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HELVETAS

PLANNING, PROJECT DEVELOPMENT AND CONTRACT MANAGEMENT IN MUNICIPALITIES



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Contents

- 1. Introduction 5
 - 1.1. Background and Context 6
- 2. Executive Summary..... 11
- 3. Methodology 17
 - 3.1. Data collection..... 17
 - 3.2. Restrictions 17
 - 3.3. Approach in target selection..... 18
- 4. Analysis of the Legal Framework.....19
 - 4.1. Overview of Relevant Laws and Policies 19
 - 4.2. Gaps and Overlaps 21
 - 4.3. Capacity Limitations 30
- 5. Evidence and data35
 - 5.1. Performance in Local Economic Development..... 36
 - 5.2. Central Level Investments in Municipalities 37
 - 5.3. Cases/Examples - Problems in the Implementation of Projects by Ministries, Enterprises and Network Operators in Municipalities 40
 - 5.4. Investment Prioritization and Project Design 42
 - 5.5. Budget Drafting Process 47
 - 5.6. Procurement..... 50
 - 5.7. Contract management 53
- 6. Challenges in Strategic Planning, Project Development and Contract Management61
- 7. Conclusions.....63
- 8. Recommendations.....65

Abbreviations:

PAK - Privatization Agency of Kosovo
EMA - Emergency Management Agency
WSRA – Water Services Regulatory Authority
FVA - Food and Veterinary Agency
MTF – Medium Term Budget Framework
MTEF - Medium Term Expenditure Framework
KEDS – Kosovo Electricity Distribution Company
RWC – Regional Waste Company
PPRC – Public Procurement Regulatory Commission
RWSC – Regional Water Supply Company
LLGF – Law on Local Government Finances
LPFMA - Law on Public Financial Management and Accountability
LPP - Law on Public Procurement
LLSG – Law on Local Self-Government
MAFRD – Ministry of Agriculture, Forestry and Rural Development
MFLT - Ministry of Finance, Labor and Transfers
MIET – Ministry of Industry, Entrepreneurship and Trade
MESPI – Ministry of Environment, Spatial Planning and Infrastructure
BO - Budgetary Organizations
EO – Economic Operators
PRB – Procurement Review Body
KOSTT – Electricity Transmission System and Market Operator
PIP - Public Investment Program
NPLED 2030 – National Program for Local Economic Development 2030
UDP – Urban Development Plan
MDP – Municipal Development Plan
NDS 2030 - National Development Strategy 2030
SLSG 2016-2026 – Strategy on Local Self-Government 2016-2026
SLED – Strategy for Local Economic Development
NAO - National Audit Office
CAO – Chief Administrative Officer



1. Introduction

This document outlines a comprehensive analysis of the strategic planning, project development and contract management processes in Kosovo municipalities, as well as interaction with institutions and actors of these areas. The analysis aims to address a wide range of challenges, ranging from limitations in administrative capacities to structural and procedural issues that hinder effective functioning of municipalities.

The document also aims to identify possibilities for improvement, with the aim of creating a more effective and citizen-oriented governance. Its structure contains eight sections that build a complete overview of the current situation and the approach for improvement:

- **Section One** establishes the framework for discussion, emphasizing the importance of strategic planning, project development and contract management as fundamental pillars for local governance;
- **Section Two** defines the main purpose of the analysis, provides a general summary and presents key recommendations for improvement;
- **Section Three** describes the methodology used for the analysis. At the same time, it explains the approach to target selection and limitations presented in the process;
- **Section Four** deals with a detailed analysis of the legal framework that regulates the processes addressed, as well as highlighting gaps and overlaps in legal, structural and financial aspects;
- **Section Five** presents the main findings of the analysis and empirical data collected. The findings are classified into three main dimensions: levels at which issues arise; main obstacles affecting the processes; and the way these challenges are reflected in practice;
- **Section Six** focuses on identifying specific links where challenges arise during planning, project development and contract management;
- **Section Seven** provides a summary of conclusions of weaknesses and shortcomings identified during the analysis;
- **Section Eight**, the final part of the document, contains structured recommendations directly related to the findings and conclusions.

This document provides an in-depth and structured analysis for the actors involved in strategic planning, project development and contract management processes. At the same time, it provides a structure and possibilities for the engagement of institutions, stakeholders, partners and donors, enabling structural interventions and actions to support sustainable development and improve local governance processes.

For the general public, the analysis provides a comprehensive approach to familiarize themselves with the challenges and opportunities for advancing local governance, with a focus on increasing citizen ownership of local policies. This enables citizens and various stakeholder groups to better understand the mechanisms of governance and how they can contribute to improving life in their communities.

1.1. Background and Context

A summary of the importance of strategic planning, project development and contract management in municipal governance.

In a one-level system of governance (*government-municipality*), municipalities are the first address where citizens receive services. This level of governance is responsible for drafting and implementing policies and providing basic services at the level closest to citizens, playing a key role in providing public services, ensuring social welfare and local economic development. However, the effective functioning of local governance in Kosovo faces numerous challenges, including limitations of competencies, institutional interdependencies and lack of harmonization between governance levels. Processes, such as strategic planning, project development and contract management, constitute some of the important pillars of local governance, but they are limited by institutional, legal and financial weaknesses.

Although the Law on Local Self-Government¹ has defined the autonomy and own competencies of municipalities, these competencies are continuously undermined in several ways and at several levels, including legal, structural, operational and administrative. In legal aspect, although the Law on Local Self-Government has provided for local economic development, urban and rural planning, land use for development, provision and maintenance of public and municipal services, including water supply, sewerage, drainage, wastewater treatment and waste management, sectoral laws often limit the exercise of municipalities' competencies.

In cases where a municipality drafts development plans and aims to regulate riverbeds to reduce the risk, it faces various restrictions from the relevant authorities. Similarly, when planning the expansion of the water supply network or construction of a water supply system, it must take into account the restrictions from the Water Services Regulatory Authority (WSRA)² and the Law on Publicly Owned Enterprises. When a municipality plans to construct collector plants, it must also take into account specific environmental protection agencies. Although water supply is defined as own competence according to the Law on Local Self-Government, for most of them this competence has been tacitly transferred to regional enterprises with the status of central enterprises, under the Law on Publicly Owned Enterprises³. Whereas, for the licensing of suppliers is responsible the Water Services Regulatory Authority (WSRA) according to the Law for Regulation of Water Services⁴. This entire complex line creates uncertainty regarding the investments and management of municipalities and enterprises in this service. The same situation occurs with other regional enterprises, such as waste management companies.

When municipalities are involved in planning or improving waste management, they face constraints imposed by the Law on Publicly Owned Enterprises and the operating context. To establish a local public enterprise, a municipality must obtain government approval; a process that is often delayed due to bureaucratic procedures, and must also consider the effects this may have on the enterprise in which it is a shareholder. Similar constraints are also encountered in the management

1 <https://gzk.rks-gov.net/ActDetail.aspx?ActID=2530>

2 https://www.arru-rks.org/assets/cms/uploads/files/Legislacioni/Korniza%20Ligjore/ARRU_2016_05-L-042%20sh.pdf

3 <https://gzk.rks-gov.net/ActDetail.aspx?ActID=2547>

4 https://www.arru-rks.org/assets/cms/uploads/files/Legislacioni/Korniza%20Ligjore/ARRU_2016_05-L-042%20sh.pdf

of properties (assets) designated as development priorities, where in some cases, they are managed by institutions such as the Privatization Agency of Kosovo or the Forestry Agency.

These limitations negatively affect also in the implementation and evaluation of municipal strategic plans. As a result of interdependence, municipalities do not achieve satisfactory levels of plan implementation, and consequently affect the evaluation of municipal performance. Regarding operational and administrative capacities, municipalities often face major challenges when planning capital investment projects, such as: construction of water supply system, plants, collectors or tourist and economic zones. There are cases where projects are designed, but their operationalization is delayed for years, due to delays in the transfer of management to regional enterprises or management by independent and executive agencies.

Another challenge is related to administrative capacities for drafting, implementing and evaluating development plans. Often municipalities contract companies to draft strategic documents, but these companies do not take into account sufficiently the local context, developing documents that are good on paper but non-implementable in practice. Municipalities also do not have a clear set of strategic priorities and actions, and there is a lack of a framework for monitoring their implementation. Until now, there has been a Guideline⁵, which was based on the Manual for Planning, Drafting and Monitoring Strategic Documents⁶, but, as such, its use has remained unclear after the repeal of the Administrative Instruction on Planning and Drafting Strategic Documents and Action Plans⁷.

Municipalities, when drafting strategic documents and action plans, face with two choices: to adapt strategic objectives to the already planned financing, so that the strategy falls behind financial projections, or to create new development visions. However, they are often limited by the requirement of evaluation, by determining the values of planned projects, and in fact, for many of them, such as collectors, plants, economic zones, they are not known and require feasibility studies. Therefore, the development of infrastructure and development projects faces with various obstacles, such as legal ones and strict budgetary frameworks. Referring to the data, 84.60% of the municipal budget originates from government grants, while only 15.40% from own revenues⁸. This fact shows the pronounced dependence of municipalities on the central government and limits the possibilities of local development. In particular, it is challenging for municipalities with large territories and small populations, such as Kamenicë/Kamenica, which faces even more pronounced difficulties, as a result of the need for infrastructure expansion, and the financing formula set at 89% per number of inhabitants. Similar difficulties appear in calculations for personnel, capital investments and maintenance in education and the organization of health services.

Shortcomings in pursuing strategic objectives through projects often stem from the unclear division of areas of responsibility between the ministries themselves and with the municipalities, where different ministries invest in the same areas, such as social housing, asphaltting of local roads, or administrative buildings. A particular challenge is related to development projects, where the lack of specialized offices in municipalities for the design and management of projects makes it difficult to access development funds.

