	2,052,529
31	Vushtrri	69,870	35	14	1	1	51	70	55	176	1	10	9	2,425,419	-	4,073	14,120	141,200	26551	531,020	672,220	3,097,639	3,252,521	3,415,147	
32	Zubin Potok	6,616	3	1	1	1	6	7	-	13	1	0	1	327,004	-	111	383	3,830	0	3,830	330,834	347,376	364,745		
33	Zveçan	7,481	4	1	1	1	7	7	-	14	1	1	0	300,002	-	73	254	2,540	0	2,540	302,542	317,669	333,553		
34	Graçanicë	10,675	5	2	1	1	9	11	-	20	1	3	11	462,313	-	183	633	6,330	0	6,330	468,643	492,075	516,679		
35	Klllokot	2,556	1	1	1	1	4	3	7	14	1	0	1	118,841	2	15,840	75	258	2,580	0	18,420	137,261	144,124	151,330	
36	Mitrovica Veriore	4,326	6	2	1	1	10	12	10	32	1	0	0	448,111	-	-	-	0	0	0	448,111	470,517	494,042		
37	Partesh	1,787	1	1	1	1	4	2	-	6	1	0	2	61,930	3	23,760	28	97	970	0	24,730	86,660	90,993	95,543	
38	Ranillug	3,866	-	-	1	1	2	4	-	6	1	0	0	133,980	-	29	101	1,010	0	0	1,010	134,990	141,740	148,826	
Total		1,780,021	905	364	38	38	1,345	1,828	1,527	4,700	38	164	256	62,595,332	299	2,368,080	98,263	340,637	3,406,370	108,086	2,161,720	7,936,170	70,531,502	74,058,077	77,760,981

2.5. Funding of Secondary Health

Funding for secondary health for 2023 is in the amount of 2,603,077 euros according to the proposal from the MoH and MTEF projections for the three minority municipalities, as follows:

- Municipality of Strpce, in the amount of 522,371 euros,
- Municipality of North Mitrovica, in the amount of 989,935 euros, and
- Municipality of Gracanica, in the amount of 1,090,771 euros.

2.6. Funding for Residential Services

Funding of residential services for community houses for the elderly and community houses for people with disabilities and houses for children protection for 2023 is proposed in the amount of 4.2 million euros of, as follows:

- Financing of houses for the elderly (CHE) in the amount of € 1.5 million,
- Financing for houses for people with disabilities (CHPD) in the amount of € 1.8 million,
- Financing for houses for children protection (HCHP) in the amount of € 0.9 million.

Table 9: Financing for residential services for the year 2023-2025

No	Municipalities	Salaries and allowances	Goods and Services	Municipal Expenses	Capital Expenses	Total 2023	Total 2024	Total 2025
1	Skenderaj SHKPM	94,500	75,000	8,000	5,000	182,500	175,000	175,000
2	Graçanicë SHKPM/SHKPAK	179,250	150,000	16,000	15,000	360,250	360,000	360,000
3	Istog SHKPM	94,500	75,000	8,000	10,000	187,500	175,000	175,000
4	Deqan SHKPAK	90,000	75,000	8,000	10,000	183,000	185,000	185,000
5	Ferizaj SHKPAK/SHKPM	90,000	70,000	8,000	190,000	358,000	360,000	360,000
6	Kamenicë SHKPAK	90,000	75,000	8,000	10,000	183,000	185,000	185,000
7	Vushtrri SHKPAK	90,000	75,000	8,000	10,000	183,000	185,000	185,000
8	Shtime SHKPAK	90,000	75,000	8,000	10,000	183,000	185,000	185,000
9	Lipjan SHKPAK	90,000	75,000	8,000	10,000	183,000	185,000	185,000
10	Prizren SHKPM/SHKPAK/HEMF	184,500	150,000	16,000	190,000	540,500	510,000	510,000
11	Novobërd SHKPM	89,250	75,000	8,000	-	172,250	175,000	175,000
12	Gjilan HEMF				180,000	180,000	310,000	335,000
13	Klinë SHKPM				160,000	160,000	175,000	175,000
14	Malishevë SHKPAK				160,000	160,000	185,000	185,000
15	Podujevë SHKPM				160,000	160,000	175,000	175,000
16	Gjakovë SHKPM				160,000	160,000	175,000	175,000
17	Mitrovicë HEMF				180,000	180,000	150,000	150,000
18	Viti SHKPAK				160,000	160,000	185,000	185,000
19	Pejë HEMF				180,000	180,000	310,000	335,000
20	Prishtinë HEMF				180,000	180,000	150,000	150,000
21	Glllogoc SHKPAK							160,000
22	Mitrovic Veriore SHKPM							160,000
23	Rahovec HEMF						160,000	175,000
	Total	1,182,000	970,000	104,000	1,980,000	4,236,000	4,655,000	5,040,000



2.7. Funding for the Historical Center of Prizren, the Cultural Center of the village of Zym and the Council of Hoca 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 the Village of Zym and Law no. 04 / L-62 for the village of Hoçë e Madhe, with the budget planning for 2023, in the amount of 70,089 euros are allocated for the two municipalities, as follows:

- Municipality of Prizren, in the amount of 44,810 euros, and
- Municipality of Rahovec, in the amount of 25,279 euros.

