REPORT

ON CAPITAL INVESTMENTS BY THE LINE MINISTRIES IN MUNICIPAL COMPETENCIES

FOR THE PERIOD

2018 - 2020

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August 2021

Ky raport është përgatitur nga RECURA Financials për projektin DEMOS,
i cili zbatohet nga HELVETAS Swiss Intercooperation

Mohim: Gjetjet dhe konkluzionet e shprehura në këtë raport nuk paraqesin domosdoshmërisht qëndrimet e SDC-së dhe HELVETAS Swiss Intercooperation.

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Executive summary

Over the three years between 2018 and 2020, Kosovo's line ministries have carried out the capital investments in the municipalities in the areas belonging to the local government competencies. All in all, 10-line ministries have invested €192.53 million or €64.17 million per year. Almost half of this value has been spent by the Ministry of Infrastructure as the biggest investor in the municipal competencies. It was followed by the Ministry of Education, Science, and Technology with €29.93 million or 15.5% of the total.

The investments have been carried out in 35 municipalities out of 38 in total. The largest beneficiary was the municipality of Gjakova that has received €22.05 million or 11.5% of the total value invested. It was followed by the municipality of Ferizaj with €20.72 million or 10.4% of the total. The third and fourth largest beneficiaries were Peja with €13.87 million (7.2%) and Decan with €13.385 million (7.2%). In terms of the value received per capita, the three largest beneficiaries were the municipality of Junik that has received €428 per capita, followed by Deçan with €344 and Gjakova with €233 per capita.

In 2018, we had conducted a similar study of such investments for the period between 2011 and 2017. For this period, the line ministries had been investing in the municipalities without any formal procedures or criteria resulting with an uneven distribution of funds among the municipalities. To address this issue, the Ministry of Finance had included a paragraph in the annual budget law for 2019, and restated it in 2020 and 2021, requiring the line ministries to conduct investments based on clear, fair, and transparent criteria previously approved by the Government.

Thus, our current study has focused on following up the implementation of this budgetary requirement by the line ministries. For this purpose, we have tried to arrange interviews in five ministries albeit only the Ministry of Local Government Administration (MLGA) has accepted it. Based on that interview and the complementary data analysis, we have found out that only MLGA and the Ministry of Economy and Environment (MEE) have followed the formal selection process and have applied the transparent criteria. In line with the budget law for 2020, both ministries have signed agreements with the beneficiary municipalities clarifying the roles and the responsibilities for the project implementation. In the case of the MLGA, the beneficiary municipalities had carried out the procurement activities, whilst the ministry had overseen the implementation of projects, certified and disbursed payments to the contractors. Whereas the MEE (supported by GIZ) had conducted the procurement process and signed the contracts on behalf of the beneficiary municipalities as they lacked sufficient capacities to conduct the process themselves.

We have also tried to interview other line ministries, but they have not responded to our requests. Anyway, there was not publicly available that those ministries have developed the guiding documents regarding the projects' selection process. Thus, we could not confirm if their investments in the municipal competencies have been selected based on the specific and transparent criteria as required by the respective budget laws. It is more likely than not that those ministries have continued to finance the projects following the informal selection processes that has increased the risk of uneven investments throughout the municipalities.

1. Working scope, methodology, and approach

The study has been focused on analyzing the capital projects carried out by line ministries in municipalities in the areas under the municipal competencies.

The study has had two main objectives. Firstly, the aim was to identify the capital projects that have been planned and invested by the line ministries in the municipal competencies for the period between 2018-2020 and compare the patterns with 2011-2017. Secondly, to determine whether the line ministries have developed and applied the criteria for financing capital investments in municipalities as required by the Kosovo budget law for 2019 and 2020. To achieve the objectives, we have analyzed and evaluated:

I. The capital projects invested by the line ministries in the municipal competencies for the period 2018-2020; and

II. The decision-making procedures for awarding and disbursing funds for capital investments by the line ministers in municipal competencies.

To determine the total amount of capital investments we have:

- Analyzed Kosovo budget laws to identify the number of funds at the disposal of line ministries for capital investments in municipal competencies,
- Analyzed Kosovo treasury data from Kosovo Financial Management Information System (KFMIS) to identify the total amounts that each line ministry invested in municipal competencies, in particular:
  - the value of capital projects invested in the municipal competencies for 2018-2020
  - the value of capital projects invested by each line ministry for 2018 - 2020, and
  - the value of capital projects invested in each municipality, in total and per capita, for 2018-2020.
- Analyzed the DEMOS' report on capital investments in the municipal competencies for the period 2011 – 2017.

To determine how ministries, make decisions on capital investments, we have:

- Analyzed the respective provisions of the budget laws for 2019 and 2020 related to the investments in the municipal competencies.
- Had a meeting with the budget department of the ministry of finance regarding the application of transparent and specific investment criteria by the line ministries.
- Held interview the Ministry of Local Government Administration (MLGA) to understand the process followed by the ministry for the selection and the implementation of the capital projects in the municipal competencies, in particular:
  - Who prepares, assesses, and awards the projects, and what criteria are applied?
  - Who manages the procurement procedures, and the contract?

    - Who monitors the implementation of the projects and who accepts the deliverables?
    - Who executes the payments?
- Analyzed the performance grant rules and guidance used by the Ministry of Economy and Environment (Formerly the Ministry of Environment and Spatial Planning)

It is worth noting that we have planned to held interviews with the responsible officials in the five biggest investing ministries in terms of the total value spent in the municipal competencies. However, only the ministry of the local government administration has accepted our request for the meeting.

2. Capital investments by line ministries in municipal competencies

Kosovo municipalities receive the budget for capital investments from several financial sources. They receive the highest amount from the central government grant and the own source revenues. Also, some municipalities receive donor grants albeit they make a smaller contribution to their total capital budget. These capital funds and their associated capital projects are directly managed by the municipalities.