In contract management, a major challenge is the lack of drafting/design officers and, consequently, often lack of contracted companies, who only set the bill of quantity. However, even in cases where drafting of projects is contracted, significant shortcomings are identified during implementation. As a result, there are also changes in project positions, additional work, which often occur without

5 klgi-ks.com/wp-content/uploads/2022/12/Guide-for-Drafting-Strategy-for-Local-Economic-Development-1-1.pdf

6 <https://kryeministri.rks-gov.net/wp-content/uploads/2022/05/MANUAL-PER-PLANIFIKIM-IN-HARTIMIN-DHE-MONITORIMIN-E-DOKUMENTEVE-STRATEGJIKE-DE-THEIR-PLANE-VE-TE-TYRE-TE-PRIMIT.pdf>

7 <https://gzk.rks-gov.net/ActDetail.aspx?ActID=18813>

8 <https://gzk.rks-gov.net/ActDetail.aspx?ActID=85052>

approval, creating delays and additional budget spending. While the shortcomings encountered in contract management, starting from changes over 10% without procurement procedures and delays in payments, damage the implementation of projects and their quality, this becomes even more challenging in contract management through the module on the e-procurement platform, where municipal officials often have difficulties in managing these processes due to lack of training, support with full technical and professional capacities and limited access to the contract management module in e-procurement.

While economic operators, as a result of low level of preparation of the administration, are not willing to follow the municipalities in these 'bureaucratic' procedures, where a significant part of the communications falls outside the relevant module.

A not-so-good situation is reflected in the payment and registration of assets, where more than half of unpaid invoices are over 30 days old. As a result, payments are often obtained through court decisions and enforcement procedures. Meanwhile, the registration of assets as a result of deficiencies in the regulations and as a result of the acceptance as total expenditure⁹ is often faced with over- or under-estimations of assets and property. A final challenge is related to the impact of collective contracts, which are blocking municipal budgets, and consequently are challenging municipalities in reducing investments and providing municipal services.

Importance for municipal autonomy and service delivery in Kosovo

The autonomy of municipalities is an essential element for building a sustainable system of local self-government, ensuring governance closer to citizens and provision of services in line with local needs. At its core, municipal autonomy is based on the idea that municipalities, as the basic unit of local governance, should have the freedom to decide on issues that directly affect their communities. This principle is closely linked to democratic development and increased accountability of government to citizens. In Kosovo, **the Law on Local Self-Government (LLSG)** has established a clear framework for the exercise of municipal competencies and responsibilities, aiming to strengthen their autonomy in key areas such as: local economic development, urban and rural planning, health, education and the provision of public services.

However, despite this legal framework, practice shows that there are numerous obstacles that limit the real autonomy of municipalities. One of the biggest challenges is the lack of involvement of municipalities in the processes of drafting legislation and policies that directly affect their functioning. Despite the principles set out in **the European Charter of Local Self-Government**¹⁰, which requires full and inclusive consultations with local bodies, municipalities have often been left out of decision-making processes at the central level. Sectoral strategies and laws are often drafted without sufficient involvement of municipalities, leading to an arbitrary top-down approach, without municipal ownership, and consequently with poor implementation in the field.

This lack of involvement has created gaps in the development of policies that reflect local needs and priorities. Furthermore, **the Strategy for Local Self-Government (2016–2026)**¹¹ highlights significant shortcomings in coordination and dialogue between the central and local levels, underlining that this has led to partial and unclear implementation of policies at the local level. As a result, municipalities often face difficulties in addressing citizens' demands, as central decision-making

9 According to the total value paid and not in a separate assessment (for example, the school building is accepted as a total and not separately, and furniture);

10 <https://rm.coe.int/168071afe8>

11 https://mapl.rks-gov.net/wp-content/uploads/2017/10/Strategjia_liber_tri-gjuhe_finale-2016-1.pdf

processes do not sufficiently reflect local contexts.

Another major challenge to municipal autonomy is the lack of alignment between the Law on Local Self-Government (LLSG) and sectoral laws. While the LLSG sets out a broad framework of competencies for municipalities, many sectoral laws impose significant limitations that diminish this autonomy.

Municipalities are responsible for a wide range of competences, including important local services, such as water supply and waste management. However, these services are in most cases provided by regional water supply companies and regional waste management companies. Municipalities, although responsible for planning and organizing services for their citizens, do not directly manage these services, as they are managed by these regional companies¹². Regional water supply companies are responsible for the supply of drinking water to some municipalities, similarly to companies that manage waste¹³. This centralization has led to a situation where, although municipalities invest in the infrastructure for these services, their management is not fully controlled by municipalities.

In addition to their own competences, municipalities are often empowered with delegated competences that require sufficient support and resources, but these are not always given together with tasks. For example, municipalities are often overloaded with tasks, such as business registration, cadastral registration and management of subsidy applications in relevant ministries, such as the Ministry of Agriculture and Rural Development (MAFRD)¹⁴. Although these are responsibilities delegated to municipalities, they are not always supported with sufficient financial, administrative and technical resources, which make it difficult to perform these tasks efficiently.

Regarding centralized competencies, some important services, such as firefighters, sanitary inspectors, market inspectors, and phytosanitary inspectors, are managed by central-level agencies, such as the Emergency Management Agency (EMA), the Food and Veterinary Agency (FVA), and Market Inspectorate within the Ministry of Industry, Entrepreneurship and Trade (MIET)¹⁵. These agencies are responsible for the operation and management of these services, while the payment of staff has remained the responsibility of municipalities, as the Law on Local Government Finance (LLGF) has not yet regulated the withdrawal of funding for these competencies, which have been centralized. This has led to a situation where municipalities have to cover the costs of these services, although their management is centralized and they do not have full control over them.

In this context, although the LLSG and the Strategy on Local Self-Government aim to promote broader autonomy for municipalities, the reality shows that this autonomy remains limited by a series of institutional, legal, financial and operational factors.

12 <https://gzk.rks-gov.net/ActDetail.aspx?ActID=2547>

13 Ibid. (list of central, regional and local enterprises)

14 <https://gzk.rks-gov.net/ActDetail.aspx?ActID=2530>

15 <https://kryeministri.rks-gov.net/wp-content/uploads/2022/05/Koncept-Dokumenti-per-Financat-e-Pushtetit-Lokal.pdf>



2. Executive Summary

■ Purpose of the study

The purpose of the study is to identify and analyse main challenges that limit effective functioning of municipalities in Kosovo, with a focus on strategic planning processes, project development and contract management. The analysis aims to provide a clear overview of existing shortcomings, extract relevant data and evidence, and provide summarized findings that may help in designing measures to improve the situation.

Strategic planning is a necessary process to guide sustainable development and ensure that public resources are used efficiently. The legal framework for this process is provided for by **Law on Local Self-Government** and **Law on Spatial Planning**¹⁶, which obliges municipalities to draft Municipal Development Plans (MDPs) and Urban Development Plans (UDPs). These documents define the main directions of economic, social, and spatial development and are an important basis for coordination between governance levels. The data from **the National Program for Local Economic Development 2030 (NPLED 2030)**¹⁷ show that at the time of the analysis, only 12 municipalities had MDPs approved and in force. This lack of basic strategic planning documents constitutes a major obstacle to local governance and sustainable development at the municipal level.

However, out of nine (9) municipalities¹⁸ selected as a sample for the analysis, it appears that 3 municipalities currently have drafted MDPs, 4 municipalities have not drafted them, and 1 municipality reported that Ministry of Environment, Spatial Planning and Infrastructure has approved the MDP, but additional discussion is needed, whereas 1 other municipality reported that they have been awaiting approval by the Ministry of Environment, Spatial Planning and Infrastructure for more than a year. As regards to SDGs: 3 municipalities have approved them, 5 municipalities have not approved them. Similarly, 1 municipality has approved the strategy at the municipal assembly, but is awaiting confirmation of its legality from the MLGA. This provides an overview of the municipalities' capacities to draft strategic documents, as required by the laws in force, without creating a regulatory vacuum in these areas.

Municipal Performance Reports show that the local economic development plan in 2022¹⁹ was fulfilled by municipalities at a level of 21.67%, while in 2023²⁰, there is an increase to 56.75

or by
16 <https://gzk.rks-gov.net/ActDetail.aspx?ActID=8865>

17 <https://mapl.rks-gov.net/wp-content/uploads/2023/10/PROGRAMI-NACIONAL-PER-DEZVILLIM-EKONOMIK-LOKAL-2030-1.pdf>

18 Drenas/Glogovac, Fushë Kosovë/Kosovo Polje, Lipjan/Lipljan, Obiliq/Obilic, Vushtrri/Vucitrn, Rahovec/Orahovac, Junik, Ranilug/Raniluk, Mamushë/Mamusha

19 <https://mapl.rks-gov.net/wp-content/uploads/2023/12/ALB-Raporti-i-Performances-Komunale-2022.pdf>

20 <https://mapl.rks-gov.net/wp-content/uploads/2024/07/Raporti-performances-Komunale-2023-final-18.07.2024.pdf>

35.08% more, however, it is still required to reflect on the challenges in this area. Furthermore, the **NPLED 2030**²¹ emphasizes that local economic development is not considered among the main priorities of municipalities. Only less than half of the municipalities have local economic development strategies, and of them, 86.7% report that they monitor strategies regularly. However, there is no unified framework for measuring implementation of activities and the impact on objectives.

The absence of MDPs or their limited implementation reflects the institutional weaknesses of municipalities, including a lack of technical capacity and financial resources. Even in cases where these plans have been drafted, they often remain only paper documents due to challenges in operationalizing them with projects, financing, and the lack of mechanisms for evaluating and monitoring implementation. This situation is also negatively affected by the ability of municipalities to secure financing for development projects or to align their priorities with national strategies, such as **the National Development Strategy 2030 (NDS-2030)**²². The NDS-2030 requires municipalities to integrate national priorities and sustainable development goals into their strategic plans. Therefore, aligning these plans with national priorities and creating a unified framework remains a critical challenge.

To improve the current situation, it is necessary to take some concrete measures that include clarifying legal and administrative procedures and defining clear obligations for all parties involved in the process. An essential element for improving the situation is the establishment of a national coordinating body. The main function of this body will be supporting municipalities in the planning process and drafting strategic documents and plans. Hence, standardization and a unified approach will be established at all levels of local governance, improving the efficiency and quality of these documents.

