

ANALYSIS

of challenges at the municipal level
in spending their budgets for capital
investment for the period 2020 - 2022



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September 2023

This report was prepared by the DEMOS project, implemented by Helvetas Swiss Intercooperation Kosovo.

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Glossary

CP	Central Procurement Agency
DEMOS	Decentralization and Municipal Support Project
GRK	Government of the Republic of Kosovo
KFMIS	Kosovo Financial Management Information System
LPFMA	Law on Public Financial Management and Accountability
MLGA	Ministry of Local Government Administration
MoFLT	Ministry of Finance, Labour, and Transfers
MPG	Municipal Performance Grant
MPMS	Municipal Performance Management System
MTEF	Medium-Term Expenditure Framework
NAO	National Audit Office
PPRC	Public Procurement Regulatory Commission
PRB	Procurement Review Body
SDC	Swiss Agency for Development and Cooperation

1. Introduction

Kosovo has a total of 38 municipalities, which constitute the government administration at the local level, distinct from the central level. According to the current legal framework in Kosovo, municipalities enjoy considerable autonomy when it comes to decision-making and the general financial management of their assets; these competencies are also foreseen by the Constitution.

Serving as the main governing units at the local level, municipalities have a key role to play in enhancing local economic well-being through adequate capital investment planning and spending. A well-thought-out plan of capital investment and proper flow of expenditure can boost economic development in any given municipality by providing greater employment opportunities, stimulating local spending, and increasing revenues in general. In addition, capital investment has a direct impact on the provision and maintenance of appropriate infrastructure that is crucial to the lives of citizens, including roads, schools, water, drainage, etc. Among other things, improvement in education, health and community development are directly supported through capital investment. In general, capital investment serves as a means for municipalities to influence the improvement of the socio-economic well-being of citizens. Given this, municipalities have an important role and are key factors in determining local economic development.

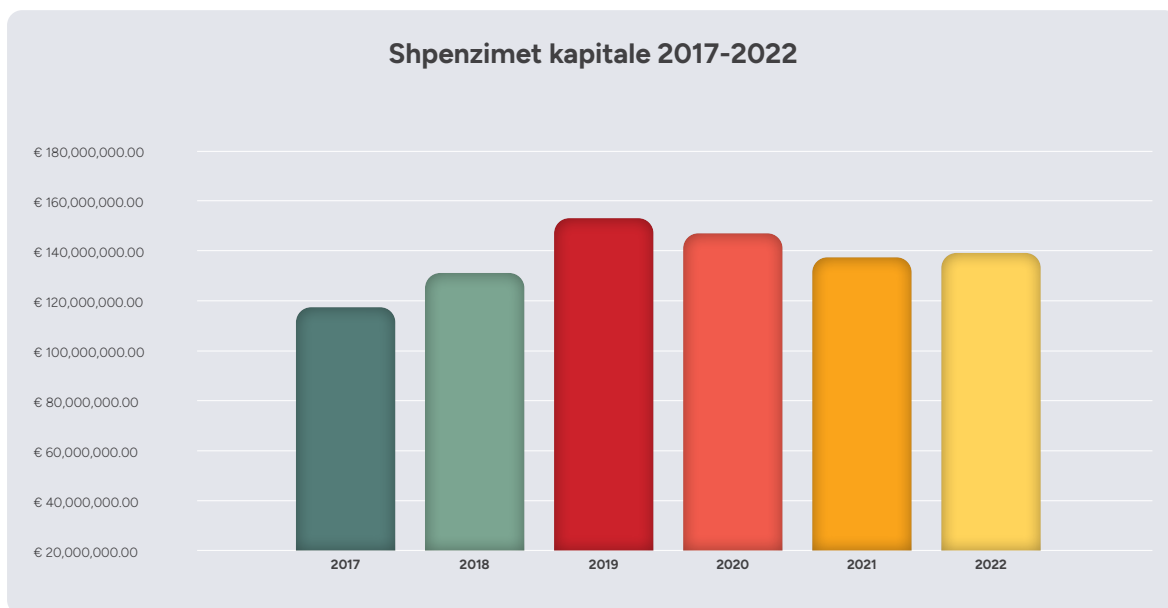
In Kosovo, the central government is not allowed to interfere in the decision-making processes at the local level. However, their financial resources are highly dependent on allocations set by law given that municipal own revenues are at quite low levels¹. On an annual basis, municipalities receive certain operating grants to fund their services and capital projects, in addition to donor funding and their own revenues. These financial resources enable municipal authorities to decide on their capital investment priorities, which should ideally meet the needs and demands of the community. The planning and allocation of the municipal budget should, in principle, be in accordance with the strategic priorities of the municipality.

Capital investment constitutes one of the largest categories of the annual municipal budgets. According to the data of the MoFTL's annual financial reports, during the period 2017-2021, an average of EUR 139 million per year was spent at the municipal level²

Year	Expenditures
2017	€ 117,755,115
2018	€ 134,335,289
2019	€ 154,973,558
2020	€ 151,888,217
2021	€ 135,482,500
2022	€ 138,772,744

1 GAP Institute, Municipalities Bulletin 2023, pg. 17, May 2023, accessed on 26 June 2023. Available at: <https://www.institutigap.org/documents/11886notification%20letter%20municipalities%202023.pdf>

2 Ministry of Finance, Annual reports, accessed on 12 July 2023. Accessible at: <https://mf.rks-gov.net/page.aspx?id=1,29>



Source: Ministry of Finance, Annual Financial Reports 2017-2022

However, the implementation of capital investment expenditures at the municipal level faces serious challenges in Kosovo. Despite the adequate legal framework, including regulations and instructions in force, there is a large disparity when it comes to municipal performance especially in terms of managing and spending the capital investment budget. According to the National Audit Office (NAO), municipalities face numerous systemic challenges that hinder their financial and asset management³. A large number of capital investments encounter great delays in implementation or are not implemented within the specified period. These challenges are of an internal and external nature. Most of them are related to poor financial and procurement planning, and to lack of: internal coordination, feasibility studies, adequate project planning, human resources, and internal control. Municipal assemblies fail to fully exercise their oversight functions over the municipal executive, and monitoring remains low due to very limited capacities. On the other hand, various external factors have also had a significant impact on the adequate management of capital investment expenditures during the period 2020-2022, including the delayed operationalization of the Public Review Body (PRB), the outbreak of the pandemic, inflation due to the war in Ukraine, etc.

3 Kosovo National Audit Office website, Publications, accessed 28 April 2023. Available at: <https://zka-rks.org/en/publications/>

CHALLENGES	IMPACT
Internal factors	
Inadequate financial planning and non-realistic budgetary forecasts	<ul style="list-style-type: none"> • Difficulty in spending the annual budget for capital investment • Annual deficit or surplus
Lack of procurement planning	<ul style="list-style-type: none"> • Delays regarding contracts with economic operators • Delays in commencing the implementation of capital projects • Time lag of processes, and potential increase in the number of complaints with the PRB
Inadequate technical specifications	<ul style="list-style-type: none"> • Increase in the possibility of failure of public tenders • Frequent repetition of procurement procedures • Delay in the implementation of the annual procurement plan • Ambiguities and dilemmas during the implementation and monitoring of contracts • Increase of the potential for abuse by rigging of specifications for certain operators
Lack of feasibility studies/preliminary analyses	<ul style="list-style-type: none"> • Lack of feasibility studies/preliminary analyses • Inaccurate annual budget planning • Technical specifications not clear and complete • Inaccurate planning of procurement activities • Delay in project implementation due to preparatory issues, such as expropriation, etc.
Limited professional capacities	<ul style="list-style-type: none"> • Poor financial planning • Low budget spending for capital investment • Delay in project implementation • Poor and irregular contract management
Non-regular monitoring and evaluation	<ul style="list-style-type: none"> • Making the wrong decisions • Increase in the cost of projects • Risk of project failure • Delay in the implementation of capital projects
Lack of adequate accountability mechanisms	<ul style="list-style-type: none"> • Lack of responsibility, which results in low performance • Difficulty in financial planning • Difficulty in contract management
Low involvement of citizens in policy-making and decision-making	<ul style="list-style-type: none"> • Projects that do not match with the needs and demands of the community • Non-realistic planning that does not contribute to the general good
External factors	
Delay in the operationalisation of the PRB	<ul style="list-style-type: none"> • Delay in reviewing the complaints submitted to the PRB, which has resulted with overall delays in project implementation • Suspension of procurement activities whilst waiting for the resolution of complaints
The outbreak of the pandemic	<ul style="list-style-type: none"> • Slowdown of activity due to restrictive measures in force, by municipalities and economic operators
Price increase/Inflation	<ul style="list-style-type: none"> • Long delays in implementation of contracts due to the shortage of goods and labour force • Risks of termination of contracts due to unaffordability of prices