2.8. Funding for the environmentally endangered area of Obiliq

Based on Law no. 05 / L-044 for the environmentally endangered area of Obiliq and its surroundings, article 9 Obiliq benefits from the collection of mineral rent from the relevant institution, 20% of the value of this rent is reallocated from the Central Budget for the budget of the Municipality of Obiliq, dedicated specifically for investments in community development at the location of the business unit in the field of environmental protection, infrastructure, sports, health and education.

For 2023 the Municipality of Obiliq based on the planning of mineral royalty collection receives additional funding of 5,000,000 euros, for 2024 benefits the amount of 5,000,000 euros and for 2025 benefits a sum of 5,000,000 euros.

2.9. Funding for Theaters

Funding for Theaters for 2023 is in the amount of 903,235 as in the attached table below.

Table 10: Funding for Theaters for 2023

Municipalities	Salaries and allowances	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. *Municipal Own Source Revenue Projections for 2023 and forecasts 2024-2025*

Projections of municipal own source revenues for 2023 based on macro-fiscal assessment are in the amount of 98.5 million euros. These revenues are added to municipal funding among municipal grants.

The projection of own source revenues for each municipality is based on the recommendations of the Grants Commission, included in the report of the “Assessment of the Eligibility of Municipal Financing”.

On this projection are taken into account the real estate tax revenues according to property tax billing (tax charges) and municipalities' forecasts on the trend of increasing non-tax revenues during the last three years.



Table 11: Projections of municipal own source revenues for the year 2023-2025

No.	Municipality	Tax revenues						Non-tax revenues			Projections for year 2023	Projections for year 2024	Projections for year 2025
		Property tax 2023	Land tax 2023	Property tax 2024	Land tax 2024	Property tax 2025	Land tax 2025	Year 2023	Viti 2024	Year 2025			
1	Deçan	278,523	448,248	284,094	470,660	291,196	494,193	371,714	390,300	409,815	1,098,485	1,145,054	1,195,204
2	Dragash	200,462	150,718	204,471	158,254	209,583	166,167	148,857	156,300	164,115	500,037	519,025	539,865
3	Ferizaj	1,968,626	2,079,995	2,007,999	2,183,994	2,058,199	2,293,194	2,387,303	2,506,668	2,632,001	6,435,924	6,698,661	6,983,394
4	Fushë Kosovë	1,115,317	139,763	1,137,623	146,751	1,166,063	154,089	2,550,321	2,677,838	2,811,729	3,805,401	3,962,212	4,131,882
5	Gjakovë	1,756,306	947,376	1,791,432	994,745	1,836,218	1,044,482	1,500,104	1,575,109	1,653,865	4,203,787	4,361,287	4,534,565
6	Gjilan	1,895,404	1,042,879	1,933,312	1,095,023	1,981,645	1,149,774	2,014,303	2,115,018	2,220,769	4,952,586	5,143,353	5,352,188
7	Gillogoc	518,492	230,290	528,862	241,804	542,083	253,895	608,686	639,120	671,076	1,357,468	1,409,786	1,467,054
8	Hani i Elezit	105,326	117,411	107,433	123,281	110,119	129,445	337,384	354,253	371,966	560,121	584,968	611,530
9	Istog	362,783	198,633	370,038	208,564	379,289	218,993	683,173	717,331	753,198	1,244,588	1,295,934	1,351,480
10	Junik	71,537	30,482	72,968	32,007	74,792	33,607	57,311	60,176	63,185	159,330	165,151	171,584
11	Kaçanik	250,512	160,454	255,522	168,477	261,910	176,901	451,612	474,193	497,902	862,578	898,191	936,713
12	Kamenicë	300,583	234,463	306,595	246,187	314,259	258,496	421,725	442,811	464,952	956,771	995,593	1,037,707
13	Klinë	424,348	179,256	432,835	188,219	443,656	197,630	770,170	808,679	849,113	1,373,774	1,429,732	1,490,398
14	Leposaviq	-	-	-	-	-	-	80,000	84,000	88,200	80,000	84,000	88,200
15	Lipjan	1,226,174	175,188	1,250,697	183,947	1,281,965	193,145	936,628	983,460	1,032,633	2,337,990	2,418,104	2,507,742
16	Malishevë	318,438	436,885	324,807	458,729	332,927	481,665	403,280	423,444	444,616	1,158,603	1,206,980	1,259,209
17	Mamusha	31,138	13,998	31,761	14,697	32,555	15,432	25,284	26,548	27,875	70,419	73,006	75,862
18	Mitrovicë	889,194	349,372	906,978	366,840	929,653	385,182	2,434,804	2,556,545	2,684,372	3,673,370	3,830,363	3,999,207
19	Novobërdë	82,349	87,064	83,996	91,417	86,096	95,988	130,874	137,417	144,288	300,286	312,830	326,371
20	Obiliq	348,776	125,834	355,751	132,126	364,645	138,732	609,827	640,319	672,334	1,084,437	1,128,195	1,175,711
21	Pejë	2,091,622	1,065,750	2,133,454	1,119,037	2,186,791	1,174,989	2,043,125	2,145,281	2,252,545	5,200,497	5,397,773	5,614,325
22	Podujevë	438,616	319,872	447,388	335,866	458,573	352,659	1,048,005	1,100,406	1,155,426	1,806,493	1,883,659	1,966,658
23	Prishtinë	9,291,582	2,074,637	9,477,414	2,178,369	9,714,349	2,287,287	22,800,644	23,940,676	25,137,710	34,166,863	35,596,459	37,139,346
24	Prizren	2,343,838	1,153,469	2,390,715	1,211,143	2,450,482	1,271,700	4,906,251	5,151,563	5,409,141	8,403,558	8,753,420	9,131,323
25	Rahovec	423,250	367,264	431,715	385,627	442,508	404,909	655,089	687,844	722,236	1,445,603	1,505,186	1,569,652
26	Shtërpçë	290,664	180,566	296,477	189,594	303,889	199,074	29,523	31,000	32,550	500,753	517,071	535,512
27	Shtime	156,892	184,194	160,030	193,404	164,030	203,074	245,914	258,209	271,120	587,000	611,643	638,225
28	Skenderaj	236,224	173,433	240,948	182,105	246,972	191,210	908,463	953,886	1,001,580	1,318,120	1,376,939	1,439,762
29	Suharekë	853,409	432,043	870,477	453,645	892,239	476,327	908,217	953,628	1,001,309	2,193,669	2,277,750	2,369,875
30	Viti	393,292	256,913	401,158	269,759	411,187	283,247	402,613	422,744	443,881	1,052,819	1,093,661	1,138,315
31	Vushtrri	860,432	291,712	877,641	306,298	899,582	321,613	1,748,415	1,835,835	1,927,627	2,900,559	3,019,774	3,148,822
32	Zubin Potok	-	-	-	-	-	-	45,000	47,250	49,613	45,000	47,250	49,613
33	Zveçan	-	-	-	-	-	-	40,000	42,000	44,100	40,000	42,000	44,100
34	Gracanicë	958,824	235,438	978,001	247,210	1,002,451	259,571	987,360	1,036,728	1,088,564	2,181,623	2,261,939	2,350,586
35	Klllokot	54,711	40,456	55,805	42,479	57,200	44,603	58,633	61,564	64,643	153,800	159,848	166,446
36	Mitrovica veriore	-	-	-	-	-	-	87,550	91,928	96,524	87,550	91,928	96,524
37	Partesh	50,643	21,719	51,656	22,805	52,947	23,945	38,852	40,794	42,834	111,214	115,255	119,727
38	Ranillug	26,433	30,765	26,962	32,303	27,636	33,918	50,986	53,536	56,212	108,185	112,801	117,767
Total		30,614,719	13,976,540	31,227,014	14,675,367	32,007,689	15,409,135	53,928,000	56,624,400	59,455,620	98,519,259	102,526,781	106,872,444