In addition to drafting, this coordinating body will play a key role in the operationalization of strategic plans, increasing inter-institutional coordination and ensuring that implementation is synchronized and in line with national and local objectives. At the same time, it will assist municipalities in assessing and monitoring the fulfilment of plans, and adapting them to changes arising from specific needs or new circumstances.

Meanwhile, **project development** is an important link that connects strategic planning with practical implementation. This process includes identifying community needs, drafting detailed projects and securing financial resources for their implementation. **The Law on Public Financial Management and Accountability**,²³ through the Administrative Instruction on Selection Criteria and Prioritization of Capital Projects²⁴ requires that every capital project be based on clear projections and secure financial commitments. However, many municipalities face major challenges in this regard. **The Annual Audit Report (2022)**²⁵ highlights that infrastructure projects, such as road construction and stadiums, have been accompanied by numerous shortcomings from planning to project implementation.

Furthermore, the influence of regional enterprises and national operators often creates delays and conflicts in the implementation of municipal projects. For example, infrastructure interventions, such as those in energy or water supply systems, require approvals and works from these operators, which often do not harmonize priorities or deadlines with those of the municipalities. This interdependence negatively affects the quality and duration of the capital projects implementation.

21 <https://mapl.rks-gov.net/wp-content/uploads/2023/10/PROGRAMI-NACIONAL-PER-DEZVILLIM-EKONOMIK-LOKAL-2030-1.pdf>

22 <https://kryeministri.rks-gov.net/wp-content/uploads/2023/03/06032023-Strategjia-dhe-Plani-Kombetare-per-Zhvillim-2030.pdf>

23 <https://gzk.rks-gov.net/ActDetail.aspx?ActID=2524>

24 <https://gzk.rks-gov.net/ActDetail.aspx?ActID=21946>

25 <https://zka-rks.org/cms/uploads/2023/08/Raporti-Vjetor-i-Auditimit-2022-shqip.pdf>

A major challenge remains distribution of capital investments from the central level, due to the lack of clear criteria for a fair and balanced distribution of investments. This, together with the lack of inter-institutional coordination and inter-municipal initiatives, has left several key challenges unresolved, such as: wastewater collectors, landfill and plant management, as well as regional development (tourism, economic zones) and inter-municipal public services. These challenges, in addition to lengthy procurement procedures, property issues and poor capacities of economic operators, are making it difficult to complete projects and spend financial resources efficiently.

Another obstacle is the lack of technical and professional capacities to draft municipal development projects. **The NPLED 2030** emphasizes that the administrative and technical capacities of municipalities are insufficient to prepare competitive projects and benefit from international funds such as IPA III.²⁶ This shortage is particularly pronounced in small municipalities, which often have limited staff and insufficient resources to cope with funding demands from donors or development funds.

Regarding professional capacities, **the NPLED 2030**²⁷ data show that they are insufficient in municipal institutions, where only 21.6% of directors, civil servants and members of municipal assemblies consider that they have the necessary capacities to draft local economic development strategies. The situation worsens when it comes to drafting projects to attract funds from foreign donors, where many municipalities suffer from a lack of qualified personnel in some departments. At the same time, some municipalities have excess personnel that are not managed properly. On the other hand, 67.7% of municipalities consider the capacity for drafting projects satisfactory, while 19.4% consider it as average, and 12.9% as poor, although these data may be subjective.

The relation with strategic actions and plans is emphasized in the framework of **the NPLED 2030**²⁸, where objective 4 - Effective and cooperative economic governance, is closely linked to specific objectives 4.1, 4.2, 4.3 and 4.4 of this program, as well as with **Goal (X) of the National Development Strategy (NDS)** and **National Development Plan (NDP)**, for the creation of effective and accountable governments.

To improve the project development process, it is necessary to clearly define the scope of budget cycles, including planning, development and reporting from budget hearings, as well as the rigorous implementation of relevant administrative instructions²⁹. Another important measure is establishment of a partnership body³⁰ between municipalities, regional enterprises and the central level. This body would help create an integrated approach to address the needs in infrastructure development, investments in tourism potential and economic development of the regions. To foster this cooperation and improve planning in these areas, it is recommended to create a development fund for joint projects, involving development partners and donors in this process.

In addition, prioritizing capital investments and development projects requires building adequate structures and strengthening capacities in municipal planning. This includes two main components: infrastructure development and promotion of sustainable development. In this regard, establishing of specialized municipal offices or teams for the identification, design, implementation, evaluation

26 <https://mapl.rks-gov.net/wp-content/uploads/2023/10/PROGRAMI-NACIONAL-PER-DEZVILLIM-EKONOMIK-LO-KAL-2030-1.pdf>

27 <https://mapl.rks-gov.net/wp-content/uploads/2023/10/PROGRAMI-NACIONAL-PER-DEZVILLIM-EKONOMIK-LO-KAL-2030-1.pdf>

28 Ibid.

29 [for the definition of capital projects and the classification of capital project expenditures ; for the selection criteria and prioritization of capital projects ; for the allocation of funds and cash flow management and the regulation for the management of non-financial assets in budgetary organizations ;](#)

30 Where consultations, technical, professional and operational support are offered

and monitoring of projects is essential. These teams/offices should also coordinate closely with the central level in the programming and application of projects.

Contract management, preceded by procurement and concluded as a cycle with payments and asset registrations is a critical component of local governance, directly influencing the improvement of quality in infrastructure and services. **Law on Public Procurement**³¹ set out standards for the procurement process, including drafting, awarding and monitoring of contracts. However, audit reports show weaknesses in this process, such as unauthorized changes to contracts, without signed management plans, changes above 10% value without procurement procedures, where payments for unfinished work and poor supervision also remain problematic at the local level.

Regarding the Contract Management Module³² within **the Electronic Procurement System (e-procurement)**, evidence show that the use of this module at the local level remains limited, where in the previous three years it has not reached the values of 50% (2021 – 45.5%; 2022 – 40.6% and 2023 – 40.2%)³³. In many cases, municipalities do not use this module fully, by not recording changes in contracts or the progress of projects. According to data from the Analysis – Contract Management Module³⁴, it appears that, in 2023, the module had: 2.7% evaluated contracts, 4% ongoing contracts and 93.2% unevaluated contracts. The lack of staff training, limitations encountered by economic operators to access the platform and in some cases technical issues with the platform appear to be some of the main reasons for this situation.

As a result of poor financial and contract management, referring to **the Annual Audit Report (2023)**³⁵, it appears that: in 15 audit reports was issued an unmodified opinion, while in 23 reports a modified opinion was issued. For the audited municipalities, expressed in percentage, 60% of the audit opinions are modified, compared to 2022 (modified opinions were 47%), with a negative trend in audit opinions by 13%. This means that, still a considerable number of Budget Organizations have problems with the presentation, reporting and disclosure of information required in their Annual Financial Plans.

In Annex (1) of the Treasury Annual Financial Report 2022³⁶ on the progress in implementing the recommendations given in **the Annual Audit Report 2021**, it appears that the recommendation to the Ministry of Finance, Labor and Transfers to ensure that the planning of capital projects is subject to an analysis of the organization's capacities for project management in accordance with the initial plans remains unimplemented. It is emphasized that audits in project planning and budget execution should be strengthened, in order to implement projects on time and achieve objectives, and also that alignment of cash flow with project planning is necessary, to address the low levels of financial implementation of capital projects.

Referring also to the Annual Municipal Performance Grant Report (2022), it appears that over half of the municipalities had not met the fourth condition (IV) of the Municipal Performance Report, which is related to spending over 75% of the budget in the capital expenditure category. Meanwhile, regarding the third condition (III), where the audit opinion must be at least unmodified with an emphasis of matter, it appears that 47.3% of the municipalities had not met this condition.

To address the challenges in a broader and integrated manner, it is recommended to conduct a full assessment of all the links that affect delays and obstacles in the procurement process, as well as

31 <https://gzk.rks.gov.net/ActDetail.aspx?ActID=2772>

32 <https://e-prokurimi.rks.gov.net/HOME/ClanakItemNew.aspx?id=449>

33 https://e-prokurimi.rks.gov.net/HOME/Documents/Raportet/Analiza_Finale_Moduli_i_Manaxhimit_te_Kontrates_Final.pdf

34 https://e-prokurimi.rks.gov.net/HOME/Documents/Raportet/Analiza_Finale_Moduli_i_Manaxhimit_te_Kontrates_Final.pdf

35 https://zka-rks.org/cms/ReportFiles/2024_24e084aa-f75c-4c23-9828-fd8dea53fe6b.pdf

36 [Annual Financial Report 2022.pdf](#)

to define national standards for construction, operation and service provision. It is also necessary to draft a scheme that describes in detail how contract management occurs in the municipal environment, taking into account the limitations present, such as those of communication between economic operators and municipal units or officials. To ensure a complete picture of the process, it is important that contract management is closely linked to fund allocations and cash flow, integrating this process within the contract management and performance evaluation module.



3. Methodology

3.1. Data collection

The methodology used is based on a combination of qualitative and quantitative methods to provide a comprehensive analysis of the performance and capacities of municipalities. Qualitative methods include interviews and focus group discussions with municipal officials, experts and representatives of central level, regional agencies and enterprises, providing detailed insights regarding planning, development and implementation of projects, and challenges of inter-institutional interaction. Quantitative methods were based on the analysis of statistical and financial data from institutional reports, including indicators on the implementation of capital projects and budget expenditures.

The review of legal and strategic documents included the Law on Local Self-Government, Law on Public Financial Management and Accountability, Law on Local Government Finance, Law on Spatial Planning, Law on Balanced Regional Development, as well as other laws affecting municipal services or functions, and reports of the National Audit Office, were used to identify key challenges and build the basis for the analysis. National strategies and municipal performance reports were reviewed to assess the interaction between local and central levels.