2. Key findings

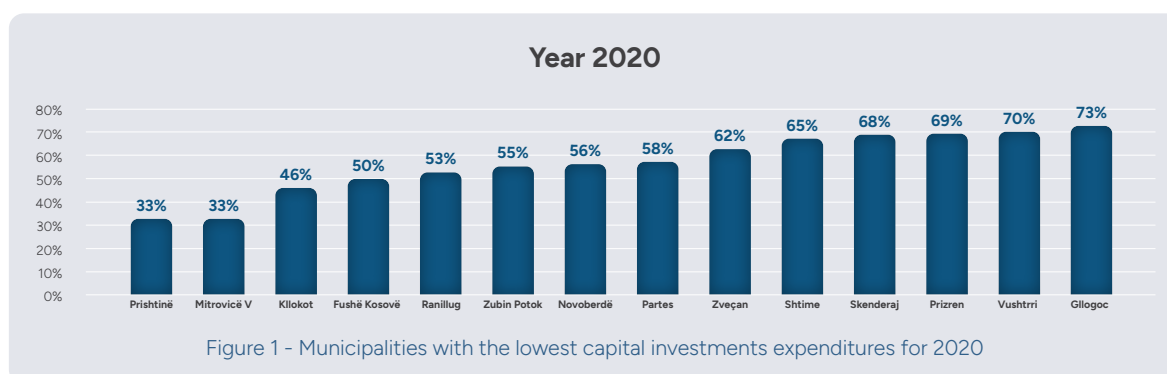
From the research conducted, it appears that there are a number of factors that have systematically influenced lowering the performance in terms of budget spending for capital investments in targeted municipalities. These factors are divided into external and internal factors. As for external factors, these include three main ones: the delays in the operationalisation of the PRB, which was listed as one of the main external reasons that has hindered the overall municipal performance; the outbreak of the pandemic during 2020; and the third factor, directly related to the high inflation rate that came as a result of the increase of prices during 2022.

Naturally, most of the fundamental causes that have led to the low levels of capital investment expenditure ratio in the targeted municipalities lie within their internal systems and capacities. Most of the municipalities analysed are facing a very low number of engaged professional staff and in most cases, the projects planned within a fiscal year are highly disproportionate to the extent of human capacities within municipal departments, which typically consist of 2 to 4 people. Consequently, most of the challenges listed below arise from this situation. The first challenge identified by all targeted municipalities is inadequate budget planning at the municipal level and frequent delays in the approval of the annual budget by municipal assemblies. During the budget planning period, there is a lack of real coordination within the municipal units and political structures. This often leads to issues in execution of the annual municipal budget due to inadequate planning from the early stages, and results in non-realistic plans that are not compatible with the existing municipal capacities to allow for genuine practical implementation. In addition, the municipality's efforts for adequate civic involvement during the planning process are lacking. Similarly, poor project planning, which is not preceded by genuine feasibility analyses, is listed as a real challenge. As a result, due to poor planning, municipalities constantly face serious issues and obvious delays during the implementation of projects, for example, from lack of information about the starting conditions in the location where the project is to be implemented. Also, the lack of professional capacities and limited resources within key municipal units, especially those of procurement and project planning, remain a challenge. These often result in tender dossiers with deficiencies and inadequate technical specifications, which affects the entire management cycle of a relevant contract. Also, in the targeted municipalities, the lack of proper and functional coordination between relevant units, as well as lack of a proper accountability mechanism, have been observed. Similarly, challenges were also identified in limited professional resources, lack of systematic monitoring and assessment of project implementation, failure to penalise irresponsible economic operators, and limited professional capacities to successfully complete an entire cycle of contract management.

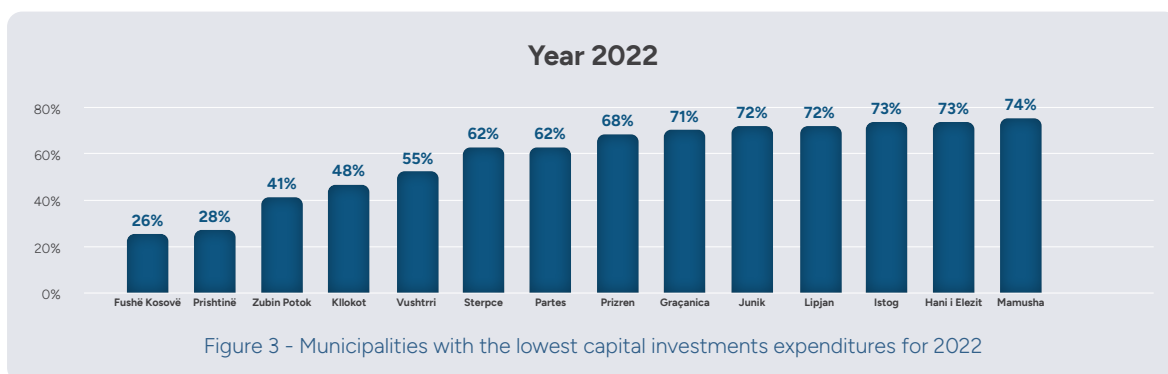
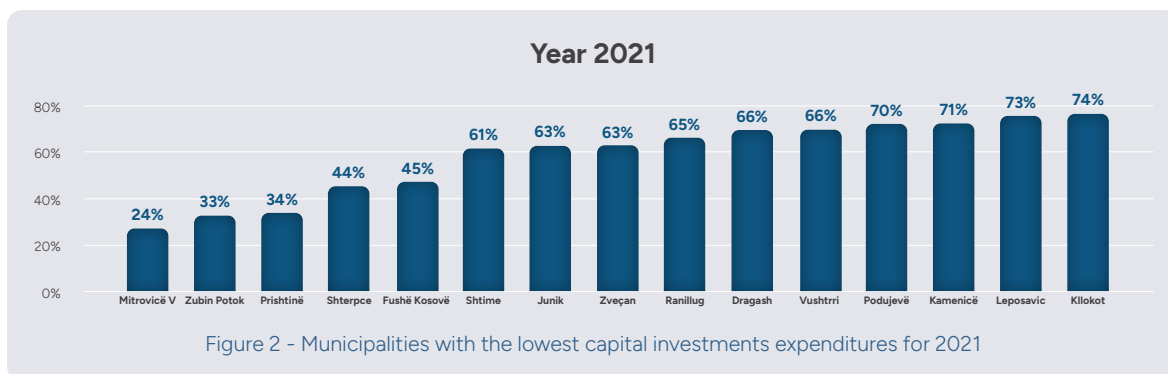
3. Methodology

The methodological approach of the analysis is based on three main stages, including: a. comprehensive research; b. interviews and meetings with stakeholders; and c. detailed analysis. The overall objective of the analysis is to identify the main and deep-rooted causes that have resulted in systemic challenges for the targeted municipalities in ensuring adequate capital investment expenditure, with a special focus on a number of municipalities that have failed to spend at least 75% of their budget for capital investments. For the drafting of this Analysis, quantitative research was carried out with numerous analysed reports, including periodic institutional reports (of MoF, NAO, and annual municipal reports), civil society assessments and donor reports. In addition, several interviews have been conducted with relevant parties, including targeted municipalities' officials, representatives of the NAO, PRB, PPRC, the Ministry of Finance and Civil Society.

The analysis covers a three-year period 2020-2022, while six municipalities have been selected. According to the Annual Reports published by the Ministry of Finance, during this period there is an average of 14 municipalities that have failed to spend at least 75% of their capital investment budget on an annual basis. While other municipalities have different spending trends that exceeds this criterion, during this period of analysis, four municipalities were selected that failed to meet the minimum threshold of the MPG. The selected municipalities are Prishtinë/Priština, Fushë Kosovë/Kosovo Polje, Vushtrri/Vučitrn and Ranillug/Ranilug. Moreover, the northern Serb majority municipalities (Zubin Potok, Leposaviq/Leposavić and North Mitrovica) also have a negative trend, which is more a consequence of the ongoing political situation. These municipalities have not entered any procurement activity on the e-procurement platform for more than six months, since the withdrawal of Lista Srpska from Kosovo institutions. Based on this, the political influence in this case is a clear factor that hinders the general management of public finances in these municipalities. Also, so as to identify some of the best practices, two municipalities with a positive trend of spending the budget for capital investment have been analysed, namely, the municipalities of Pejë/Peć and Gjakovë/Đakovica. Illustrations provided below are obtained from the MoFTL's annual financial reports for the period 2020 - 2022⁴.