In addition to the above funding sources, the line ministries carry out capital projects in municipalities falling within the local government competencies. The total budget for such investments from 2018 until 2020 amounted to €263.84 million. Out of it, actual investments were €192.53 million, or 73% of the budget (see figure below). On average, €64.17 million were invested every year. They were higher compared to the previous period between 2011 and 2017 when they amounted to €44.47 million per year on average.

In terms of the number of capital projects, around 700 individual projects have been funded in the 2018-2020 period compared to 930 projects funded in the 2011-2017 period.

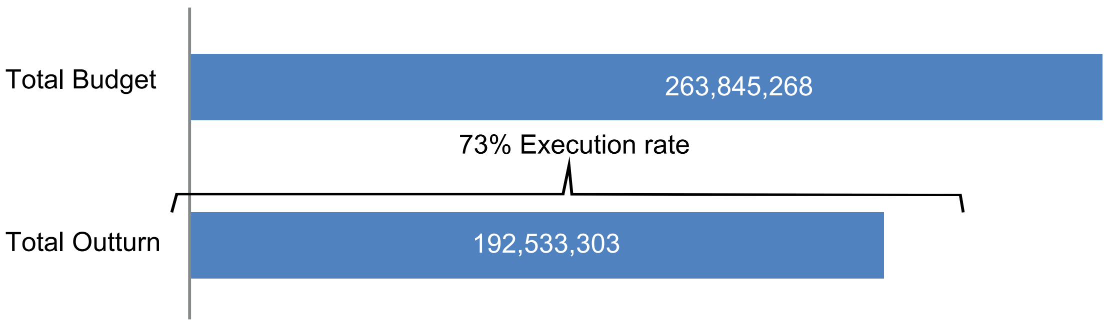
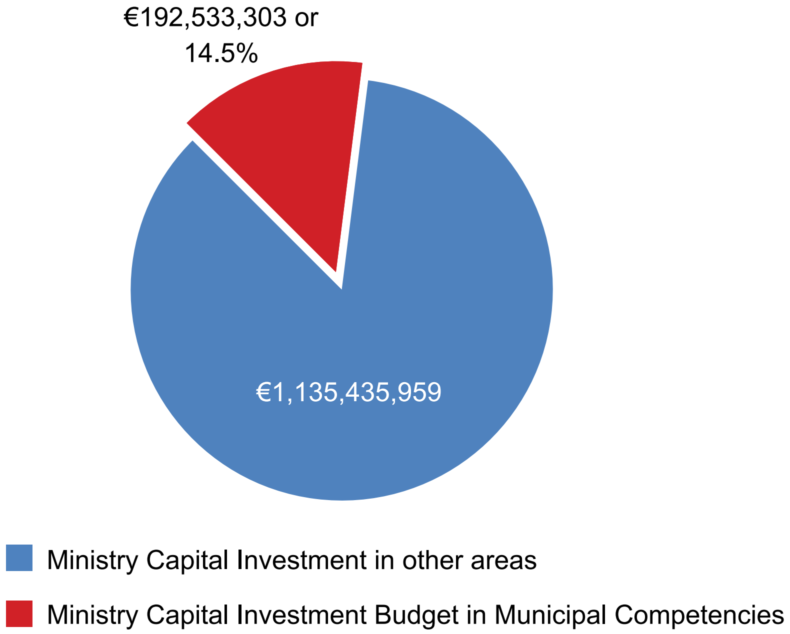


Figure 1. Total capital investments by line ministries in municipal competencies for 2018-2020

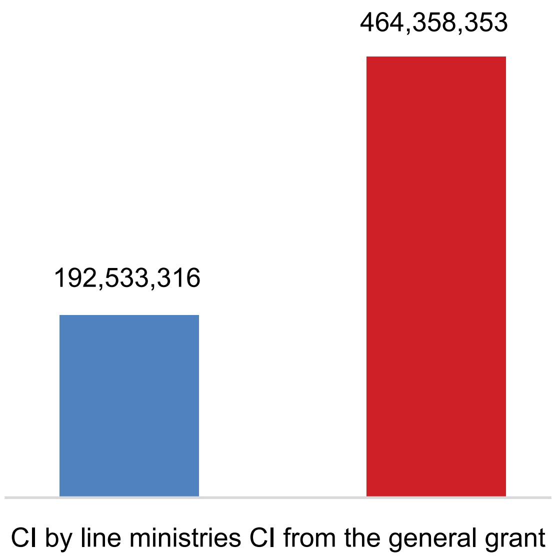
For the period between 2018 -2020, the total amount of €192.53 million has been invested by 10-line ministries. These investments made up 12.73% of their total capital budget. Whereas in 2011-2017, 12-line ministries had invested a similar percentage of their capital budget within the municipal competencies.

Figure 2. Capital investments by 10-line ministries in municipal competencies for the period 2018-2020



The investments in the municipal competencies have been provided in addition to the regular investments funded through a general grant for municipalities that for 2018-2020 amounted to €464.35 million. Thus, the combined investments in municipalities from these two sources were €656.89 million.

Figure 3. Capital Investments in municipal competencies and CI from the General Grant for the period 2018 -2021



Over 2018-2020 period, such investments in municipal competencies made up 2.7% of the total Kosovo budget (See table 1). In 2020, these investments were significantly lower than in two previous years mainly due to the pandemic outbreak thus having a much lower participation in the total budget. Whereas in the 2011-2017 period, these investments made up 2.8% of the Kosovo budget.

These additional investments by the line ministries had a significant value to the beneficiary municipalities. So, for 2018 – 2020, they reached 41% of their budget for capital expenditures. In the first two years, there were even higher in percentage terms. But in 2020, they fell to 29% of the municipal capital budget from 52% in 2019. Whereas in the 2011-2017 period, these additional investments had even a higher contribution making up 62% of the municipal budget for capital investments.