3.2. Restrictions

The analysis had a broad scope, as a result of which the limitations were also stratified, such as:

- The main challenge was to identify legal conflicts and interdependencies in the exercise of competences. To reach to this point, not only a large number of laws have been used in the analysis, but also problems and proposals in concept documents for their amending and supplementing were identified. A large number of issues, such as the centralization of firefighting competences, have occurred through memorandums of municipalities with ministries/agencies, where the specifics of these processes are not clear.
- Data on MDPs and UDPs, as well as their updating, were collected only for the 9 targeted municipalities, due to the lack of a register at the ministerial level (Ministry of Environment, Spatial Planning and Infrastructure and Ministry of Local Government Administration). Even in these municipalities, it was necessary to initially search for the documents on the website and confirm with the officials on the stage (updated, ongoing or preliminary) these documents are.
- The same situation applies to data on Local Economic Development Strategies, as well as whether there were evaluation reports. In this regard, there have been no specific assessments of municipalities on how they follow-up on budget planning in achieving strategic objectives and development plans.

- In terms of municipal capacities, collecting data on the number of officials by field has been challenging. There is no evidence or update on the number of capacities in specific fields such as architecture or engineering. In the budget financial tables, only general data on the number of staff within sectors such as urban planning, environment, project development and economic development are presented. This has made it impossible to accurately evaluate specific capacities by excluding administrative staff.
- Also, most municipalities do not have separate procurement, but it functions within the Mayor's office or administration. As a result, difficulties have arisen in calculating the number of contracts compared to the number of procurement officers. The same applies to the collection of data on professional and technical capacities, as there is no summary report (needs assessment) from municipalities or line ministries.
- Some of the procurement (contract management) data in the procurement module was segmented only in total, which created difficulties in disaggregated by municipalities. This situation remained so until the publication of the analysis for the Contract Management Module by the Public Procurement Regulatory Commission. Also, contracts are not disaggregated by management categories for municipalities, such as works, goods or services.

In general, it was necessary to collect and integrate a considerable amount of data, reports and evidence to arrive at a reflection of the processes. For this purpose, evidence from the analysis of the status of strategies and programs, as well as periodic financial audit reports, performance reports and other relevant reports, including preliminary analyses by KLGI, were used.

3.3. Approach in target selection

The selection of target municipalities was aimed at creating a representative sample that would reflect diversity in size, performance, geographical and ethnic distribution. The level of performance in several areas related to the analysis was the main selection element:

- Municipalities with high performance and beneficiaries of the Performance Grant, such as Rahovec/Orahovac, Obiliq/Obilić and Ranillug/Raniluk (municipality with a Serb majority).
- Municipalities with high performance, but which have not passed the qualification criteria, such as Lipjan/Lipljan and Drenas/Gillogovac, which have realized over 75% of capital expenditures, but which have not received at least unmodified auditor opinions with an emphasis of matter;
- Municipalities with below average performance, such as Vushtrri/Vucitrn and Fushë Kosovë/Kosovo Polje;
- Small municipalities (up to 22 thousand inhabitants)³⁷ like Junik, including minority ones, like Mamushë/Mamusa and Ranillugu/Raniluk.

The selection of municipalities of different sizes – large, medium and small – provides a broad and comprehensive overview of the capacities and challenges that arise at different levels. Meanwhile, those with minority populations help assess the impact of ethnic diversity on their functioning. This combination has provided a strong basis for analysis, ensuring that recommendations are based on data and the context of the municipalities.

³⁷ <https://gzk.rks-gov.net/ActDetail.aspx?ActID=2525>



4. Analysis of the Legal Framework

4.1. Overview of Relevant Laws and Policies

The LLSG is part of the legislation of vital interest, while local governance is defined by Chapter X of the Constitution of the Republic of Kosovo. The law takes into account the principles of the Charter of Local Self-Government and Framework Convention for the Protection of National Minorities. With the decentralization process, along with the establishment of new municipalities, to accommodate minorities, functional and financial competencies and autonomy have also been defined. The LLSG has defined municipal competencies, municipal bodies, relations between local and central government, and at the same time has defined mechanisms for citizen participation in decision-making.

The law has defined three types of competences: own, delegated and extended competencies. Meanwhile, in their exercise, the approach is symmetrical, excluding extended competences, in the field of education, health, culture and participating in the election of police station commanders. Since 2008, with the decentralization process, a number of services that were provided from the central level to municipalities, such as those in the field of education, health, provision of social services, land use and development and provision of public services, have had challenges in transfer.

However, as a result of problems since the start of decentralization³⁸, with the partial transfer of competencies, such as in the case of water supply, in the field of inspections, firefighting, social services and property management, some of them have either remained at the central level, or have been centralized. This has continued to become even more problematic, with changes in secondary legislation, or failure to adapt to the context.

Although it was planned to be conducted an assessment of the implementation of decentralization and functioning of local government, this was not done until 2021³⁹. As a result of inconsistencies of the basic law with the needs and context, as well as partial amendments to sectoral laws, a considerable number of competencies and duties have remained unimplemented or unclear. Although, a draft law has been drafted to partially address some challenges mainly related to definitions, clarifications to internal audit, the mandate of some structures, such as deputy chairperson of municipal assemblies, changes to early elections in the last year in cases of resignations or dismissals of Mayors⁴⁰. This has not yet happened, also as a result of the fact that the amendments require a double majority.

The adoption of the Law on Balanced Regional Development in 2023 has improved the framework for regional social and economic development. However, commitment is required in fulfilling the

38 <https://library.fes.de/pdf-files/bueros/kosovo/09760.pdf>

39 <https://mapl.rks-gov.net/wp-content/uploads/2022/01/STUDIMI-GJITHEPERFSHIRES-I-SISTEMIT-TE-VETQEVERISJES-LO-KALE-NE-KOSOVE.pdf>

40 https://www.kuvendikosoves.org/Uploads/Data/Documents/PLperndrysheligjipervetvervetsvetretninglokale_YDGBrXvBhJ.pdf

activities arising from the law, as a step towards the principles of EU regional and cohesion policy.

Also regarding municipal financing, since 2008, there has been only one change in 2016 due to the need to provide a minimum level of municipal services. As a transitional measure until 2019, the corrective quota (2.7% of the total grant, dividing half as a fixed amount and half by the number of inhabitants) of the financing formula for municipalities with less than 22 thousand inhabitants has been used. Since 2017, a process of completing the change has begun, where a concept document⁴¹ and a draft law have been drafted. The main proposed changes were related to the definition of financing centralized competencies, the definition of own-source revenues, with a new definition also for revenues that are imposed, collected and determined by legal provisions, efficient representation of municipalities in the Grants Commission, central-level investments at the municipal level, the Specific Grant for Social Services, the sustainability of small municipalities and the Specific Grant for Education and Specific Grant for Health with a focus on the development and advancement of standards and criteria by line ministries for these two types of grants. Although the draft law passed the public consultation phase in 2019⁴², as a result of some additional changes related to the capital investment grant, there was a new working group and review. However, although it has been placed in the legislative program for three years (2020⁴³, 2021⁴⁴ and 2022⁴⁵), these additions/changes have not yet been approved.

Even the legislation regulating the field of public finances was drafted in 2008, with a large number of amendments. In 2022, a concept document for the field of public finance management was drafted⁴⁶, and it was foreseen in the legislative program in October 2024⁴⁷, but this has not yet happened. The proposed option is drafting of a draft law on Public Finance Management.

The main issues that have been identified for change are: Consolidated public finance management norms, based on current needs in the field of public finance management; establishing basic principles for public finance management; avoiding contradictory norms within the LPFMA, including clarifying existing norms with the aim of their fair implementation; avoiding unnecessary and outdated provisions within the LPFMA; unified regulation of fiscal rules; further clarification of the budget cycle, including preparation of Medium-Term Expenditure Framework (MTEF) and annual budget; regulating budget allocations in the absence of an annual law on budget allocations; reviewing provisions related to budget transfers; creating a legal basis for programmatic and performance-based budgeting, as a long-term planning goal; creating a legal basis that advances the linkage of strategic policies with budget planning.

The Law on Publicly Owned Enterprises, adopted in 2008, has also undergone several amendments (2012 and 2015). In 2017, a concept document on Public Enterprises⁴⁸ and public consultations was drafted, while in 2018, a draft law was put out for consultation⁴⁹. The main proposals affecting the local level relate to the form of establishment of Local Public Enterprises (LPEs), including the sale of shares, the establishment of the Agency for Public Enterprises, the redefinition of duties and responsibilities of the board of directors, including reporting, changes in the appointment and responsibilities of the municipal commission, being elected from among the municipal

41 <https://kryeministri.rks-gov.net/wp-content/uploads/2022/05/Koncept-Dokumenti-per-Financat-e-Pushtetit-Lokal.pdf>

42 <https://konsultimet.rks-gov.net/viewConsult.php?ConsultationID=40711>

43 <https://kryeministri.rks-gov.net/wp-content/uploads/2022/05/Programi-Legjislativ-per-vitin-2020-i-perditesuar-me-date-02-nen-tor-2020.pdf>

44 <https://kryeministri.rks-gov.net/wp-content/uploads/2022/05/Programi-Legjislativ-per-Vitin-2021-25.11.2021.pdf>

45 <https://kryeministri.rks-gov.net/wp-content/uploads/2022/09/Programi-Legjislativ-per-vitin-2022-02.09.2022.pdf>

46 <https://konsultimet.rks-gov.net/viewConsult.php?ConsultationID=41410>

47 <https://kryeministri.rks-gov.net/wp-content/uploads/2024/02/Programi-Legjislativ-per-vitin-2024-.pdf>

48 <https://konsultimet.rks-gov.net/viewConsult.php?ConsultationID=40133>

49 <https://konsultimet.rks-gov.net/viewConsult.php?ConsultationID=40415>

executive, and responsibilities for drafting strategic policies, being transferred to the Mayor.

Whereas regarding the Law on Spatial Planning, no changes were made. However, it is seen that the field of inspections regarding spatial planning, construction, housing, environment and waters, has unclear and partial regulations. For this reason, the concept document released for consultation in 2022⁵⁰, recommended drafting of a new law on inspection in these fields, as a result of shortcomings, coordination, ambiguities, professional mechanisms (laboratories) and digitalization of inspections.