4 Ministry of Finance of Kosovo, Financial Reports and Statements, accessed on 20 April 2023. Available at: <https://mf.rks-gov.net/page.aspx?id=1,29>



This analysis is designed with the aim of supporting the efforts of DEMOS in pushing solutions and practical methods by offering concrete recommendations, taking into account the good practices and procedures used by those municipalities that have a successful record of expenditure of the allocated budget for capital investment. The analysis has been divided into four different parts. The first part provides a review of the relevant legal framework, policies, procedures and practices related to capital investment expenditure. The second part deals with the current state of capital investment and general financial management in the targeted municipalities. The third part provides in-depth analysis and comparison of the underlying factors for the low rate of municipal capital investment in the targeted municipalities. Furthermore, it provides a complete analysis of the internal and external factors that have caused these municipalities to consistently fail to meet the minimum threshold of 75% of capital investment expenditures for the period 2020-2022. Meanwhile, the fourth and last part provides a series of concrete recommendations and solutions for the improvement of the situation, divided into short-term and long-term actions.

4. Overview of the existing policies, regulations and procedures

4.1 Legal framework and other current policies

Regarding budget planning, there is a comprehensive legal framework to which all municipalities are subject, which includes the Law on Local Self-Government and the Law on Local Government Finance. In addition, there are a number of other generic laws applicable in this regard, including the Law on Public Financial Management and Accountability (LPFMA) and the Law on Public Procurement (LPP). According to the existing legal framework, municipalities have the right to determine, collect and spend municipal revenues, as well as receive appropriate funding from operative grants. Local government finances are determined and provided for in the Law on Local Government Finance (LLGF). A revision of this was placed in public consultation during 2021, however, it was later withdrawn by the Government and no further action has been taken in this regard after September 2021. As a result, the previous LLGF is still in force and governs local finances, until a revised version is adopted. Similarly, a number of administrative instructions, regulations and decisions are also applicable. At the central level, it is the Ministry of Local Government Administration (MLGA) that serves as the main policy-making and regulatory body in relation to local governance and administration. In addition to its oversight role, MLGA is also mandated to support and push forward towards an improved municipal performance through the mechanism of the Municipal Performance Management System (MPMS). This tool is a digitised system that provides concrete information on the performance of municipalities by measuring their levels of achievement within a certain period. As such, the MPMS supports identification of challenges and issues encountered at the municipal level, and most importantly, it provides a clear overview of what interventions are needed to ensure a balanced financial and investment flow. Moreover, the MPMS has proven to have influenced concrete improvement in terms of reporting and tracking financial performance at the municipal level. Based on this, the MPMS must continue to serve as a tool for increasing transparency, improving reporting and as an adequate mechanism for monitoring the municipal performance. In order to ensure sustainability, the municipal staff must be trained continually so that their capacities and skills are enhanced even more in using MPMS.

At the central level, the main responsibility in terms of general budget management and allocation is the Ministry of Finance, Labour and Transfers (MoFLT), the institution that regulates the system of fiscal delivery to budget organizations within the fiscal year. In addition, the prime minister also leads the Grants Commission monitoring the grant system at the local level and is also part of the management structures for the MPG. All of the above give the MoFLT concrete powers to enable improved municipal performance, directly influencing the fiscal system and the overall intergovernmental financial architecture. A well-coordinated and regular cooperation between the central government and the local administration is the key to ensuring proper budget flow. Municipal budget planning includes a number of institutions and structures, at the local and central level. At the local level, the cabinet of the mayor and the municipal assembly play a decisive role, while at the central level it includes the Ministry of Finance, the Assembly of Kosovo and the Government. In addition to institutions, citizens also have a key role in the budget planning process.

4.2 Chain of responsibilities and budget planning

According to the Law on Local Self-Government, although the policy determination of the investment priorities is a prerogative of the Municipal Assembly, the Executive Mayors are responsible to propose the investment programme and, once it is approved, they are the main executive authority at the municipal level. During the planning phase, the community/citizens can also put forward their ideas in proposal form, reflecting their needs in a given period of time. Based on this, Mayors must ensure a comprehensive approach and must seek proper engagement of citizens during this phase, so that their needs are addressed, and electoral promises are met. Ensuring the involvement of citizens in all phases, including planning, monitoring and evaluation, remains the key in improving municipal performance, increasing transparency and exercising an additional layer of control over economic operators, taking into consideration limited municipal capacities for ensuring systematic monitoring. Proposed projects are subject to the approval by the Mayor and relevant municipal departments that ensure that proposals are in line with municipal priorities and strategic plans. Following this, capital projects are included in the Medium-Term Expenditure Framework (MTEF), and then become part of the annual draft budget for the following fiscal year.⁵

During this process, public consultations are held and numerous public hearings are organized. These public hearings often do not enjoy significant citizen participation in most municipalities, and additional efforts must be made by local authorities to ensure higher participation and inclusiveness, especially when it comes to marginalized groups. With their rights provided for by the Constitution, citizens enjoy fundamental rights in providing proposals and comments during the municipal budget planning. However, participation remains very low and alternative methods to ensure community mobilization should be considered by municipal authorities as well as by local civil society.

The entire budget cycle for the following year begins with the MTEF that is shared with all budget organizations during the month of April, enabling them to submit their proposals to the MoFLT. After extensive consultations and coordination with each budget organization, the Government submits the final MTEF to the Assembly of Kosovo for further approval. All capital investment projects are registered in the Public Investment Program (PIP), which provides an online system to reflect on the rationale and detailed description of planned capital investment. According to the LPFMA, municipalities are equally responsible during the process of drawing up the state budget, like all other budgetary organizations at the central level, given that the provisions of this law are fully applicable to them as well. By September 1st of each year, the proposed budget must be submitted to the Municipal Assembly for approval, and later, it is processed in the Ministry of Finance as a final and approved version. Further, the Assembly of Kosovo approves the next year's budget by the end of December of each year, after the proposal of the consolidated budget and proposal for budget allocation are approved by the Government of Kosovo. (See Fig. 4) Any delay in the chain of approvals and procedures has a domino effect on all budget organizations, respectively, on municipalities as well.

⁵ Official Gazette of the Republic of Kosovo, Law on Public Finance Management and Responsibilities, accessed on 24 April 2023. Available at: <https://gzk.rks-gov.net/ActDetail.aspx?ActID=2524>



Figure 4 - Budget allocation process

Once the funds have been committed, the technical staff of the respective municipal directorates are assigned detailed responsibilities in the budget implementation, according to the initial plan and municipal strategic priorities. To achieve this, multiple processes take place, including budget allocation, project planning, design, technical evaluation, tendering, issuing permits, project implementation, and regular monitoring and evaluation. Procurement departments play a crucial role when it comes to project execution and efficient budget spending. All procurement processes must be in accordance with the Law on Public Procurement, as well as with the Rules and Operational Guidelines for Public Procurement (ROGPP)⁶

4.3 Municipal Performance Grant: Rules and impact

In addition to the annual government grant, another important source of funding at the municipal level is the MPG. This grant scheme was first introduced in 2014, founded and co-financed by MLGA and the Swiss Agency for Development and Cooperation (SDC) three years later. In 2019, Sweden and Norway decided to join the scheme, leading to a comprehensive donor funding channel for the local level. MPG has a clear overall objective that includes supporting municipal performance, improving democratic governance, general municipal management and providing quality services. This grant scheme is offered to municipalities as specific

⁶ E-procurement. Rules and Operational Guidelines for Public Procurement, January 2021, accessed on 20 April 2023. Available at: <https://bit.ly/3Wea0aF>

support, only for capital investment. These grants are available to all municipalities subject to a number of minimum criteria that must be met to qualify as a beneficiary. The rules and procedures of the MPG are updated regularly, so that these criteria can be adapted depending on the circumstances, if necessary. Based on the systemic challenges in meeting the existing criteria and after an evaluation, the 2021⁷ MPG Rules continue to be implemented throughout the following years. In addition, the MPG processes are all well-documented and fully integrated into existing government systems, enabling a more comprehensive management, monitoring and evaluation process. The advantage of the MPG at the local level is pushing local authorities forward for more funding opportunities, thus better financial capacity to improve overall service delivery and increase citizen satisfaction. In order to benefit from the scheme, the municipalities must meet the minimum criteria set out in the MPG Rules. One of them is the municipality's ability to spend at least 75% of their budget for capital investment within a fiscal year. Due to numerous internal and external factors, a significant number of municipalities fail to meet this minimum condition. In this regard, the following parts of this Analysis provides an analysis of the causes and factors that lead to a weak municipal performance in terms of capital investment expenditure in the targeted municipalities.