Table 1: Capital Investments by line ministries in municipal competencies (2011-2017 and 2018 - 2020)

Year	CI by ministries in MC €000	CI in MC as a % of the Kosovo budget		CI in MC as a % of CI in general grant for municipalities	
		Kosovo Budget €000	%	CI in General Grant €000	%
2011	40,804	1,400,462	2.9%	86,163	47%
2012	35,636	1,466,457	2.4%	78,223	46%
2013	43,445	1,500,176	2.9%	84,159	52%
2014	51,039	1,498,399	3.4%	90,214	57%
2015	44,832	1,315,184	3.4%	57,825	78%
2016	43,201	1,750,675	2.5%	60,579	71%
2017	52,417	2,001,020	2.6%	67,021	78%
Sub Total	311,374	10,932,373	2.8%	524,184	62.7%
2018	61,337	2,080,481	2.9%	146,115	42%
2019	86,412	2,378,232	3.6%	164,918	52%
2020	44,784	2,620,369	1.7%	153,325	29%
Sub Total	192,533	7,079,081	2.7%	464,358	41.5%

As shown in Table 2, the investments in the municipal competencies for 2018-2020 were 79% of the own source revenues (OSR) and were 2.6 times higher than the property tax collected over the same reporting period. Whereas over the 2011-2017 period, they were 75% of the municipal OSR and 2.3 times higher than the property tax collected.

Table 2: Capital Investments (CI) by line ministries in municipal competencies compared to overall Municipal Own Source Revenues (OSR) and Property Tax (2018 - 2020)

Year	CI by ministries in municipal competencies	CI in municipal competencies as % of municipal OSR		CI in municipal competencies as a % of the Property Tax	
	€000	OSR €000	%	Property Tax €000	%
2011	40,804	49,762	82%	14,364	284%
2012	35,636	59,538	60%	14,584	244%
2013	43,445	55,798	78%	16,119	269%
2014	51,039	60,698	84%	20,411	250%
2015	44,832	57,887	77%	19,796	226%
2016	43,201	69,849	62%	25,123	172%
2017	52,417	64,276	82%	22,407	233%
Sub Total	311,374	417,808	75%	132,804	234%
2018	61,337	80,497	76%	24,196	254%
2019	86,412	88,718	97%	27,277	317%
2020	44,784	74,591	60%	22,704	197%
Sub Total	192,533	243,806	79%	74,176	260%

2.1. The largest investors in municipal competencies

Ten (10) line ministries have funded capital projects in municipal competencies over the three years between 2018 and 2020. The largest investors were the Ministry of Infrastructure (MI) with €89mil making up 46.7% of the total value invested. It is followed by the Ministry of Education, Science and Technology (MEST) with 15.5% and the Ministry of Culture, Youth and Sports (MCYS) with 14.8% of the total. (See table 3). The same ministries had been the largest investors in the 2011-2017 period. Then, the MI had invested 47.6%, the MEST 22.5%, and the MCYS 9% of the total. (See table 4)

Table 3: The largest investors in municipal competencies for 2018-2020[1]

Ministry €000		Allocated Budget		Expenditure		Expenditure per year on average
		%	€000	In %	€000	
1	Infrastructure	105,548	41.1%	89,851	46.7%	29,950
2	Education, Science, and Technology	35,878	14.0%	29,934	15.5%	9,978
3	Culture, Youth and Sport	45,544	17.7%	28,554	14.8%	9,518
4	Environment and Spatial Planning	29,939	11.7%	20,528	10.7%	6,843
5	Public Administration	6,754	2.6%	6,591	3.4%	2,197
6	Economy and Environment	18,706	7.3%	6,494	3.4%	2,165
7	Health	8,401	3.3%	5,339	2.8%	1,780
8	Local Government Administration	4,029	1.6%	3,754	1.9%	1,251
9	Labor and Social Welfare	1,740	0.7%	1,320	0.7%	440
10	Agriculture and Rural Development	205	0.1%	168	0.1%	56
TOTAL		256,745	100.0%	192,533	100.0%	64,178

Table 4: The largest investors in municipal competencies for 2011-2017

Ministry €000		**Allocated Budget**		**Expenditure**		**Expenditure per year on average**
		%	**€000**	**%**	**€000**	
1	Infrastructure	196,462	48.6%	148,434	47.6%	21,205
2	Education, Science, and Technology	81,863	20.0%	70,090	22.5%	10,013
3	Culture, Youth and Sport	44,007	10.7%	28,198	9.0%	4,028
4	Local Government Administration	28,806	7.0%	19,922	6.4%	2,846
5	Environment and Spatial Planning	28,179	6.9%	17,586	5.6%	2,512

1 The Ministry for Local Development has also invested 5.41 million within the municipalities for the three-year period between 2018 and 2020. However, only the total amounts of these investments have been reported in the treasury database under the single line named “Regional Development Program” without giving details of the individual funded projects. Due to the lack of project description, we could not determine whether those investments fall within the central government or municipal competencies.

Furthermore, the MI has used 15.8% of its total allocated capital budget for funding investments in the municipalities. In the 2011-17 period, it had used only 9% of its capital budget. The MEST has used 41% compared to 43.2% spent in the 2011-2017 period. Whereas the MCYS has spent 38.9% of the allocated budget compared to 48.7% used in the 2011-17 period. (See table 5 & 6)

Table 5: Investments in municipal competencies as a % of budget per CI for 2018-2020

Ministry €000		Total budget for CI	CI in municipal competencies	As a % of budget for CI
		€000	In %	
1	MI	568,241	89,851	15.8%
2	MEST	72,957	29,934	41.0%
3	MCYS	73,359	28,554	38.9%
4	MESP	87,547	20,528	23.4%
5	MPA	27,972	6,591	23.6%

Table 6: Investments in municipal competencies as a % of budget per CI for 2011-2017

Ministry €000		Total budget for CI	CI in municipal competencies	As a % of budget for CI
		€000	In %	
1	MI	1,621,782	148,433	9.1%
2	MEST	161,889	70,089	43.3%
3	MCYS	57,916	28,198	48.7%
4	MLGA	28,242	19,921	70.5%
5	MESP	225,842	17,585	7.8%