Meanwhile, regarding the field of Public Procurement, there have recently been changes to the Public Procurement Regulation (002/2024), which further clarified areas related to procurement planning, contract management, as well as clarifications on several issues such as: penalties, quotation by lots, clarification of appeal fees and the use of technology.

4.2. Gaps and Overlaps

Identification of inconsistencies or gaps in the legal framework.

To ensure an integrated approach, legal challenges, collisions or even clashes have been assessed in three main dimensions: First, the comparison of laws has been done based on data from reports, interview findings and field data. Second, some of the evidence on implementation gaps and development projections by area has been extracted from the proposed changes in concept documents and draft laws. Finally, strategic projections have been analysed in areas such as Local Self-Government, Local Finance, Public Financial Management and Accountability, Balanced Regional Development and Local Economic Development.

In the context of **strategic planning**, municipal competencies such as: local economic development, urban and rural planning, land use for development, implementation of building regulations and building control standards, protection of the local environment, provision and maintenance of public and municipal services, including water supply, sewerage and drainage, wastewater treatment, waste management, local roads, local transport and local heating schemes, have been analysed.

The NPLED 2030 highlights that current strategies that differ significantly from the national strategic framework should be reviewed to be in line with central-level strategic documents. The **LSGS 2016-2026** also lists in its implementation steps that local economic development should have a systemic approach. Local economic development policies should be developed where the economic development strategies of municipalities and regional development plans are fully consistent with the main strategy, which sets clear objectives and has a unique development approach for all municipalities.

As a result, municipal development and urban planning itself is limited by the lack of property management. In some cases, the procedure for approving MDPs and UDPs has lasted for years, resulting in changes as a result of obstacles in property management, whereby a large number of them are under management, Privatization Agency of Kosovo, Forestry Agency and other entities, such as Kosovo Energy Corporation (KEK) or other central enterprises. A challenge, in terms of

50 <https://konsultimet.rks-gov.net/viewConsult.php?ConsultationID=41463>

development and urban planning, also appears to be with properties in land consolidation⁵¹, where many municipalities have failed to harmonize MDPs and UDPs with the needs for construction or public infrastructure. Even in terms of exercising competences over environmental protection and construction control, municipalities are often limited by laws on special protected areas, water basins, as well as those protected as heritage (cultural, historical or even natural)⁵². In the absence of competences, for these areas, their very exploitation affects the economic potential, similarly, as in terms of construction control or environmental protection, where they have no management competence. In terms of local environmental protection, the management of regional landfills, but also river basins, has been taken from the municipalities by their mandate.

As regards to development and urban planning, construction, housing, environment and water, inspections in this area have remained insufficiently regulated and with serious problems. For this reason, the concept document proposing drafting of a special law aims to address the shortcomings in the current inspection system, which hinders effective management of these areas. It is estimated that the current legal framework has shortcomings in the harmonization between the central and local inspectorates, creating uncertainties in competencies and responsibilities. Meanwhile, inspectors do not have competencies for the supervision of housing and administration of shared buildings, such as elevator maintenance and fire prevention, a critical issue for urban areas. It is estimated that the number of inspectors is insufficient, and in many municipalities, such as those for the environment or water, inspectors are completely absent, while in some cases, one inspector covers multiple areas, significantly reducing the efficiency and quality of work.

According to the Law on Kosovo Waters, the Regional River Basin Authority has been established, while interventions aimed at improving, rehabilitating and maintaining the good condition of waters are carried out in accordance with the river basin management plans, where the Authority is responsible for preparing this plan⁵³. Meanwhile, based on the Law on Waste, the government, by sub-legal act, determines the conditions for landfill management and licensing of landfill operators, waste acceptance procedures, the method of controlling activities, monitoring of operating phases, closure procedures and care after the closure of landfills⁵⁴. While in the collection and transport of waste, the municipality drafts plans for this area and is competence⁵⁵. However, they currently function as regional waste enterprises, where municipalities are shareholders. However, the establishment of local enterprises is limited by the Law on Publicly Owned Enterprises⁵⁶, which requires approval by a government decision.

Water supply is also determined to be exercised by Municipalities; however, the Law on Regulation of Water Services⁵⁷ stipulates that the WSRA is responsible for regulating the activities of service providers. Meanwhile, the management of water supply according to the Law on Publicly Owned Enterprises has been given to the Central Public Enterprises (Regional Water Supply Companies), where 6 out of 7 are central and only the WRC Bifurkacioni is locally owned (Municipality of Ferizaj and Municipality of Kaçanik)⁵⁸, whereas, in the boards of directors of each regional water company, the Government must appoint at least half of directors from candidates nominated by municipalities⁵⁹. Similarly, they apply to regional irrigation companies. Despite this, municipalities have annually planned and spent from their revenues on investments in assets of these companies, such as water supply and sewage networks. In some cases, municipalities have also invested in the

51 https://kryeministri.rks-gov.net/wp-content/uploads/2022/05/Strategjia_per_Konsolidimin_e_Tokes_2010-2020.pdf

52 https://mmphi.rks-gov.net/MMPHIFolder/DivisionDocs/2022_938df61e-ed52-43fd-bbbc-fe5b80645d1d.pdf

53 <https://gzk.rks-gov.net/ActDetail.aspx?ActID=8659>

54 https://kmdk-ks.org/wp-content/uploads/2023/10/Ligji_per_Mbeturina_Stojca_shqip_.pdf

55 Ibid.

56 <https://gzk.rks-gov.net/ActDetail.aspx?ActID=2547>

57 https://www.arru-rks.org/assets/cms/uploads/files/Legislacioni/Korniza%20Ligjore/ARRU_2016_05-L-042%20sh.pdf

58 [94817_Gap Analysis 5 competencies.pdf](#)

59 <https://gzk.rks-gov.net/ActDetail.aspx?ActID=2547>

capacities of water supply companies, but communication with regional water companies regarding taking over management has delayed their deployment.

In terms of provision of services, especially in the grid and supply of electricity, municipalities face major challenges that hinder development planning, but also implementation of projects. From the data of the Performance Audit Report - Capital Projects of the Kosovo Electricity Transmission System Operator and Market Operator (2015-2021), it is emphasized that KOSTT had conducted Cost Benefit Analysis (KBA)⁶⁰ and measurements of energy loads in Substations (SS) in which it had drafted annual business plans, where investment needs were identified. There, among others, four SSs were presented, which are considered necessary projects with high priority, given the fact that these municipalities have rapid development in infrastructure, with the potential for increasing energy consumption and load. These SS are: Dragash/Dragas, Obiliq/Obilic, Malishevë/Malisevo and Fushë Kosovë/Kosovo Polje. SS Drenas/Glogovac was completed before these four SSs, which were higher in scoring. However, seven years have passed since the need for investment in Fushë Kosovë/Kosovo Polje was identified and this SS has not yet been built. The same appears to be the case with the priorities and investments of the distribution operator (KEDS), where from focus groups and interviews with municipalities⁶¹ it appears that there is no harmonization of priorities, or even coordination in the implementation of capital investments. Municipalities state that many capital projects are delayed as a result of the lack of coordination and efficiency of KEDS.

Regarding the implementation of the MDPs, the coordination and distribution of capital investments from the central level remains a challenge, due to the lack of clear criteria for a fair and balanced distribution of investments. Even in the concept document for the Law on Local Government Finances, it is emphasized that a considerable number of investments are carried out from the central level to the municipal level; this is also due to the fact that the size of some capital investments means that municipalities are not able to cover them. However, individual decisions taken by certain ministries generate a risk of disproportionate investments. Therefore, it is required to establish principles that when implementing projects from the central to the municipal level, this should be done through clear, fair and transparent criteria⁶². Meanwhile, the Draft Law on Local Government Finances stipulates the creation of a grant for capital investments, transferring these funds to municipalities and distributing them according to a defined formula, where the proposal was to increase the percentage of allocation per territory, to respond to the needs for infrastructure expansion.

Meanwhile, regarding **Project Development**, in order to obtain a more complete picture, two separate segments have been analysed: the development of capital projects and development projects. Even in this area, which is directly related to municipal competencies, such as economic development, the provision of public services, or other specific municipal areas, it appears that there is ambiguity and a legal vacuum as well as a lack of consolidated structures.

Although in the LLSG, in the scope it is emphasized that this law defines the legal status of municipalities, the competencies and general principles of municipal finances, the organization and functioning of municipal bodies, intra-municipal relations and inter-municipal, cross-border cooperation and relations between municipalities and the central government. The limitations are mainly related to the fact that sectoral laws have set limits, both in the number of staff and in the values of payments, and often municipal structures are also determined by special laws or regulations, such

60 Development Office - deals with the needs of construction of substations with voltages of 400KV, 220KV and 110KV, revitalization of existing substations, replacement of transformers and construction of new lines, the needs of each substation are presented. The parameters taken as a basis for the assessment, in addition to including the change in losses, cost, welfare and social-economic impacts, also include parameters on the security of supply and the transmission capacity of the network. In this case, KOSTT analyses the state of the load level of the transformers it owns and decides on investment.

61 Analysis methodology;

62 <https://kryeministri.rks-gov.net/wp-content/uploads/2022/05/Koncept-Dokumenti-per-Financat-e-Pushtetit-Lokal.pdf>

as social housing officers, business registration officers and a host of specific officials. As a result, the Law on Salaries in the Public Sector⁶³, the Law on the Organization and Functioning of State Administration and Independent Agencies⁶⁴ and the Law on Public Officials⁶⁵, prevent municipalities from building salary structures and levels according to their needs.

As a result of the limitations in the number and low salaries of specific profiles of officials such as (engineers in various fields, or specialists in the design of development projects), municipalities are forced to develop the design of capital and development projects with those staff limitations or to contract them through specialized companies. In the development of capital projects, municipalities are hindered by the range of interventions of operators (such as network, distribution), regional enterprises or agencies. This is because for each capital investment project, they must obtain multiple permits or approvals. Furthermore, they are also limited by the lack of national standards for construction and the provision of public services. In specific areas, the design of projects becomes impossible as a result of the lack of administration with those parts, or of legal and procedural limitations. As a result of limitations in capacity for planning and project development, in some cases from focus groups with municipalities and social audits, it appears that investments such as in schools, ambulances, or other infrastructure are often projected beyond needs assessments. So, a school project with a large capacity is projected in a neighbourhood or village with a small number of residents. As a result, maintenance costs increase, or in some cases, they are closed and rendered unusable.