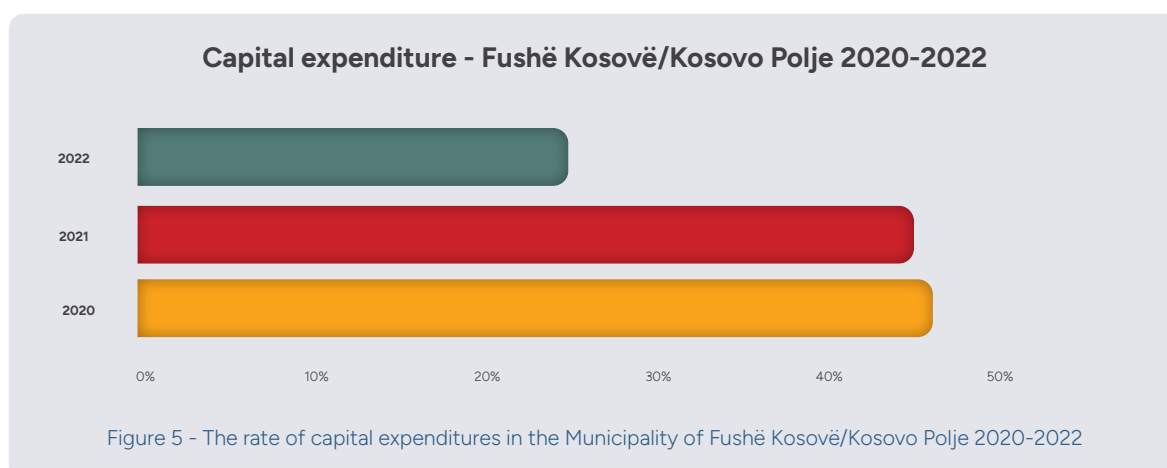
7 Ministry of Local Government Administration, Municipal Performance Grant Rules, accessed 2 May 2023.
Available at: <https://mapl.rks-gov.net/performance-komunale/regularat-e-grantit-te-performances-komunale/>

5. Targeted municipalities

Based on the approved methodology, this report provides in-depth analysis for the municipalities of Prishtinë/Priština, Fushë Kosovë/Kosovo Polje, Vushtrri/Vučitrn and Ranillug/Ranilug. These municipalities have been selected based on their unsatisfactory performance for three consecutive years in the field of capital investment expenditure, during the period 2020-2022, which as a result have not managed to pass the threshold of 75%. In order to identify the main causes that have brought about this situation, during the drafting of this analysis, sequential meetings were held with relevant officials, at the local and central level. Based on the discussions, the systemic problems faced by the above-mentioned municipalities are internal and external in nature. The following part of the analysis provides detailed information on the current situation, after discussions and input received from stakeholders at both levels, as well as after detailed analysis of relevant existing reports, including those of NAO, MoFLT, MPG reports and various evaluations of civil society.

5.1 Municipality of Fushë Kosovë/Kosovo Polje

After the analysis of the annual financial reports published by the Ministry of Finance, the Municipality of Fushë Kosovë/Kosovo Polje turns out to be among those municipalities that have not benefited from the MPG scheme for many years due to poor performance in terms of capital investment expenditure. In the period 2020-2022, this municipality has not managed to spend more than 50% of the budget for capital investment in 2020, continuing with an even lower trend during the following years 2021 and 2022, with 45% and 26%, respectively. So, according to the above-mentioned values, the Municipality of Fushë Kosovë/Kosovo Polje turns out to have deepened this gap from year to year. From the discussions held with municipal officials, as well as in other targeted municipalities, the non-functionality of the PRB has influenced the delay in concluding contracts, which has also influenced the performance of work and consequently the delay in capital expenditure. Due to the delay in handling complaints by the PRB, a number of projects planned for each year have encountered significant delays. On the other hand, the pandemic and the increase in prices in the market are also listed.



From the analysis of the annual financial reports of the Ministry of Finance, the Municipality of Fushë Kosovë/Kosovo Polje in 2022 has more than 16 million Euros available in the annual budget, of which 62.5% have been spent, or a little more than 10 million Euros in total. Similar to the other municipalities analysed, the Municipality of Fushë Kosovë/Kosovo Polje is faced with a serious lack of professional staff, and as a result, the limited capacities have led to such

a low performance in terms of management and spending related to the budget for capital investment. Together with Prishtinë/Priština, the Municipality of Fushë Kosovë/Kosovo Polje remains among the municipalities with the lowest performance in this regard. According to the data provided, in the two main departments of the municipality, the one for procurement and the one for budgeting, there is a limited number of officials who bear the main responsibility for managing and spending the annual budget. Over the years, in the procurement sector there are an average of 4 officials who are engaged in all aspects of procurement within the municipality, while in the budgeting sector there is an average of 6 people who engage in budget management and execution, including the head of the sector. According to a 2023 report, the Municipality of Fushë Kosovë/Kosovo Polje has a total of 116 civil servants engaged in total⁸.

An internal factor that hinders the positive expenditure ratio when it comes to capital investment is poor project planning and unrealistic and incomplete procurement plans. In addition, there is a clear need for additional professional capacity for critical processes such as the phase of contract management, monitoring and supervision. Due to superficial economic operators on the one hand, and the inability of the municipality to properly supervise the implementation, many projects for capital investment are not realised with the highest quality and not in the expected time and in certain cases do not serve their purpose due to poor execution⁹. Some of the delays identified by the NAO have also been identified in the performance report for 2021 and which were then carried over as a phenomenon in the following year¹⁰. From the challenges listed above, the need for additional human capacities within the municipality is clear, but also for the continuous improvement of current internal capacities, with special emphasis in terms of planning, coordination within municipal units, and the professional capacities of individual units within the municipality (procurement, contract management, etc).

5.2 Municipality of Prishtinë/Priština

The municipality of Pristina is among the municipalities with the lowest performance in Kosovo in terms of budget expenditure for capital investment. According to the data in the Annual Financial Report of the Ministry of Finance for 2022, Prishtinë/Priština and Fushë Kosovë/Kosovo Polje have spent the least from the capital investment budget, respectively 28% and 26%. In the set period 2020-2022, the Municipality of Prishtinë/Priština has a downward trend in capital investment expenditures, reaching the lowest percentage in 2022, with only 26% of the capital investment budget successfully spent. (See - Figure 3).

As for human capacities, naturally, the Municipality of Prishtinë/Priština has the highest number of administrative staff compared to other municipalities, due to the size, volume of projects and the annual budget it manages. According to the report of the GAP Institute, the municipal administration of Prishtinë/Priština has a total of 444 employed civil servants. According to these data, the Municipality of Pristina has the highest ratio of civil servants to residents among the targeted municipalities with 1 civil servant for every 400 residents¹³, or the third highest ratio in Kosovo after Prizren and Drenas. Despite this, from the discussions held with the municipal officials, it was found that within the main responsible units, there is still a lack of the professional capacity necessary to satisfactorily and properly realise the annual budget for capital investment. According to them, the need for continuous capacity building of the current professional staff remains extremely important, but such a thing should be done through practical and innovative methods, and not the classic training offered before. According to the data provided, there are approximately 57 civil servants engaged in the management of the capital investment budget in the three main municipal units. In detail: in the budgeting