2.11. Summary of municipal financing for the year 2023-2025

For the distribution of government grants by municipalities for 2023, the basic criteria and formulas set out in the Law on Local Government Finance and other relevant laws have been applied, as well as based on macro-fiscal projections and data from line ministries:

Table 12: Summary of municipal financing for the year 2023-2025 (million euros)

Description	Year 2019	Year 2020	Year 2021	Budget 2022	Forecast for 2023	Forecast for 2024	Forecast 2025
1. Government Grants	419.09	463.54	439.99	457.62	526.91	563.88	586.45
1.1 General Grant	180.69	196.28	182.58	193.53	255.21	273.58	291.55
General Grant	175.79		182.58	193.53	255.21	273.58	291.55
Contingency for formula adjustments	4.9						
1.2 Specific Health Grant	53.4	61.7	62.6	62.6	70.5	74.1	77.8
Basic Grant			61.7	62.6	62.6		
Ongoing new policies			0.9		7.9		
1.3 Specific Grant for Education	185	205.56	194.81	201.5	201.2	216.2	217.1
Basic Grant			191.97	195	194.4	216.2	217.1
Ongoing new policies			2.85	6.5	6.8		
2. Financing for secondary health	2.6	2.6	2.6	2.6	2.6	2.6	2.6
3. Residential Services	1.62	2.04	2.3	2.3	4.2	4.7	5
4. Financing for QHP, QKHFZ and KHM	0.06	0.06	0.069	0.07	0.07	0.07	0.07
5. Grant for the capital- Prishtina	10.84	11.77	11.0	11.6	15.3	16.4	17.5
6. Financing for Obiliq	4.97	4.2	4.6	5.0	5.0	5.0	5.0
7. Municipal Own Source Revenues	87	83.1	78	87.4	98.5	102.5	106.9
8. Financing for theatres		0.9	0.9	0.9	0.9	0.9	0.9
9. Financing from Borrowing	4.8	0	0	0	0	0	0
10. Investment Clause	23.07	11.53	7.4	0	0	0	0
Total Municipal Financing	554.05	579.74	546.80	567.50	653.51	696.09	724.38