2.2. The largest beneficiaries of capital investments in municipal competencies

There are 35 municipalities out of 38 in total that have received additional investments from the line ministries. Only the municipality of North Mitrovica, Zubin Potok, and Mamusha have not received any of such investments. However, the amounts invested varied among the benefiting municipalities. In terms of the total value invested, the largest beneficiaries were the municipality of Gjakova which received €22 mil or 11.5% of the total. It is followed by the municipality of Ferizaj with €20 mil or 10.4%, and the municipality of Peja with €13.8 mil or 7.2% of the total. (See table 7). Over the previous period 2011-2017, the largest amounts had been invested in the municipality of Skenderaj that had received €43.4 million or 13.9% of the total invested. It had been followed by the Prishtina with €21.7 million (6.9%), and Peja with €20.8 million (6.7%). (See table 8)

Table 7: The largest beneficiaries of investments in municipal competencies for 2018-2020

Municipality €000		Total value of CI received		CI received per year on average
		% Of total	€000	
1	Gjakova	22,058	11.5%	7,353
2	Ferizaj	20,073	10.4%	6,691
3	Peja	3,870	7.2%	4,623
4	Deçan	13,785	7.2%	4,595
5	Prishtina	13,385	7.0%	4,462
6	Mitrovica	11,090	5.8%	3,697
7	Prizren	8,846	4.6%	2,949

Table 8: The largest beneficiaries of investments in municipal competencies for 2011-2017

Municipality €000		Total value of CI received		CI received per year on average
		% Of total	€000	
1	Skenderaj	43,352	13.9%	6,193
2	Prishtina	21,727	6.9%	3,104
3	Peja	20,864	6.7%	2,981
4	Gjilan	15,941	5.1%	2,277
5	Ferizaj	15,279	4.9%	2,183
6	Podujeva	15,274	4.9%	2,182
7	Prizren	14,002	4.5%	2,000

In terms of amounts received per capita, the largest beneficiaries for 2018-2020 were the municipality of Junik that received €428, Deçan €344, and the third-ranked municipality of Gjakova with €233 per capita. Looking at the annual average, Junik has received €143, Deçan €115, and Gjakova €78 per capita. (See table 9). Whereas over the previous seven-year period of

2011-2017, the largest beneficiaries in terms of the annual average per capita had been the Municipality of Skenderaj that had received €118, Shtime €55, and the Hani Elezit €52 annual average per capita. (See table 10)

Table 9: The largest beneficiaries of CI in municipal competencies for 2018-20 (per capita)2				
Municipality		Population €000	Total CI per capita	CI per capita per year on average
			€000€	
1	Junik	6,084	2,603	428
2	Deçan	40,019	13,785	344
3	Gjakova	94,556	22,058	233
4	Ferizaj	108,610	20,073	185
5	Skenderaj	7,481	8,475	183
6	Mitrovica	50,858	11,090	167
7	H. Elezit	71,909	1,401	154

Table 10: The largest beneficiaries of CI in municipal competencies for 2011-17 (per capita)3				
Municipality		Population €000	Total CI per capita	CI per capita per year on average
			€000€	
1	Skenderaj	52,711	52,711	822
2	Shtime	27,864	27,864	385
3	H. Elezit	10,009	10,009	364
4	Junik	6,482	6,482	341
5	Istog	40,271	40,271	285
6	Kaçanik	34,312	34,312	272
7	Kllokot	2,741	2,741	247

2 Population numbers per Kosovo Agency for Statistics 2020 Estimation.
3 Population numbers per Kosovo Agency for Statistics 2020 Estimation.

For 2018-2020, investments in the municipal competencies were significant in proportion to the municipal budget for capital investments. Amongst the 13 largest municipal beneficiaries, their contribution varied between 197.6% in the municipality of Decan and 12% in Prizren. On average, the capital investments by the line ministries in those municipalities reached 54.5% of their annual budgets for capital investments. (See table 11). Whereas over the 2011-2017 period, 13 largest beneficiaries had received 26.47% of their budgets for the capital investments. (See table 12).

Table 11: Capital investments by line ministries in municipal competencies as % of the total municipal budget and budget for capital Investments (CI) for the period 2018-2020

Municipality €000		Total budget for 3 years	Budget for CI for 3 years	CI from ministries for 3 years	CI from ministries as a % of the total budget	CI from ministries as a % of budget for CI
		€000	€000	%	%	
1	Gjakova	75,384	28,195	22,058	29.3%	78.2%
2	Ferizaj	93,701	37,681	20,073	21.4%	53.3%
3	Peja	80,009	30,931	13,870	17.3%	44.8%
4	Deçan	27,227	6,977	13,785	50.6%	197.6%
5	Prishtina	251,746	110,024	13,385	5.3%	12.2%
6	Mitrovica	60,328	16,626	11,090	18.4%	66.7%
7	Prizren	143,705	73,447	8,846	6.2%	12.0%

Table 12: Capital investments by line ministries in municipal competencies as % of the total municipal budget and budget for capital Investments (CI) for the period 2011-2017

Municipality In € (000)		Total budget for 7 years	Budget for CI for 7 years	CI from ministries for 7 years	CI from ministries as a % of the total budget	CI from ministries as a % of budget for CI
		In € (000)	In € (000)	In %	In %	
1	Skenderaj	79,792	23,674	43,352	54.3%	183.1%
2	Prishtina	553,864	287,171	21,727	3.9%	7.6%
3	Peja	148,720	42,252	20,864	14.0%	49.4%
4	Gjilan	151,675	31,635	15,941	10.5%	50.4%
5	Ferizaj	172,348	62,178	15,279	8.9%	24.6%
6	Podujeva	126,764	41,725	15,274	12.0%	36.6%
7	Prizren	240,267	137,597	14,002	5.8%	10.2%

As shown in the tables above and in the detailed analysis attached as the annex, over the period 2018-2020 as well as 2011-2017, some municipalities have received more investments than others, even when adjusting for municipal size, population, level of economic development, and other characteristics.