8 GAP Institute, Municipalities' Identification card 2023 (p. 13), accessed 10 July 2023.

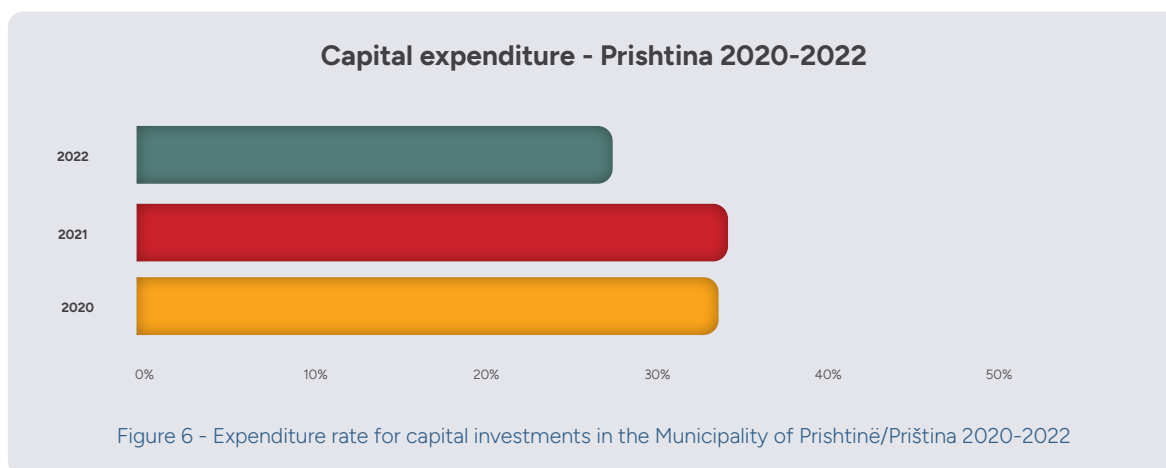
Available at: https://www.institutigap.org/documents/11886notification_letter%20i%20municipalities%202023.pdf

9 Interview with the municipal officials of the Municipality of Fushë Kosovë/Kosovo Polje. May 5, 2023, Fushë Kosovë/Kosovo Polje Municipality Building

10 National Audit Office, Audit Report for the Annual Financial Statements of the Municipality of Fushë Kosovë/Kosovo Polje (p. 12), June 2022, accessed 26 June, 2023. Available at: <https://zka-rks.org/wp-content/uploads/2022/06/RaportiAuditimitK FK 2021 Shqip.pdf>

sector there are 6 relevant officials; in the procurement sector there are a total of 11 relevant officials; and, in the department for capital investments and contract management there are a total of 40 municipal officials, including engineers, supervisors, contract managers, etc.

During the discussion with the municipal representatives, there were some basic reasons that led to this result when it comes to Prishtinë/Priština. In 2022, the Municipality of Prishtinë/Priština had a budget of 40 million euros dedicated to capital investments, of which only 28% was spent within the given fiscal year. Namely, around 30 million euros remained unspent. One of the main external causes that has led to this is the high inflation rates that have brought about a significant increase in the prices of products and services in all sectors. As a result, a large number of existing contracts risked being terminated due to the inability of economic operators to afford the new market prices¹¹. As a consequence, there are several ongoing court cases due to this challenge, which has greatly hindered the municipality's work in this direction, according to internal sources¹². Some of the projects that have been delayed in implementation during 2022, also identified by NAO, are the construction of roads in villages in several different lots, the construction of the eastern stand of the "2 Korriku" Stadium, etc. According to municipal officials, this happened as a result of expropriation problems and the increase in market prices¹³.



In addition, a number of internal challenges and problems are listed. The main internal problems systematically faced include insufficient budget planning, poor project planning, lengthy and inadequate procurement processes (usually characterized by unclear tender dossier specifications), and irregular revenue collection (which usually occurs in the last quarter of each year) not giving enough time to open new tender procedures in such a short time. Emphasis was also placed on the lack of feasibility analysis before project planning, which is usually followed by major issues such as expropriation of private properties and delayed implementation. Except this, there is a need to increase professionalism and capacities in terms of contract management and monitoring. More precisely, from the discussion with the municipal officials, it was evident that the Municipality of Prishtinë/Priština faces a lack of professionalism and capacities in all aspects of the management of capital projects, including the persons responsible in the early stages of planning, procurement, supervision of contracts and spending. Also, special emphasis has been placed on the need for good practices for genuine and functional coordination between the municipal units and municipal political structures.

11 GAP Institute, Municipalities' Identification card 2023 (p. 13), accessed 10 July 2023.

Available at: https://www.institutigap.org/documents/11886_leternjoftimi%20i%20komunave%202023_.pdf

12 Telegrafi, "Work delays on Muharrem Fejza Street, residents protest on Thursday", 2021, accessed 26 June, 2023.

Available at: <https://telegrafi.com/vonesat-e-punimime-ne-rrugen-muharrem-fejza-banoret-protestojne-te-enjten/>

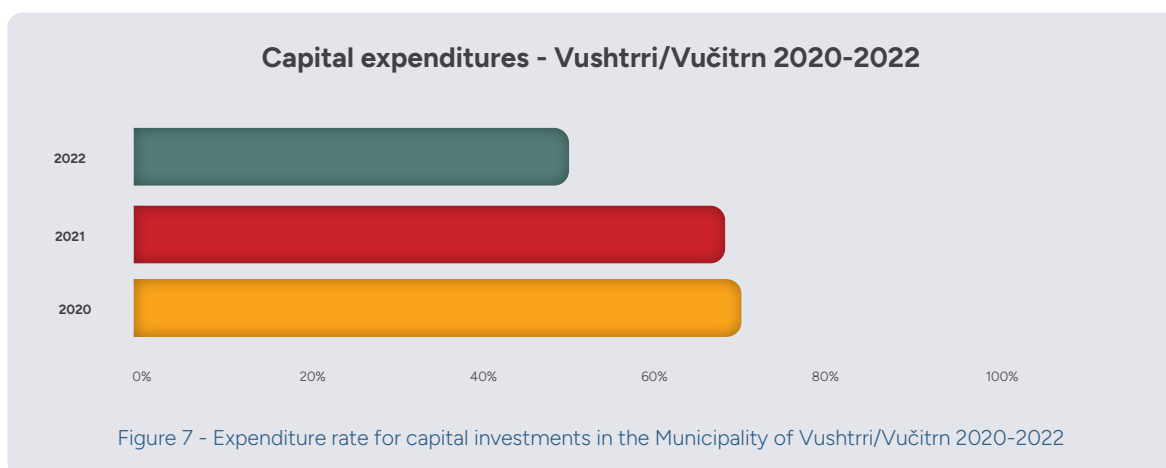
13 Koha.net, "Prishtina realizes only 8.7% of capital investments, carries 45 million euros", accessed 26 June, 2023.

Available at: <https://www.koha.net/metro/350546/prishtina-realizon-vetem-8-7-te-investimeme-kapitale-bart-45-milione-euro/>

5.3 Municipality of Vushtrri/Vučitrn

Similar to other municipalities, the Municipality of Vushtrri/Vučitrn has also marked a negative trend, with a significant decrease in the percentage of budget expenditure for capital investments since 2019. According to the data provided by the municipal representatives, in 2019 the overall expenses for capital investments reached up to 74.5% of the total budget, in 2020 they decreased to 71.23%, followed by 67.75% and 55.54% in the period of 2021 and 2022, respectively. Although in some other targeted municipalities these percentages are significantly lower, in the Municipality of Vushtrri/Vučitrn the decline in performance in this direction for four consecutive years, and after a relatively successful period of implementation before 2019, remains concerning.

The Municipality of Vushtrri/Vučitrn has achieved significantly better performance during the previous years, compared to other municipalities that are the target of this analysis, including Fushë Kosovë/Kosovo Polje and Prishtinë/Priština. The municipality of Vushtrri/Vučitrn has a total of 216 civil servants, or one servant for every 287 inhabitants¹⁴. According to the data provided, there are a total of 4 officials in the procurement unit in the Municipality of Vushtrri/Vučitrn, including procurement officials, budget management officials, revenue officers and certifiers. Considering these data, it can be concluded that the number of officials in this unit is relatively low and there is a need for additional capacities. On the other hand, in the budgeting sector there are a total of 6 officials responsible for the execution of all budget lines within the municipality.