In the process of developing projects, especially large capital projects, such as collectors, wastewater treatment plants, landfills, as a result of obstacles arising from the agencies and enterprises that manage these areas, municipalities fail to even take initiatives in these areas. In the absence of a special development agency and the lack of criteria for the allocation of capital investments by the government, municipalities fail to design in these areas, as a result of financial constraints. In the development of projects for application to donors or development funds, the low involvement of municipalities in national programming, the lack of structures at the municipal level, significantly hinder this process, and at the same time lose opportunities to benefit from IPA components, regional funds and donors. Another obstacle regarding the use of these funds arises because the Kosovo budget system does not allow municipalities to receive additional unspecified grants from donors.

The plan for the implementation of the annual⁶⁶ Audit recommendations requires the Ministry of Finance, Labor and Transfers (MFLT) to provide an analysis of the capacities for the management of capital projects. At the same time, the need to strengthen controls in budget planning and execution to ensure the completion of projects on time is emphasized. As well as the need to harmonize cash flow with project planning to address low levels of financial execution. Meanwhile, MFLT, according to the recommendation and action plan, has set in budget circulars the requirement for Budget Organizations (BOs) that proposals for capital projects be in accordance with the selection criteria.

The Auditor's recommendations also emphasize the importance of analysing project management capacities and strengthening controls. Meanwhile, the MFLT requested from the BOs to plan the repayment of contractual obligations with priority and to respect the criteria for capital projects. The Budget Department, through the PIP system, requested that projects meet the relevant criteria and those that did not meet them would be sent to the reserve.

63 gzk.rks-gov.net/ActDetail.aspx?ActID=68695

64 <https://gzk.rks-gov.net/ActDetail.aspx?ActID=18684>

65 <https://gzk.rks-gov.net/ActDetail.aspx?ActID=81430>

66 Annual Financial Report (2021)

In the concept document on Public Financial Management and Accountability,⁶⁷ it is emphasized in the evidence of problems that: The Ministry requires that for each project there be a contract between the winning municipality and the donor for the purpose of using the funds. There are grants that are based on merit and as such, they should be additional grants that are not specified in terms of purpose and treated similarly to budget support, where the fund goes to the municipality's budget to be used for needs that they consider important. This is currently regulated partially and annually by the Annual Budget Law.⁶⁸

Another problem with regard to the development of projects and memoranda with ministries is the withdrawal of the budget in subsequent fiscal years. As a result, municipalities sign contracts with economic operators and in the absence of funds planned by the central level; funds are withdrawn from municipal budgets. This often prevents municipalities from developing projects related to central financing. As a result, in the concept document for the Law on Public Finance Management⁶⁹, the problems include the lack of registration of multi-year obligations in the budget planning systems and FIMSK for multi-year projects (in particular for capital projects). Where in addition/ amendment it is recommended that the Draft Law should contain a mandatory provision that determines the registration of budget allocations, obligations and enables multi-year commitments in the budget systems. This will create additional security for budget organizations to plan multi-year contractual obligations in a timely and adequate manner, avoiding the increase in liabilities.

The plan for the implementation of annual recommendations also⁷⁰ emphasizes the need to strengthen capacity analysis and cash flow harmonization. Meanwhile, the MFLT, through the Budget Circular, has encouraged BOs to respect the criteria for capital projects. Also, a Public Investment Program was designed to record multi-year commitments, with the aim of improving the management of capital projects.

Furthermore, the development of projects itself remains unclear between ministries, as a result of overlapping responsibilities and scope. Although the MESPI is responsible for social housing and affordable housing, it is often the municipalities or other line ministries, such as the Ministry of Local Government Administration, Regional Development, or the Ministry of Returns and Communities, that program and develops projects in the field of social housing. This often prevents ministries and municipalities from designing and developing integrated programs and projects.

As a result of the problems in strategic planning and project development, **contract management** also carries related problems. In this category, it should be noted that the evidence of problems in the concept document for the Law on Public Financial Management⁷¹ and Accountability, starts from the definition of functions and legal guarantees in the performance of duties. As in the case of the Chief Financial Officer (CFO), where it is emphasized that there are different definitions of the functions of financial officers in the LMFP, compared to other legislation in force that regulates state administration and public internal control of finances. Meanwhile, regarding legal guarantees in the exercise of functions, it is emphasized that there is a lack of adequate protection for certifying officers and CFOs and legal provisions are recommended in the draft law that provide additional guarantees for certifying officers, related to the performance of their work duties.

A problem identified annually by the Auditor's Reports and one of the emphases that creates the basis for qualifying opinions is the initiation of procurement activities without commitment of funds. For this reason, in the analysis of the problems in the concept document for the LPFMA, it is emphasized that these problems are not directly legal issues, but of accountability by officials of

67 <https://konsultimet.rks-gov.net/viewConsult.php?ConsultationID=41410>

68 [gzk.rks-gov.net/ ActDetail.aspx?ActID=85052](https://gzk.rks-gov.net/ActDetail.aspx?ActID=85052)

69 Ibid.

70 Annual Financial Report (2022)

71 Ibid.

contracting authorities regarding the implementation of the requirements of the LPFMA, including the issue of initiating procedures without financial coverage. Although the Public Procurement Law and the LPFMA require that funds be available to the authorities at the moment of initiating procurement procedures, in practice there are many problems. It has often happened that requests have been made formally, and without having financial coverage. This is particularly expressed at the municipal level. Among the main challenges identified are: initiating procurement procedures without commitments or with partial commitments; cancellation of procurement procedures because during the process, the contracting authority has moved the funds to another project, therefore in the absence of funds, the Contracting Authorities justify the cancellation of the procedure⁷².

Another challenge is the creation of prerequisites for digital services, including the contract management module. What is required is that the draft law includes provisions that allow the ministry and budget organizations to move to full digitalization processes, including electronic signatures and their application in practice. As foreseen in the new public procurement regulation (002/2024), the concept document also requires addressing the integrated issue of capacity building in partnership with the Kosovo Institute for Public Administration (KIPA).

The problem is also highlighted by the different regulations in the LPFMA, the Budget Law and the sub-legal acts of classification according to economic and functional categories. The LPFMA does not have a complete definition of economic categories and the treatment is partial (current expenses and capital expenses). On the other hand, the sub-legal acts for its implementation have provided different definitions regarding economic categories. While the Administrative Instruction MF - No. 04/2019 on the Definition of Capital Projects and the Classification of Capital Project Expenditures, defines a capital project as “a long-term investment used to construct, increase or improve assets, according to the criteria set out in this Administrative Instruction. Furthermore, this Administrative Instruction sets out additional rules for capital and current project expenditures, as well as for assets and their capitalization. On the other hand, Administrative Instruction No. 05/2008 on the Economic Classification of Expenditures addresses capital expenditures where these payments are defined as payments for the acquisition of fixed capital assets, inventories, land or intangible assets. Also, according to this sub-legal act, the definition of capital includes unilateral payments for the purpose of enabling the recipient to acquire those assets.

Even with regard to budget hearings, there is a duality between the LPFMA and the Administrative Instruction on Open Administration in Municipalities. According to Article 61.2., it is emphasized that the mayor, before September 1, submits the budget proposal and the Municipal Assembly organizes budget hearings. While, the administrative instruction, in Article 31.3, emphasizes that in the budget planning process, the mayor establishes a working group for the preparation and implementation of budget hearings. The working group is led by the relevant directorate of economy and finance. Even in the concept document for the LPFMA, it is emphasized that there is no obligation within the framework of the LPFMA regarding budget hearing sessions in the process of preparing the budget proposal. And, an adequate regulation is required at the level of the provisions of the Draft Law, which is necessary to create a permanent obligation, and to give legal significance to the budget hearing process.

There is no clear legal basis in the LPFMA regarding the delegation of expenditures to budget organizations. The Ministry has delegated expenditures to these organizations through sub-legal acts⁷³.

The LPFMA in Article 30 has included provisions regarding the adjustment of budget allocations of budget organizations, namely the transfer (reallocation) of budget allocations within the same bud-

72 gzk.rks-gov.net/ActDetail.aspx?ActID=85052

73 Administrator's Instruction No. 02/2009 on Delegation of Expenditures of Budgetary Organizations, available at <https://gzk.rks-gov.net/ActDetail.aspx?ActID=7697>

get organization and the same fiscal year. However, there are rules/restrictions, which ensure that reallocations are not made without justification. Even within the same category, restrictions have been applied. The main reasons for reallocations include: changes in priorities after the approval of the annual budget; lack of proper consultations within budget organizations; lack of proper planning of capital projects; approval of projects that are not clear, including situations of approval of new projects by decision of the Assembly Committees, which in most cases are challenged in the implementation process or remain unimplemented. It is proposed that these provisions be specified, indicating that transfers apply up to the level of sub-programs, and also, there is no overlap in the % of transfers allowed⁷⁴.

Regarding **Public Procurement**, the identified challenges have been compared with the proposed changes to **the Regulation (002/2024) on Public Procurement**. such as: clarification of obligations for the allocation of funds and the initiation of procedures; precise determination of the deadline for drafting the contract management plan; determination of the contract value also according to lots; determination of penalties during the implementation of the contract; changes to contracts - clarification of the obligation for approval by the NAO; clarification of appeal fees; clarification of the procedure for the contract management plan through the e-procurement platform between the contracting authority and the economic operator.

Division of competences and interdependence between municipalities and the central government.

Municipal competencies, as defined in the LLSG, encompass a wide range of responsibilities. However, the exercise of these competencies is often limited by the interventions of ministries, central agencies and public enterprises through sectoral laws, management, structures or services.