3. The decision making processes within the line ministries for capital investments in the municipal competencies

The competencies of the central and local government level are defined in several laws including the law on Public Financial Management and Accountability (LPFMA), Law on Local Self-governance and the Law on Local Self-Government Finance, as well as the sector-specific legislation [4]. However, they are not clearly defined in all possible circumstances.

Furthermore, there are no formal rules related to the capital investments by the line ministries in the municipal competencies. It makes it difficult to determine whether certain investments belong to the central government or the municipal competencies. However, the line ministries have continued implementation of such projects and the value of the investments has been increasing over the years.

Back in 2018, we had examined such investments carried out for the period between 2011 and 2017. Our main finding was that the funding ministries had lacked the formal criteria and processes for the projects' selection and their implementation. It had created the risk for biased and uneven distribution of funds. Consequently, some municipalities had received significantly higher value without any supporting evidence. Following that study, the Ministry of Finance had included a paragraph in the annual budget law for 2019 requiring the line ministries to create the internal regulations for spending their capital investments in the municipal competencies. It was repeated in the budget law for 2020.

So, to follow up the implementation of this budgetary requirement, we have conducted a new study of the investments in the municipal competencies covering the three years between 2018-2020. As part of it, we have conducted a meeting with the budget department of the MoF's with the purpose to understand the implementation of that new provision of the budget laws by the line ministries. According to the interviewed official, there is no evidence that the line ministries, except the MLGA, have developed written procedures for investments in the municipalities as required by the budget laws.

To confirm this from the first hand, we have requested meetings in five ministries that were the biggest investors in municipalities. However, only the MLGA has accepted our request for the meeting. Thus, we have confirmed that it has developed the formal process and criteria for funding capital investments in the municipalities. Although the Ministry of the Economy and Environment failed to respond to our meeting request, we were able to prove from the analyzing secondary data that it has also developed the formal investing process and the required criteria. The following subsections briefly describe the process and criteria used by the MLGA and the MESP for investing capital projects in the municipalities.

4 Specific legislation in education, health, environment, culture, public infrastructure, etc.

3.1. The Ministry of the Local Government Administration's investments in the municipalities.

The MLGA has several projects focused on the municipal development. One of them is the Municipal Performance Grant scheme jointly managed with DEMOS (Swiss, Swedish and Norwegian), which awards capital grants to well performing municipalities. It also runs other socio-economic projects, as well as youth entrepreneurship project with the World Bank etc. During the meeting with the MLGA's officials responsible for investments in the municipalities, we were able to confirm that MLGA has developed investing criteria as required by the budget laws 2019 and 2020. These criteria have been updated every year and have also been approved by the government as required by the budget law 2020. Accordingly, it funds the capital projects that contribute to the development of the socio-economic infrastructure in the municipalities. There are five eligibility criteria. The municipalities are required to fulfill at least three of them to be able to apply for the municipal funds. The ministry provides up to €50, 000 per project.

Who prepares, assesses, and awards the projects?

The MLGA has a formally established process for investments in the municipalities. It begins with the public announcement where all interested municipalities are invited to submit the project proposals to be funded or co-funded by the ministry. After the receipt of municipal applications that come in the standard format, the Minister establishes a commission that evaluates the municipal proposals and recommends specific projects to be funded by the ministry. Based on the commission's recommendation, the Minister approves the list of projects to be funded by the ministry. Afterward, an agreement "memorandum of understanding" is signed between the ministry and the beneficiary municipalities clarifying the roles and the responsibilities of both parties regarding the implementation of the given projects.

Who manages the procurement procedures?

Based on the signed agreement, the beneficiary municipalities carries out the procurement procedures for the project implementation. Following the tendering procedures and the selection of the best bidder, the beneficiary municipalities sign the procurement contract for the project implementation.

Who manages the contract?

The beneficiary municipalities are also responsible for the contract implementation in terms of appointing the contract manager, supervisor, and the commission for work acceptance. The contract's management process is the same as for all other capital projects runed by the municipalities in line with the procurement law and regulations.

Who monitors the execution of projects?

The contract implementation process as carried out by the beneficiary municipalities is regularly monitored by the MLGA. The ministry does so by appointing a specific monitoring commission that oversees the projects in the field if the quantity and quality of the works performed are per the contract and the project's specifications.

Who accepts the deliverables?

The milestone deliverables as well as the final deliverables in the form of the capital investments or assets are accepted by both the beneficiary municipalities and the MLGA. However, they do it independently from each other and only deliverables accepted by the MLGA's commission are paid out by the Ministry.

Who executes the payments?

The ministry pays out the contractor's invoices based on the documentation signed by the MLGA commission proving that the claimed work has been completed in full compliance with the contract. To this end, the invoice/s and all supporting documentation are sent to the MLGA's finance department where they are checked by the certification official. If the invoice/s is in line with the contract, the payment is certified, and the funds are disbursed to the respective contractor.

3.2. The Ministry of Economy and Environment's investments in the municipalities.

Although the MEE has not responded to our meeting request, we were able to confirm it has also developed the formal process and criteria for capital investments in the municipalities. Jointly with GIZ, it runs a separate municipal performance grant scheme for a clean environment. Accordingly, the ministry provides capital grants to municipalities based on their performance with the waste management services. The rewarded grant is earmarked for the acquiring of the waste management related equipment and machinery. The beneficiary municipalities are selected and awarded based on the specific rules that the ministry has developed in cooperation with the MLGA. The rules define the minimum conditions the municipalities should meet to qualify for the grant, and the indicators used for measuring the municipal performance related to the clean environment. It also sets out the principles for the grant allocation, performance evaluation, and the decision-making process. In addition to the generic rules, the ministry has developed another document called technical guidance for the implementation of municipal grants for waste management services. It provides further details regarding the procedures to be followed for the performance grant implementation including the selection criteria, the awarding methodology as well as monitoring and reporting process.

According to the above-stated documentation, the awarded municipalities plan capital projects, to be funded by the ministry's grant, as part of their annual budget process. They carry out the procurement process for the implementation of the capital project and sign the contract. But due to the limited capacities of the beneficiary municipalities, the procurement process is being temporarily conducted by the MEA on behalf of the municipalities.