From discussions with municipal representatives, it was found that this negative trend is the result of many internal and external factors. The external factors remain the same as for the other municipalities, mentioned above. In addition, the delays in the approval of the budget by the MoFLT for 2022 have also brought about a chain effect and negatively affected a better result throughout the year. According to them, the budget for 2022 was approved by the municipality in January, but due to the internal procedures of the Ministry of Finance, the budget was not disbursed until the end of April. According to MoFLT officials, in 2022 there were a total of 9 municipalities whose budget was approved late, and this was not due to any delay on the part of the Ministry, but due to the late approval of the draft budget by the municipal assemblies, respectively, late delivery to the Ministry of Finance. One of them is Municipality of Vushtrri/Vučitrn. Also, the Law 08/L-183 on the Support of Public Works was approved only at the end of the year, not providing enough time to motivate the existing economic operators to continue with the works. According to municipal representatives, due to high inflation, most economic

¹⁴ GAP Institute, Municipalities' Identification card 2023 (p. 13), accessed 10 July 2023. Available at: https://www.institutigap.org/documents/11886notification_letter%20i%20municipalities%202023_.pdf

operators were more willing to receive fines and forfeit their 10% contract security than to continue implementation without intervention with additional budget. Despite these external factors, the municipal representatives agreed that these challenges are not the main obstacles that have hindered the flow of expenses in terms of capital investments, acknowledging that the same external factors apply to other municipalities that have managed to show better performance in this regard.

In addition, there is also a large number of internal problems that have caused such a situation. One of the main causes of the downward trend is the lack of a contract with an economic operator for the planning, design and monitoring of projects. Based on the discussions, one of the main challenges faced by the Municipality of Vushtrri/Vučitrn is the lack of internal capacities to properly design, plan and monitor capital investment projects. According to the information provided, the Municipality of Vushtrri/Vučitrn has failed to reach a new contract with an economic operator for the provision of these services, which has hindered the general budgetary flow of capital investments, and consequently has brought a negative trend in the last four years¹⁵. According to municipal officials, a contract for this purpose has not been reached since 2020, bringing great difficulty and burden for internal departments to ensure the proper execution of the contract due to very limited capacities and expertise. According to them, the Municipality of Vushtrri/Vučitrn has failed to draw up the necessary specifications and plan properly to reach such an agreement. Currently, the Municipality of Vushtrri/Vučitrn has only one staff member who is responsible for planning and drafting projects for all municipal projects. In 2022, more than 180 projects were under implementation. Clearly, the volume of work is not at all proportional to the human professional capacities within the municipality.

Similarly, another important challenge remains poor budget planning and poor preparation of tender files and technical specifications, as two other factors directly hindering municipal efforts for a desirable performance in terms of spending the budget for capital investment. Although budget planning is done in close coordination with the procurement office and other relevant departments, unclear and inappropriate project planning, followed by inadequate tender dossiers and incomplete technical specifications, continue to be an obvious problem. Based on this, the municipality is constantly faced with complaints from bidders, and with lengthy procedures presented and handled by the PRB afterwards.

Another challenge observed during the discussions, but also cited in the annual audit report of the NAO¹⁶, is the conflict of interest that is the result of a politically appointed director of the Procurement Department in the Municipality of Vushtrri/Vučitrn. Given the importance and role that procurement plays within the municipality, it is considered that the officials engaged in this department should be public officials, to mitigate any conflict of interest during procurement processes. In addition, a lack of professionalism was observed in the preparation of procurement plans, technical specifications and other relevant requirements. Not infrequently, the tender files lack the detailed description, adequate price and other specifications as required by the applicable legal framework. Weak tender specifications lead to inadequate implementation and hinder the overall functionality of the relevant departments, creating delays or lack of quality of economic operators due to unprofessional tendering processes. Taking this into account, direct support in building the capacities of procurement officials within the municipality has been identified as one of the first requirements during the discussion process.

Similarly, challenges have been mentioned in the implementation of contracts, namely in the lack of capacities to ensure proper supervision and evaluation during the period of their execution. Due to limited capacities, the implementation of projects is monitored with difficulty, given the very limited human resources to engage with all the contracts that are in the process of implementation. Lack of supervision leads to long delays and poor quality of the execution of work, in many cases. Furthermore, current officials lack adequate knowledge in installing

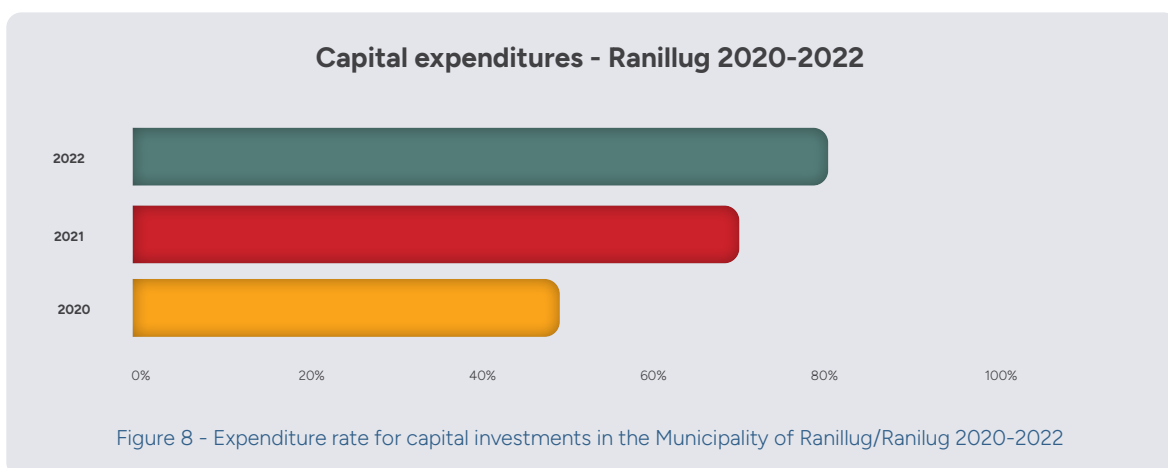
15 Interview with the officials of the Municipality of Vushtrri/Vučitrn, 5 May, 2023. According to them, the Municipality of Vushtrri/Vučitrn has not managed to have a new contract with external professional companies for project supervision from 2020 onwards.

16 National Audit Office, Audit Report 2020, accessed 4 May 2023. Available at: Audit reports - NAO (zka-rks.org)

appropriate monitoring practices, and no sustainable or long-term procedures exist to support these efforts. Similarly, not all contracts have a designated manager to oversee execution in order to avoid risks and delays before they occur.

5.4 Municipality of Ranillug/Ranilug

The municipality of Ranillug/Ranilug is among the targeted municipalities. With a positive trend in 2022, Ranillug/Ranilug reached a spending rate of 80% for capital investment, and a much lower trend in 2021 and 2020, with 65% and 53% respectively. During the discussion held, it was concluded that the positive ratio achieved in 2022 has come as a result of the minimal number of their projects for capital investments, with only two major projects covering this percentage. In 2023, the Municipality of Ranillug/Ranilug has approximately 23 capital investment projects and according to them, the chances of achieving the level of performance of the previous year are minimal. According to the GAP Institute 'Municipal Identification Card 2023', the Municipality of Ranillug/Ranilug employs about 44 civil servants, or 1 civil servant for every 90 inhabitants of the municipality. In the procurement unit within the municipality, there are a total of 2 responsible officials, while in the budgeting unit there are 4 people in total. However, during the discussion with municipal officials, the lack of staff has not been identified as a real challenge, considering here the relatively small number of annual projects, or even the annual budget that the municipality manages.



The challenges encountered in the Municipality of Ranillug/Ranilug are quite similar to the other targeted municipalities. The root causes that hinder performance begin in the early stages of budget planning, which in many cases are unrealistic when it comes to capital investment. Based on this, more emphasis should be placed on the budget planning phase, which requires the political will of the mayor to ensure that these plans are adequate and accessible. Another aspect observed during the discussion was the lack of citizen involvement during the planning and execution phase. Although public hearings are organized, participation is minimal and without any impact. Also, it has been observed that there is no coherence regarding the procedures undertaken at the municipal level and more coordination is needed between the political and administrative sector of the municipality. Similarly, problems have also been identified during the execution period, as the direct monitoring and management of contracts is not regular due to limited internal capacities. As a consequence, a proper monitoring mechanism has not been installed, by which regularly supervises the performance of economic operators. There is also a need to increase internal capacities in terms of procurement, especially when it comes to the use of e-procurement and other electronic systems that are mandatory. Furthermore, there is a significant lack of penalties for irresponsible economic operators for their delays in implementation.