In the context of **strategic planning**, municipalities face significant constraints due to their dependence on central institutions. Important plans such as the MDPs and UDPs are often approved with significant delays due to lack of coordination between ministries, agencies and municipalities. Despite the progress in the field of local economic development planning, since the establishment of the Department for Local Economic Development in the MLGA, drafting the local economic development strategy (2019-2023) and the national program for local economic development 2030, many sectoral policies still continue to be implemented without intergovernmental coordination and with municipalities. Moreover, as a result of the need for multi-sectoral (inter-ministerial) legal review, often different opinions are offered on a given issue. For some time, an inter-ministerial group for the review of decisions, acts, regulations, plans and municipal strategic documents has existed.

Currently, the MLGA forwards decisions, regulations, plans and municipal strategic documents that do not fall within its scope of action to line ministries for review. As a result, contradictions in the treatment between ministries for the same issue, or the case itself, are often caused, depending on the interpretation of the official. At the same time, the reviews exceed the legally established deadlines as a result of the long series of reviews and consequently cause meaningless delays. This is due to the fact that there is no framework (document) for legal review according to cases, which would avoid different treatments for the same cases and at the same time would help municipalities in handling the act. To avoid this, this department, in cases of drafting Municipal Strategies for Economic Development, has drafted a guideline that simultaneously helps municipalities as a structure in drafting them, and on the other hand enables this department to assess in a more objective approach.

74 gzk.rks-gov.net/ActDetail.aspx?ActID=85052

As a result, the number of acts, regulations and strategic documents that are not in accordance with the legislation in force remains high. The Report on the Assessment of the Legality of Municipal Acts (2022) shows that out of 1106 acts reviewed by the MLGA, 68 of them were returned for review, or 6.14% of them. Meanwhile, out of 1194 acts reviewed by line ministries, 119 were considered illegal, or 9.21% of them. The nature of the violations also includes the drafting of municipal development plans, the adoption of regulations on taxes, fines and tariffs, decisions on the approval of zoning bonuses and waste management plans⁷⁵.

In many cases, municipalities themselves are unclear about the public consultation process for acts, in particular in understanding the division of roles between the executive and the municipal assembly. Although the law stipulates that the Municipal Assembly cannot delegate the approval of acts, regulations and statutes, decisions to put them out for public consultation are often made by the municipal executive.

Similar problems have emerged in public consultations regarding other documents that are the competence of the Municipal Assemblies. From the focus groups with municipalities, it has emerged that the mandate of who leads the consultation process of acts approved by the Municipal Assemblies also remains problematic, where in some cases there has been uncertainty about the procedure for public review of the MDP. In some municipalities, these decisions have been taken by the respective mayors or directors and in others by decision of the Municipal Assemblies. Although in the Administrative Instruction on Procedures of Spatial Planning Authorities and the Principles and Procedures of Public Participation in Spatial Planning⁷⁶, in Article 7 Public Reviews, point 2, it is emphasized that decisions for public review of draft spatial planning documents at the local level are issued by the Municipal Assemblies.

Furthermore, sectoral laws impose restrictions on environmental and cultural protected areas, directly affecting the ability of municipalities to plan urban and economic development. For example, properties managed by the PAK, the Forest Agency or even properties under land consolidation often become obstacles to the planning and implementation of municipal plans and strategies. Electricity grid and distribution operators, regional water utilities and other government agencies are also negatively affected, in particular in the prioritization and implementation of municipal projects.

The lack of coordination with line ministries, the indiscriminate distribution of investments, and the ambiguity of functions between ministries, make municipalities hesitant in planning important investment projects. As a result, municipalities declare that they are between two choices when it comes to defining strategic objectives and actions: to make them ambitious, but interdependent and conditional, or to adapt them to the already projected projections, such as the projects planned in the Medium-Term Budgetary Framework (MTBF). This is also due to the fact that the fulfilment of municipal strategies is part of the assessment of municipal performance⁷⁷.

In the process of analysis, it was noted that despite communications with the Line Ministries⁷⁸, to provide information on the stage at which the MDPs are (*drafted, in process, or in implementation beyond the time period*), this data has not been obtained. This indicates that there is a lack of a system and unit responsible for systematically following up on the drafting, implementation and evaluation of municipal strategic documents.

In exercising their **project development powers**, municipalities face a strong interdependence with central institutions, agencies, enterprises and operators. This interdependence often becomes an obstacle, delaying or blocking the implementation of capital and development projects. For example, projects related to energy networks are often delayed due to constraints stemming from

75 [Legality-assessment-report-2022-020-424-2023.pdf](#)

76 <https://gzk.rks.gov.net/ActDetail.aspx?ActID=10226>

77 Issue raised by Municipalities in focus group;

78 Ministry of Local Government Administration and Ministry of Environment, Spatial Planning and Infrastructure;

the lack of harmonization of plans of operators such as KOSTT and KEDS. Investments in water supply and sewage systems also encounter similar obstacles, as regional water supply enterprises have control over the main networks, while municipalities remain responsible for local investments without having full authority to manage them.

A concrete example is the delay in connecting completed projects to the electricity or water supply network, where regional operators often do not prioritize the requests of municipalities. This situation negatively affects the implementation of projects important to the community, such as schools, hospitals or public infrastructure, and severely undermines the ability of municipalities to provide sustainable services. Furthermore, central interventions in setting investment priorities often create imbalances in the distribution of funds, favouring some municipalities over others without any clear objective basis. In particular, this remains problematic when it comes to planning for large capital projects or development projects, as in the case of projects related to plants, wastewater collectors, water supply and the energy network. And, also, for tourist areas, sports areas and industrial/economic zones, where municipalities are generally not sufficiently involved in the planning or programming processes for applications for development funds.

In the area of **contract management**, the autonomy of municipalities is significantly affected by their dependence on central funding and legal restrictions. The LLSG, on the legal status of the municipality, has determined that: As a legal person, each municipality has the powers, among others, to: a) sue and be sued in courts; b) possess and manage property; c) may be the owner or co-owner of any company that is in the interest of the municipality in relation to citizens; d) conclude contracts; e) employ staff; and f) engage in other activities that are necessary for the realization of its responsibilities.

However, ministries, through sectoral laws, often impose restrictions on the exercise of these authorizations. As in cases where it concerns restrictions on property management, ownership or co-ownership in municipal interest companies, the conclusion of contracts and the employment of staff. The LPFMA sets strict rules for the use of funds and the fulfilment of financial obligations. Similarly, the Law on Public Procurement causes difficulties for municipalities in terms of procedures, deadlines, complaints and reviews. As a result of delays in the election of the PRB board, a large number of complaints have remained unreviewed, causing delays in contracting, project implementation, and, consequently, inefficient use of financial resources.

A major challenge that has emerged in recent years as a result of obligations assumed by the central level for municipal competencies relates to sectoral collective contracts (education and health), where as a result of non-fulfilment of obligations, through lawsuits, cases have been won and funds are being enforced from municipal budgets. As a result, many municipalities have been left without financing for capital project contracts or in some cases even with accounts blocked. This will produce chain effects, including penalties for late payments for capital projects, from enforcement actions or court decisions. Another important aspect is the lack of technical and administrative capacities in municipalities, which often leads to dependence on external economic operators for the design and implementation of projects. As a result of limitations that optimize supervision in the design of projects, in many cases deficiencies are identified in certain positions in the implementation of projects. This significantly complicates management by forcing changes to contracts.

Furthermore, procurement processes are often complicated and limited by a lack of standardization and digitalization, which hinders the efficient implementation of projects. This is even related to the contract management system itself in the e-procurement platform, where in some cases, contract managers have had limited access and difficulties in managing contracts or supervising the completion of the contract. This becomes even more challenging when it comes to communications with economic operators, who in most cases do not have consolidated administrative and financial services, especially digital ones.

A significant difficulty also has to do with the structural and legal context. Unlike ministries and agencies where permanent secretaries and chief executive officers, respectively, serve as Chief Administrative Officers (CAOs), in the case of the Municipality, this function is exercised by the mayor. On top of these limitations, the Mayor/Chief Administrative Officer, although he/she appoints the contract manager and supervisor at the request of the unit/directorate, he/she does not have a real-time view of the problems/challenges in the implementation of contracts. For this reason, it turns out that the number of changes in contracts, without the authorization of the CAO, in municipalities is greater than in ministries or agencies.

As a result of **contract management**, payment delays create major problems. The analysis of the legislation has highlighted the legal vacuum regarding the delegation of expenditures by Budgetary Organizations (BOs). Often, as a result of treasury overloads or the return of cases for completion, municipalities miss payment deadlines. Meanwhile, regarding the registration of non-financial assets, capital and non-capital investments (under 1000 euros), they often cause confusion and uncertainty. As a result, over-estimation or under-estimation is often evidenced. This is also due to the fact that most capital projects are registered as total (delivered according to the turnkey principle), while a considerable number of assets are under 1000 euros.

4.3. Capacity Limitations

To assess municipal capacities, we focused on three levels: i. intra-institutional coordination; ii. capacity in numbers according to the areas of analysis and iii. the combination between numbers - signed contracts. Referring to the LLSG, the municipality has two bodies (the Municipal Assembly and the Mayor). The municipal administration is organized into directorates, as regulated in the municipal statutes. Meanwhile, the functioning of the Municipal Administration is based on the legislation that regulates this field.

The Municipal Assembly, according to the law, is the highest body in the municipality. However, as a result of several factors starting from the institutional construction, the competencies attributed by law, or even their delegation to the mayor, combined with a lack of capacities, there are difficulties in exercising the function of policy-making, decision-making and supervision over the executive. Moreover, this is also affected by the large number of members of the Municipal Assemblies elected for the first term, in the 2021 elections, where according to the Analysis: Overview of the composition of the Municipal Assemblies⁷⁹, it appears that over 60% of the members of the Municipal Assemblies have this mandate as their first one in representation. This becomes even more problematic, due to the fact that this mandate had the task of drafting and approving the MDPs as a result of the period, when most of the previous ones have expired. This is reflected in at least three dimensions: First, in the drafting of regulations, plans and strategic documents; second in effective oversight of the municipal executive and third, in the inclusion of citizens in decision-making processes.