4. Conclusions

Over the three years between 2018-2020, the 10-line ministries have invested €192.53 million or €64.17 million per year on average in the areas falling within the municipal competencies. The value of such investments has increased compared to the previously studied seven-year period between 2011 and 2017 when the 13-line ministries had invested €44.47 per year on average.

35 municipalities have benefited from these investments although the invested amounts varied significantly. The municipality of Gjakova, Ferizaj, and Peja have received the largest amounts. Whereas Junik, Deçan, and Gjakova have received the largest amounts of investments per capita.

The budget laws for 2019 and 2020 put a legal obligation on the line ministries to apply specific, clear, fair, and transparent criteria for financing or co-financing projects in the municipalities. Those criteria should be previously approved by the central government, and they should take into account the municipal and intermunicipal balanced development in constructing the infrastructure and providing services. Furthermore, the line ministries were required to sign a cooperation agreement with the beneficiary municipalities setting out the roles and responsibilities of both parties regarding the project implementation process.

The MLGA and the MEE have applied specific and transparent criteria for investment in the municipalities. Only the MLGA had them previously approved by the government as required by the budget law for 2020. However, they have both signed the cooperation agreements with the beneficiary municipalities and have invested in a more balanced way in terms of diverse investments in support of less developed municipalities.

When it comes to the remaining eight ministries, there is no evidence that they have developed written criteria for investments as per the budget law requirements. Thus, it is likely that they have continued investing in the municipal competencies following the informal decision-making processes. Such a practice may lead to an uneven distribution of capital funds and thus failing to ensure a balanced development of the capital infrastructure among the municipalities. It also increases the risk of biased decisions favoring some municipalities more than others.

Overall, the lack of formal investment criteria may lead to a conclusion that investments in the municipalities have been influenced by political considerations. The process will continue to be seen as biased and inequitable as long as the investments are made in the absence of any formal procedure. Therefore, the line ministries should address this outstanding issue with urgency.

5. Recommendations

This section contains recommendations for both the ministry of finance as the main sponsor of the annual budget law as well as for the line ministries that have failed to develop criteria for investments in the municipalities. Some of the recommendations from our previous study have not been addressed. We consider their implementation necessary to ensure unbiased and effective investments. Therefore, we have restated some of them in this section of the report.

1. The Ministry of Finance should ensure that the budget law for 2022 and onwards includes a similar provision to that used in budget law 2019, 2020, and 2021 that required the line ministries to develop the formal procedures and criteria for investing capital projects in the municipalities. It should also require a more equitable distribution of funds in pursuit of supporting less developed regions and municipalities. Finally, the same provision should impose the penalty for those line ministries that continue to invest in the absence of the required process and the selection criteria. The penalty may take the form of suspending a certain amount of the budget allocation until the process has been properly established.
2. The line ministries that carry out capital investments in the municipalities should develop policies for such investments. They should outline the main objectives pursued as well as the priority areas for the investments. Such policies should serve as an overall guide for selecting the specific projects for funding.
3. Based on the budget law and the investing policies, the line ministries should develop written procedures and criteria for the investments in the municipalities. The criteria should be specific and measurable to allow the selection of the most suitable projects that will best meet the pursued policy objectives. At the minimum it should include:

    a. Conditions, and eligibility requirements for funding capital projects in municipal competencies.
    b. An open public process for capital investments thereby offering transparent and equal access to funding opportunities for all municipalities.
    c. Specific and measurable criteria for evaluation and selection of the municipal projects for financial support.
    d. A rules-based, fair, and transparent project evaluation procedure ensuring merit-based selection and funding of projects.
    e. Clear process and responsibilities for running the procurement, management, and monitoring of the investments in municipal competencies.

4. In the longer term, both financial and administrative aspects of the capital investments by the line ministries within the municipal competencies should be addressed in the Law on Local Government Finance and/or the Law on Public Financial Management and Accountability. A special provision should be added requiring all ministries to develop

Administrative Instructions outlining the processes for requesting, selecting, and executing capital investment projects that fall within municipal financial responsibility. The provision should also include general requirements and the minimum selection criteria for the investments within the municipal competencies. Whereas additional aspects of these investments may be regulated by the specific legislation for the regional development.