6. Low rate of budget spending for capital investments: main challenges and identified problems

In general, the targeted municipalities face very similar challenges when it comes to the factors that hinder their performance to deliver better results in terms of capital investment expenditure within a fiscal year. During the 2020-2022 period, the analysis highlighted numerous internal and external factors that were listed by municipal representatives as the main causes for lower performance in this regard. According to the MoFLT Annual Report for 2022, from the total budget amount allocated to all 38 municipalities throughout Kosovo, approximately 60% of this total was spent within that year. The municipalities with the highest performance were Malishevë/Mališevo and Ferizaj/Uroševac, with a 100% ratio of expenditures. However, in the case of the Municipality of Ferizaj/Uroševac, the expenditure of 100% is caused by court decisions for salaries in the education sector. On the other hand, there are other municipalities like those targeted in this analysis, which have performed negatively during this three-year period and therefore have not qualified to receive MPG funds. The key challenges identified are further analysed in the following section of the analysis. While some of the challenges differ from one municipality to another, the following problems apply to most of them.

6.1 External factors and cooperation with the central level

Most of the external factors identified during this period fall under three key factors.

First, the delayed functionality of the PRB was listed as one of the main external reasons that have hindered the overall municipal performance when it comes to spending on capital investments in these municipalities. The new PRB board was appointed on 23 June 2022, after a one-year period of non-functioning¹⁷. Although there are no accurate processed data on the damage caused by this phenomenon, it is considered that, nevertheless, the absence of the PRB board has caused a blockage of 100 tendering processes for Kosovo institutions, including municipalities¹⁸. Although this applies to some municipalities, it cannot be considered as one of the main causes that led to poor municipal performance in this regard. It should be noted that the delayed functionality of the PRB has also existed for other municipalities that have managed to ensure a successful report of expenditures in the given period. Given this fact, while it may have affected overall performance to some extent, it has certainly been less of a factor compared to the systemic internal challenges that have occurred over the past three years.

When it comes to PRB, in particular, there is a lack of proper coordination and follow-up mechanisms between the parties. On the one hand, the municipalities are reluctant to follow up on the cases submitted to the PRB and are usually delayed in dealing with the re-evaluation of the decisions issued, and on the other hand, the PRB lacks internal capacities and the delays in dealing with received cases are evident. Moreover, blacklists that include irresponsible economic operators must be properly maintained and updated regularly. The current Procurement Law foresees numerous measures against irresponsible economic operators who provide data, documents or possible false activities of any kind. In this regard, PRB is responsible for disqualifying such operators and banning their participation in procurement processes for a period of up to 1 year. Linking the blacklist to the e-procurement system is another aspect that must be considered for a well-integrated system.

17 Gazeta Blic, "After more than a year, the new board of the tender court is appointed", June 2023.

Available on: <https://gazetablic.com/pas-me-shume-se-nje-viti-emerohet-bordi-i-ri-i-gjykates-se-tendereve/>

18 Kallxo.com, "PRB without a functional board, more than 100 tenders are blocked", 18 May 2022.

Available on: <https://kallxo.com/gjate/analize/oshp-ja-pa-bord-funksional-blokohen-mbi-100-tendere/>

At the central level, there are two other institutions that have a key role, namely the MoFLT and the PPRC. The former is responsible for the overall allocation and disbursement of the budget, and no major challenges have been identified from either side during the drafting of this analysis. While there are some municipalities that are more responsive and respectful to the requests and deadlines of the MoFLT, no major problems have been identified and coordination is quite stable. On the other hand, when it comes to the PPRC, the targeted municipalities have emphasized the need for a greater monitoring role of this institution. The monitoring role of PPRC is defined by Article 88 of the Law on Public Procurement¹⁹. Same, Article 87 of the same Law predetermines the role of PPRC for monitoring procurement and contract management activities²⁰. According to the PPRC, this role in practice is exercised ex-ante, which means that the announcements made on the E-Procurement electronic platform, before the contract award announcement, are monitored by the PPRC if they are in accordance with the Law. Also, in the PPRC there is a special department for procurement, whose tasks are predetermined in the PPRC Rules of Procedure²¹.

Second, the outbreak of the pandemic was also considered as one of the factors in most municipalities. However, this has proven not to hold, as the pandemic period has been assessed – on the contrary – (by top performers) as an opportunity to engage in more capital investment projects, including infrastructure ones, especially due to low intensity of movement of citizens within cities and villages. Moreover, the pandemic did not turn out to be one of the main causes, given the performance of most municipalities that managed to show good results when it comes to spending on capital investment in that period.

The third, external factor listed during the discussions with the interlocutors at the central and local level was the high inflation rate that came as a result of the increase of prices during 2022. In 2022, Kosovo ended the year with an inflation rate of 11.6% which is significantly high, and undoubtedly had an impact on all sectors. According to the municipal level, high inflation has brought numerous challenges during the execution phase that economic operators have been more willing to terminate their commitment and pay the contract insurance amount, instead of continuing with the execution of the work.

According to the data stated in the media, the Municipality of Prishtinë/Priština has terminated about 30 contracts of the previous year as a result of the increased inflation rate²². While the above-mentioned external factors had a certain impact more or less in all the targeted municipalities, they should under no circumstances be considered very important factors that have hindered the overall performance in the given period.

6.2 Internal factors

Most of the underlying causes that have led to low levels of the capital investment expenditure ratio in the targeted municipalities lie within their internal systems and capacities. During the discussion developed for this analysis, numerous systemic and long-term challenges were identified. These challenges are applicable to all the municipalities in question, identified during the implemented interviews and discussions. The same are grouped in the following section of the analysis.

¹⁹ Official Gazette, Republic of Kosovo, Law on Public Procurement, page 59. Available on: <https://gzkrks-gov.net/ActDetail.aspx?ActID=2772>

²⁰ Ibid

²¹ Rules of Procedure of the Public Procurement Regulatory Commission in Kosovo (<https://e-prokurimi.rks-gov.net/HOME/Documents/Legislation/Rregullore/shq/Rregullore%20e%20Pun%C3%ABs%20e%20Komisionit%20Rregullativ%20t%C3%AB%20Prokurimit%20Publik.pdf>)

²² [Kallxo.com](https://kallxo.com), "The blocking of capital investments as a result of inflation, the government intends to solve with a special law", 11 October 2022. Available on: <https://kallxo.com/gjate/bllokimi-i-investimeve-kapitale-si-pasoje-e-inflacionit-qeveria-synon-ta-zgjidhe-me-ligj-te-vecante/>

The first issue identified is inadequate budget planning at the municipal level and delays in the approval of the budget by the municipal assemblies. Among these municipalities is Vushtrri/Vučitrn, which, together with 6 other municipalities, failed to approve the municipal budget within the set deadline, which resulted in a delay in the disbursement of funds by the MoFLT, in 2021. According to the MoFLT, the other municipalities, apart from Vushtrri/Vučitrn, which submitted the municipal budget late are Mitrovica, Gjakovë/Đakovica, Malishevë/Mališevo, Suharekë/Suva Reka, Prizren and Podujevë/Podujevo²³. All target municipalities face major challenges during the initial stages of budget planning, and to a large extent there is a lack of proper coordination between relevant departments and municipal political structures. Based on this, the budget planning is often insufficient and does not match the existing municipal capacities for successful implementation in practice. This phenomenon is a consequence of the non-coordination between political structures and municipal units in due time, where often the respective municipal units do not consult in the early stages of planning, and in some cases, the proposed planning within a fiscal year for a certain unit are disproportionate to the actual capacities of that unit. Furthermore, citizen involvement during this phase remains low, partly due to a lack of civic activism, as well as unstructured municipal efforts to ensure a comprehensive consultative plan. So, even though the municipalities in question have a consultative plan, it remains unrealistic in practice, and the municipalities do not try to find alternative and innovative ways for greater involvement of the community in policy-making and decision-making. Having said that, municipalities engage very little or not at all, in accurately informing citizens about their basic rights to be involved in local policy-making, or in any awareness campaigns that call for greater citizen engagement. In general, the budget plans are too ambitious and are followed by delayed approval in the municipal assembly, producing a domino effect for all future stages of implementation and overall execution of the municipal budget, in particular for capital investment funds. This happens due to the lack of the general analysis for the assessment of needs that is recommended to be done before the budget planning process.

The second issue identified is the poor planning of projects without preliminary analyses carried out. A common problem identified in the target municipalities is the lack of feasibility reports/analyses prior to the implementation of projects, causing major challenges during the implementation of contracts due to the many obstacles faced as a result of poor planning. A specific example is the procurement processes for asphaltting and road construction. When these services are procured, they often happen without any preliminary analysis of needs such as those of laying sewerage, heating and telephone network, etc. Although feasibility studies are not required by law, they remain crucial for municipalities to mitigate potential risks during the implementation period. Most of the projects are drafted and agreed upon without such analysis, and at a given moment, without clear information about the current state of the site where the project will take place. Such an approach has brought frequent needs for additional work, leading to increased budget expenditure.