Annex I – Capital Investments from Ministries by Municipality

Capital Investments from Ministries in Municipal competencies 2018 -2020								
YEAR	**2018**		**2019**		**2020**		**Total**	
MUNICIPALITY	**€**	**%**	**€**	**%**	**€**	**%**	**€**	**%**
GJAKOVË	2,828,011	4.6%	13,279,919	15.4%	5,950,244	13.3%	22,058,174	11.5%
FERIZAJ	5,172,317	8.4%	11,167,697	12.9%	3,732,651	8.3%	20,072,666	10.4%
PEJË	7,358,160	12.0%	4,771,856	5.5%	1,739,951	3.9%	13,869,967	7.2%
DEÇAN	3,150,555	5.1%	6,116,976	7.1%	4,517,822	10.1%	13,785,354	7.2%
PRISHTINË	6,147,027	10.0%	5,204,600	6.0%	2,033,584	4.5%	13,385,211	7.0%
MITROVICË	3,343,421	5.5%	4,297,381	5.0%	3,448,994	7.7%	11,089,796	5.8%
PRIZREN	4,028,793	6.6%	2,503,695	2.9%	2,313,484	5.2%	8,845,972	4.6%
GJILAN	2,805,592	4.6%	2,962,176	3.4%	3,075,624	6.9%	8,843,392	4.6%
SKENDERAJ	3,500,190	5.7%	3,281,787	3.8%	1,693,492	3.8%	8,475,469	4.4%
SUHAREKË	1,867,987	3.0%	1,869,346	2.2%	1,501,724	3.4%	5,239,057	2.7%
LIPJAN	1,858,299	3.0%	1,929,755	2.2%	890,941	2.0%	4,678,995	2.4%
KAÇANIK	1,719,862	2.8%	1,636,486	1.9%	1,258,976	2.8%	4,615,324	2.4%
RAHOVEC	1,666,535	2.7%	1,965,181	2.3%	784,736	1.8%	4,416,452	2.3%
KLINË	1,490,010	2.4%	2,003,649	2.3%	863,714	1.9%	4,357,373	2.3%
MALISHEVË	492,534	0.8%	2,510,887	2.9%	1,340,994	3.0%	4,344,415	2.3%
KAMENICË	767,747	1.3%	1,933,069	2.2%	1,477,278	3.3%	4,178,093	2.2%
PODUJEVË	1,335,585	2.2%	1,958,672	2.3%	810,511	1.8%	4,104,768	2.1%
GLLOGOC	1,478,304	2.4%	1,981,551	2.3%	562,297	1.3%	4,022,152	2.1%
VITI	1,443,937	2.4%	1,457,020	1.7%	749,831	1.7%	3,650,788	1.9%
ISTOG	971,947	1.6%	1,216,019	1.4%	1,261,667	2.8%	3,449,632	1.8%
OBILIQ	753,894	1.2%	2,206,131	2.6%	226,433	0.5%	3,186,458	1.7%
JUNIK	626,631	1.0%	1,207,070	1.4%	768,955	1.7%	2,602,656	1.4%
VUSHTRRI	705,085	1.1%	617,190	0.7%	1,216,008	2.7%	2,538,283	1.3%
SHTIME	1,117,755	1.8%	1,002,057	1.2%	218,028	0.5%	2,337,840	1.2%
DRAGASH	548,720	0.9%	712,173	0.8%	209,343	0.5%	1,470,237	0.8%
HANI I ELEZIT	122,464	0.2%	703,397	0.8%	575,187	1.3%	1,401,048	0.7%
ZVEÇAN	489,782	0.8%	863,180	1.0%	18,556	0.0%	1,371,518	0.7%
FUSHË KOSOVË	257,464	0.4%	776,473	0.9%	112,583	0.3%	1,146,520	0.6%
GRAÇANICË	433,540	0.7%	699,236	0.8%	6,202	0.0%	1,138,978	0.6%
SHTËRPCË	115,887	0.2%	186,363	0.2%	-	0.0%	302,250	0.2%
LEPOSAVIQ	-	0.0%	152,892	0.2%	-	0.0%	152,892	0.1%
RANILLUG	-	0.0%	121,912	0.1%	-	0.0%	121,912	0.1%
NOVO BËRD	86,750	0.1%	12,472	0.0%	-	0.0%	99,223	0.1%
PARTESH	-	0.0%	80,000	0.1%	-	0.0%	80,000	0.0%
KLLOKOT	-	0.0%	52,396	0.1%	-	0.0%	52,396	0.0%
MITROVICA VERIORE	-	0.0%	-	0.0%	-	0.0%	-	0.0%
MAMUSHË	-	0.0%	-	0.0%	-	0.0%	-	0.0%
Komuna	2,652,096	4.3%	2,971,668	3.4%	1,424,276	3.2%	7,048,040	3.7%
Total	**61,336,882**	**100.0%**	**86,412,334**	**100.0%**	**44,784,088**	**100.0%**	**192,533,303**	**100.0%**

Annex II – Capital Investments by Ministries per Municipality per Capita

Annex II – Capital Investments by Ministries per Municipality per Capita						
No	Municipality	Per Capita in 2018 (€)	Per Capita in 2018 (€)	Per Capita in 2018 (€)	Total per Capita 2018 - 2020 (€)	Population 2020
1	JUNIK	103	198	126	428	6,084
2	DEÇAN	79	153	113	344	40,019
3	GJAKOVË	30	140	63	233	94,556
4	FERIZAJ	48	103	34	185	108,610
5	ZVEÇAN	65	115	2	183	7,481
6	SKENDERAJ	69	65	33	167	50,858
7	MITROVICË	46	60	48	154	71,909
8	HANI I ELEZIT	13	75	61	149	9,403
9	OBILIQ	35	102	11	148	21,549
10	PEJË	76	49	18	144	96,450
11	KAÇANIK	51	49	38	138	33,409
12	KAMENICË	21	54	41	116	36,085
13	KLINË	39	52	22	113	38,496
14	GRAÇANICË	41	66	1	107	10,675
15	GJILAN	31	33	34	98	90,178
16	ISTOG	25	31	32	88	39,289
17	SUHAREKË	31	31	25	88	59,722
18	SHTIME	41	37	8	86	27,324
19	LIPJAN	32	33	15	81	57,605
20	MALISHEVË	9	46	25	80	54,613
21	RAHOVEC	30	35	14	79	56,208
22	VITI	31	31	16	78	46,987
23	GLLOGOC	25	34	10	69	58,531
24	PRISHTINË	31	26	10	67	198,897
25	PRIZREN	23	14	13	50	177,781
26	PODUJEVË	15	22	9	46	88,499
27	PARTESH	-	45	-	45	1,787
28	SHTËRPCË	17	27	-	43	6,949
29	DRAGASH	16	21	6	43	33,997
30	VUSHTRRI	10	9	17	36	69,870
31	FUSHË KOSOVË	7	22	3	33	34,827
32	RANILLUG	-	32	-	32	3,866
33	KLLOKOT	-	20	-	20	2,556
34	NOVO BËRD	13	2	-	15	6,729
35	LEPOSAVIQ	-	11	-	11	13,773

Annex III – Ministry Capital Expenditure in Municipal Competency Areas in 2018-2020 and 2011-2017

Ministry Capital expenditure in Municipal Competencz areas

MINISTRY	2018		2019		2020		Total 2018 - 2020	
	€	%	€	%	€	%	€	%
Infrastructure	25,752,580	42.0%	44,011,841	50.9%	20,086,843	44.9%	**89,851,264**	**46.7%**
Education, Science and Technology	7,659,843	12.5%	12,134,130	14.0%	10,139,957	22.6%	**29,933,930**	**15.5%**
Culture, Youth and Sport	11,724,087	19.1%	10,790,726	12.5%	6,039,403	13.5%	**28,554,217**	**14.8%**
Environment and Spatial Planning	9,799,974	16.0%	10,728,202	12.4%	0	0.0%	**20,528,176**	**10.7%**
Public Administration	3,246,775	5.3%	3,344,183	3.9%	0	0.0%	**6,590,958**	**3.4%**
Economy and Environment	0	0.0%	0	0.0%	6,493,952	14.5%	**6,493,952**	**3.4%**
Health	2,126,726	3.5%	2,685,730	3.1%	526,895	1.2%	**5,339,351**	**2.8%**
Ministry of Local Government Administration	385,182	0.6%	1,898,886	2.2%	1,469,703	3.3%	**3,753,771**	**1.9%**
Ministry of Labor and Social Welfare	544,593	0.9%	747,757	0.9%	27,335	0.1%	**1,319,685**	**0.7%**
Agriculture and Rural Development	97,127	0.2%	70,880	0.1%	0	0.0%	**168,007**	**0.1%**
TOTAL	**61,336,888**	**100.0%**	**86,412,336**	**100%**	**44,784,088**	**100.0%**	**192,533,312**	**100.0%**

Ministry Capital Expenditure in Municipal Competency Areas

MINISTRY	2011		2012		2013		2014		2015		2016		2017		Total	
	ooo €	%	ooo €	%	ooo €	%	ooo €	%	ooo €	%	ooo €	%	ooo €	%	ooo €	%
Infrastructure	13,564	33.20%	11,728	32.90%	19,720	45.40%	30,255	59.30%	23,358	52.10%	21,491	49.70%	28,316	54.00%	**148,434**	**47.70%**
Education, Science and Technology	15,152	37.10%	13,615	38.20%	13,480	31.00%	12,531	24.60%	5,217	11.60%	5,178	12.00%	4,917	9.40%	**70,090**	**22.50%**
Culture, Youth and Sport	3,386	8.30%	3,824	10.70%	2,659	6.10%	2,907	5.70%	4,449	9.90%	3,297	7.60%	7,675	14.60%	**28,198**	**9.10%**
Government Administration	5,044	12.40%	3,407	9.60%	2,662	6.10%	641	1.30%	2,292	5.10%	2,922	6.80%	2,953	5.60%	**19,922**	**6.40%**
Environment and Spatial Planning	2,251	5.50%	1,418	4.00%	1,492	3.40%	2,164	4.20%	3,105	6.90%	2,510	5.80%	4,645	8.90%	**17,586**	**5.60%**
Economic Development	1,039	2.50%	1,006	2.80%	2,192	5.00%	1,466	2.90%	851	1.90%	5,247	12.10%	194	0.40%	**11,996**	**3.90%**
Public Administration	-	0.00%	-	0.00%	-	0.00%	-	0.00%	913	2.00%	1,452	3.40%	2,584	4.90%	**4,950**	**1.60%**
Health	368	0.90%	257	0.70%	634	1.50%	502	1.00%	2,022	4.50%	487	1.10%	429	0.80%	**4,698**	**1.50%**
Communities and Return	-	0.00%	-	0.00%	-	0.00%	-	0.00%	2,422	5.40%	199	0.50%	-	0.00%	**2,621**	**0.80%**
Labor and Social Welfare	-	0.00%	381	1.10%	427	1.00%	573	1.10%	201	0.40%	245	0.60%	421	0.80%	**2,249**	**0.70%**
Agriculture, Forestry and Rural Development	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	171	0.40%	282	0.50%	**453**	**0.10%**
Finance	-	0.00%	-	0.00%	179	0.40%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	**179**	**0.10%**
TOTAL	**40,804**	**100.00%**	**35,636**	**100.00%**	**43,445**	**100.00%**	**51,039**	**100.00%**	**44,832**	**100.00%**	**43,201**	**100.00%**	**52,417**	**100.00%**	**311,374**	**100.00%**

Annex IV – Line ministries Capital Expenditure in Municipal Competencies as a % of their budget for Capital Investments

Line Ministries capital investments in municipal competencies as % of budget for capital investments									
MINISTRY	2018		2019		2020		Total 2011 - 2017		%
	Allocated Budget for CI	CI in municipal competencies	Allocated Budget for CI	CI in municipal competencies	Allocated Budget for CI	CI in municipal competencies	Allocated Budget for CI	CI in municipal competencies	
	ooo€	ooo€	ooo€	ooo€	ooo€	ooo€	ooo€	ooo€	
Infrastructure	300,370	25,752	288,854	44,012	141,361	20,087	**730,585**	**89,851**	**12.3%**
Education, Technology and Science	21,702	7,660	24,496	12,134	19,531	10,140	**65,729**	**29,934**	**45.5%**
Culture, Youth and Sport	14,374	11,724	21,725	10,791	14,748	6,039	**50,847**	**28,554**	**56.2%**
Environment and Spatial Planning	39,945	9,800	55,530	10,728	0	0	**95,475**	**20,528**	**21.5%**
Public Administration	10,270	3,247	15,865	3,344	0	0	**26,135**	**6,591**	**25.2%**
Economy and Environment	0	0	0	0	68,725	6,494	**68,725**	**6,494**	**9.4%**
Health	5,324	2,127	10,995	2,686	41,310	527	**57,629**	**5,340**	**9.3%**
Local Government Administration	3,518	385	10,686	1,899	2,209	1,470	**16,413**	**3,754**	**22.9%**
Labour and Social Welfare	738	544	3,990	747	2,140	27	**6,868**	**1,318**	**19.2%**
Agriculture and Rural Development	5,276	97	5,450	71	3,573	0	**14,299**	**168**	**1.2%**
TOTAL	**401,517**	**61,336**	**437,591**	**86,412**	**293,597**	**44,784**	**1,132,705**	**192,532**	**17.0%**

REPORT ON CAPITAL INVESTMENTS
BY THE LINE MINISTRIES IN
MUNICIPAL COMPETENCIES
FOR THE PERIOD 2018 - 2020