The most common challenges identified are issues of expropriation, delays in execution due to lack of sewerage, electricity and similar services, imposing significant delays and even cancellation of contracts and projects. This is more evident for the Municipality of Prishtinë/Priština and further efforts should be made by the mayor's cabinet to coordinate and hold accountable the Public Enterprises that are under their supervision.

Another common challenge identified by all target municipalities is the lack of professional capacity and limited resources within their procurement departments, resulting in poor procurement planning. Most municipalities have expressed a lack of professional capacity within their procurement departments, which means many other challenges at all levels of budget execution. Also, technical specifications and tender files are generally drafted ineffectively, bringing numerous challenges during the execution of contracts. The failure to prepare clear and adequate tender files, including adequate technical specifications, precautions and calculations based on the current situation on site, has brought numerous challenges during the execution phases in most of the target municipalities.

23 Interview with the official of the municipal budget department, Ministry of Finance, Kosovo

Another key challenge identified during the discussion is the lack of internal coordination within municipalities as well as functional accountability mechanisms. The municipalities in question have listed this phenomenon as one of the main challenges that hinders the overall process of successful execution of contracts. There is an evident lack of coordination between departments within low-performance municipalities, with a lack of appropriate mechanisms that provide an environment of joint efforts between the political level, procurement, finance, and other relevant departments within municipalities. Coordination remains quite low, perhaps more intensive during the planning phase, but lower during contract/project management, monitoring and evaluation. Similarly, there are no functioning accountability mechanisms, which imply a well-coordinated system of accountability with a top-down approach. On the other hand, during the discussion with the municipalities with high performance (Pejë/Peć and Gjakovë/Đakovica), this factor was noticed as crucial when it comes to success. Proper coordination and adequate accountability systems enable better coordination, leading to overall better results. The lack of proper supervision on the part of the executive level is evident, and it hinders the overall performance in all targeted municipalities.

In addition, the target municipalities are also challenged with limited professional resources, especially when it comes to project planning, execution and monitoring. An interesting fact pointed out in Vushtri/Vučitrn is that the performance has started to decline after the contract with an economic operator that provides these services was terminated. On the other hand, both Pejë/Peć and Gjakovë/Đakovica have an ongoing contract for these external services, listed as very important in supporting municipal efforts in achieving great results over the years. Given the limited internal capacities, this approach is extremely necessary for the target municipalities to support their efforts for an improved performance. All target municipalities encounter systemic problems during the contract management/execution phase, as the number of staff engaged does not meet their needs and in most of the cases they are not professionals of the field (e.g., engineers, architects, experts of different fields, etc.).

Similarly, the monitoring and evaluation carried out by the municipalities is limited and insufficient. As a result, many projects are subject to significant implementation delays by economic operators, followed by low quality of work performed and/or services provided. Due to limited internal capacities, monitoring and evaluation remain limited. Municipalities with better performance contract external professional companies to provide these services.

Another identified challenge is the improper system of punishments/penalties for economic operators. According to municipal representatives, even though there are long delays and often poor-quality services offered by various economic operators, the municipalities do not take adequate measures and penalties are rarely imposed. As a result, some economic operators do not respect the agreed conditions, simply because of the lack of a proper system of penalties, leading to a lack of accountability of these operators to adhere to the agreed contracts. Similarly, lawsuits in court are very rare. Such an approach of not undertaking the necessary preventive measures has brought numerous problems in practice.

Finally, insufficient efforts have been made by municipalities to seek greater citizen participation in all phases, including planning, monitoring and evaluation. The lack of citizen participation in the decision-making and policy-making process at the municipal level is a systematic problem identified by municipal representatives. Considering that citizens are the final beneficiaries of capital investments at the municipal level, being their direct users, their involvement during all phases remains extremely important.

7. Conclusions and Recommendations

7.1. Conclusions

In general, the findings from the completed research show that the systemic challenges and problems in the targeted municipalities are more or less of the same nature and belong more to internal factors than to external ones. Although some external factors such as the pandemic, inflation and the non-functionality of PRB were mentioned in all municipalities for a long time, these do not seem to be the main reasons that have led to a low performance in terms of budget spending for capital investments in the municipalities of Prishtinë/Priština, Fushë Kosovë/Kosovo Polje, Vushtrri/Vučitrn and Ranillug/Ranilug. As for capital investment expenditures, challenges and problems have been identified throughout the project development cycle, from planning to the conclusion of a relevant contract, mainly due to limited internal capacities and the lack of professional and adequate staff for the management of contracts. Another very important aspect remains the budget mis-planning, which often leads to inadequate annual budgets and discrepancies with the internal capacities for its implementation. Also, another real challenge that greatly affects the successful implementation of the budget, and that has been identified by all analysed municipalities, remains the lack of proper coordination and clear lines of accountability within the municipal levels and relevant units. In order to support municipal efforts on improving the current situation, this analysis offers a number of specific recommendations listed below.

7.2 Recommendations

Based on the findings of the analysis, a number of short-term and medium-term recommendations for further intervention are given below.

For the central level institutions and DEMOS:

- › Provision of direct support to municipalities in increasing their capacities to ensure proper project planning, adequate feasibility studies and general preparatory measures. This can be achieved by providing direct support through detailed guidelines that define key recommended standards during the planning phase.
- › Organisation of joint consultations and/or the establishment of municipal fora that ensure structured and regular consultative processes between high performing and lower performing municipalities, in order to exchange best practices and discuss different intervention modalities for further improvement. These fora can be very useful as a mechanism to transfer 'knowledge' to low-performing municipalities and for them to adopt the good principles that are implemented by high-performing ones. It can be considered that the exchange of experiences takes place through joint meetings of the current AKM collegia (e.g. joint meeting between the procurement collegium and the collegium for budget and finance).
- › Provision of direct technical assistance to procurement offices in those municipalities that have a negative trend within a period of 3-5 years. Technical assistance can be provided through direct expertise/advisors in areas where there are bottlenecks by providing regular input and analysis of the most frequent challenges in terms of procurement procedures.
- › Provision of specific innovative training for the entire cycle of budget planning and spending, including public procurement training; also looking into the possibility of providing on the job training.

- › The efforts should be made at the central level to integrate all existing online systems with e-procurement as the main tool, in order to increase transparency and accountability. Similarly, it is recommended to integrate the updated blacklist of economic operators in e-procurement. The blacklist should be a condition for economic operators so they will not have the possibility of applying for capital projects of the municipalities.
- › Use the different means of social accountability with a higher intensity in municipalities. DEMOS should intervene in raising civic involvement in policy-making and decision-making at the local level through the support of Social Audit activities. At the same time, it should advocate for the institutionalisation of Social Audit in the respective municipalities. This can be through the provision of funds/projects to local organizations which then mobilize the community in the implementation of Social Audit activities, with the aim to monitor and evaluate the implementation of projects by the municipality and /or economic operators.

For municipalities

- › Start with integration of planning processes related to capital projects. This would mean that the planning of capital projects should: be preceded by a feasibility study and followed by detailed plans, taking into account the element of the involvement of other bodies in this process (public bodies and public enterprises).
- › Preparation of the budget for the upcoming year shall begin immediately at the beginning of the fiscal year. The budget planning should be preceded by an analysis of the needs identified in advance by the municipal structures. Establishing a dialogue mechanism in the early stages of budget planning between the Mayors and the Municipal Assemblies would reduce the risk of prolonging the approval of the municipal budget.
- › Improving the procurement planning process and preparation of procurement procedures. In this aspect, the focus falls on the preparation of technical specifications and timely initiation of procurement procedures. In the absence of internal human capacities for the preparation of technical specifications, outsourcing the individuals and companies that are specialized in the field should also be considered. These services can be contracted through framework contracts and as needed, services can then be supplied by from these contractors.
- › Establish control and accountability mechanisms by the Chief Administrative Officers (Mayors) to identify delays and coordinate activities between the internal structures of the municipality. In the absence of internal capacities, same as for the technical specifications, consider the possibility of contracting specialised companies for project supervision.
- › Advance the control and supervision mechanisms of the projects by applying the system of penalties to implement the tasks on time and to execute the payments on time.
- › The collection of own revenues income should be done continuously throughout the year to avoid the phenomenon of collecting own revenues at the end of the year, which directly affects the prolongation of the execution of payments.



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