Based on the drafting of strategic acts and documents, it appears that even the municipalities themselves have uncertainties regarding the public consultation process, in particular in understanding the division of roles between the executive and the municipal assembly. Although the LLSG has determined that the Municipal Assembly cannot delegate the approval of acts, regulations and statutes, often the decisions to put them out for public consultation are taken by the municipal executive. From the focus groups with the municipalities, it is revealed that the mandate of who leads the consultation process of acts approved by the Municipal Assemblies also remains problematic, where in some cases, there was uncertainty about the public review procedure for the MDP. In some municipalities, these decisions were taken by the respective mayors or directors,

79 <https://www.klgi-ks.com/wp-content/uploads/2022/12/Hulumtimi-Pascyrimi-i-perberjes-se-Kuvendeve-Komunale.pdf>

and in others by decision of the Municipal Assemblies. Although in the Administrative Instruction on Responsibilities of Spatial Planning Authorities as well as Principles and Procedures for Public Participation in Spatial Planning⁸⁰, in Article 7, public reviews, point 2, it is stated that decisions for public review of draft spatial planning documents at the local level are issued by the Municipal Assemblies.

Referring to this, in the field of planning, the Administrative Instruction on Sections and Basic and Requirements for the Design, Implementation and Monitoring of the Municipal Development Plan, regarding the monitoring of implementation, referred to the Law on Spatial Planning, Article 10. Responsibilities of the Municipal Assembly in Spatial Planning, point 3. The Municipal Assembly annually reviews the Monitoring Report on the implementation of the goals and objectives stated in the MDP and the Zonal Map of the Municipality, as well as the Detailed Regulatory Plans prepared by the sectoral directors of the Municipality. This also applies in cases where the cancellation or postponement of any activity of the MDP Action Plan is requested, which can only be done with the approval of the Municipal Assembly. However, there is no practice where the Municipal Assembly has accepted requests for cancellation, postponement of deadlines or reviewed monitoring reports on the implementation of the goals and objectives stated in the MDP.

Even with regard to the approval of annual budgets, referred to in Article 61.2. of the LPFMA, Municipal Assemblies, after the acceptance of the municipal budget on September 1, hold budget hearings. However, from the Budget Process Analysis (2023), it turns out that out of the 20 municipalities that have published reports, only 5 processes were led by the Chairperson of the Assembly, or the Office of the Municipal Assembly, in 5 cases the meeting was led by the Directors of Finance, in 6 cases by the working group, in 1 case by the consultation officer and in 3 cases there are no details. However, it should be noted that in most cases where there was a working group, there was no involvement from the members of the Municipal Assemblies⁸¹.

As for the projects proposed for approval by the Municipal Executive, referring to the Administrative Instruction on Selection Criteria and Prioritization of Capital Projects, in Article 4, The process of reviewing and evaluating the capital project proposal by the budgetary organization, in point 8, it is emphasized that: each project proposed by the Municipality for approval by the Municipal Assembly must have attached the assessment according to the criteria of this Administrative Instruction. However, out of the 10 municipalities where the working material for the meeting of the Municipal Assemblies was found, for the approval of the annual budget, only 1 municipality has attached the appendix⁸². Also in the Municipal Performance Report, in area 10, municipal accountability, it appears that the discussion of the external auditor's report and the action plan has a low percentage of 60.29%, while the quarterly budget reports from the Municipal Assembly have a higher percentage of 72.79%⁸³.

As a result, the number of acts, regulations and strategic documents that are not in accordance with the legislation in force remains high. The Report on the Assessment of the Legality of Municipal Acts (2022) shows that out of 1 106 acts reviewed by the MLGA, 68 of them were returned for review, or 6.14% of them. Meanwhile, out of 1 194 acts reviewed by line ministries, 119 were considered illegal, or 9.21% of them. The nature of the violations also includes the drafting of MDPs, the adoption of regulations on taxes, fines and tariffs, decisions on the approval of zoning bonuses and waste management plans⁸⁴.

80 <https://gzk.rks.gov.net/ActDetail.aspx?ActID=10226>

81 <https://www.klgi-ks.com/wp-content/uploads/2023/04/Analiza-e-Proceseve-Buxhetore-Komunale-2023.pdf>

82 <https://www.klgi-ks.com/wp-content/uploads/2023/04/Analiza-e-Proceseve-Buxhetore-Komunale-2023.pdf>

83 <https://mapl.rks.gov.net/wp-content/uploads/2024/07/Raporti-performances-Komunale-2023-final-18.07.2024.pdf>

84 [Legality-assessment-report-2022-020-424-2023.pdf](https://www.klgi-ks.com/wp-content/uploads/2023/04/Legality-assessment-report-2022-020-424-2023.pdf)

The mayor, as the executive leader, has concentrated powers, including the appointment of directors of municipal departments and the management of the administration. The role of the mayor, in the absence of an executive structure and being at the same time the CAO, mixes political and administrative functions, negatively affecting the clear functional separation and control over the administration. Unlike ministries or agencies, where this function is performed by permanent secretaries or chief executive officers. A short line and unclear division of functions is also created by the appointment of directors of departments, who directly lead municipal sectors. The law has not provided for specific criteria or qualifications for appointment. Directors, being appointed (as part of mayor's team), come and go with his/her (mayor's) mandate or throughout the mandate. As a result, institutional memory is weakened and the limited level of decision-making power is reflected.

While it is estimated that the Municipal Assemblies have low capacities for drafting and supervising strategic documents, the executive's capacities for implementation, monitoring and reporting in several areas such as: spatial planning, economic development, municipal accountability, public transport, public services appear to have unsatisfactory achievements. In the Municipal Performance Report 2023, it appears that only 50.72% of the municipality's territory is covered by detailed regulatory plans, which, unlike the previous year, is an increase of 24.3%. Even regarding inspections of buildings that have been issued construction permits, the coverage rate appears to be 77.49%.

Meanwhile, in the field of local economic development, it appears that local economic development plans have been fulfilled to the extent of 56.75%. In this field, the indicator with the highest achievement appears to be the publication of the list of municipal properties in use with 82.35%, the updating of the property tax register with 71.97%, followed by the collection of property tax invoices with 47.23%. Meanwhile, the lowest level is the implementation of the local economic development plan with 25.47%.

Even in field 3 - Municipal accountability, it appears that the achievements are low. In particular, the level of addressing the recommendations of the National Audit Office has the lowest achievement of 46.05%, the level of payments processed within the legal deadline of 30 days with 73.94% and the level of implementation of the procurement plan with 89.50%. While, regarding ensuring accountability and respect for legal deadlines in the processes of the Municipal Assembly, it appears that the meetings of the Municipal Assembly with the participation of the mayor have marked achievements with 69.20%, the discussion of the external auditor's report and the action plan with 60.29%; discussions on quarterly budget reports by the Municipal Assembly with 72.79% and the timely approval of the annual municipal budget proposal with 75.29%.

In field 10 - Public transport, the implementation of the municipal plan for local public transport has been achieved by only 12.54%, this shows the lowest achievement among the areas of municipal performance, while only 65% of settlements appear to be included in local public transport. While in field 11 - Public services, the implementation of the plan for the construction and maintenance of the water supply system has the lowest result of 35.29%, while slightly higher is the implementation of the plan for the construction and maintenance of the sewage system with 41.92%, and the implementation of the municipal plan for waste management has reached 49.12%. These are just some of the areas and indicators that reveal problems, serious limitations, but also unsatisfactory achievements in municipal performance.

Municipal administrations reflect the context of political, economic and institutional changes. A serious problem remains the unclear definition of tasks and responsibilities, combined with direct leadership by political directors, which makes their work problematic. Another problem also relates to the definition of tasks, or requirements for specific officials arising from legal requirements, or line ministries, such as social housing officers, municipal performance officers, European integration officers and many other functions and tasks.

The level of salaries, in contrast to the central level for the same or similar positions, according to the Law on Salaries⁸⁵, has influenced the reduction of motivation amongst officials at the local level. This is mostly reflected in specialized services, such as those of information technology (IT), engineering or specialists in specific fields. The amendments to the Law on Public Officials⁸⁶, where low and middle-level management positions selected after approval can come from outside the system, as well as from outside the civil service, further increase high control and weaken the professional level in municipalities. Therefore, the level of salaries, combined with the number of staff and often limited opportunities for training, is pushing the administration to not be sufficiently motivated to perform its tasks efficiently. In particular, the problem remains at the middle and senior levels, i.e., those whose tasks include planning, developing and monitoring municipal policies, projects or financing.

As part of the measures to build human resources capacities, in (29) municipalities a training program for 2023 has been drafted⁸⁷, while in 10 municipalities it has not been drafted yet. According to the Annual Report of the Public Procurement Regulatory Commission 2023⁸⁸, regarding training in contract management and performance evaluation, a total of 426 officials from 23 contracting authorities have been involved. However, from the local level, only the Municipality of Ferizaj/Uroševac has been involved, while at the level of local and regional public enterprises, Central Kitchen, Urban Traffic JSC, RWC Pastrimi, NH Ibër-Lepenc, RWSC “Hidroregjioni Jugor”.

To provide a closer approach to the areas of analysis, data have been extracted in four sectors: finance and budget; procurement; urban planning and environment; and economic development. While, from the assessment of the number of staff according to the 2024 budget table⁸⁹, it appears that the largest number of officials from these areas are those from budget and finance, with a total of 752 officials. Each municipality has designated special officials in this area, which is also a result of the strict requirements arising from the LPFMA.

In public procurement, only 14 out of 38 municipalities have them separated as separate offices, the rest are within the mayor’s or administration’s offices. In these 14 municipalities, the number of contracts signed is proportional to the number of officials and the overall average is 28.80 per official. The highest number is in: Pejë/Peć, 44.25 per official, followed by Istog/Istok with 37.75 and Ferizaj/Uroševac 34.20. Meanwhile, the lowest number is in: Mitrovicë e Jugut/Južna Mitrovica with 2.5, Klokot/Klllokot 9 and Gjiilan/Gnjilane 11.25.

While, in the field of urban planning and environment, 37 out of 38 municipalities have planned officials, with a total of 350 in total. Regarding local infrastructure, 35 out of 38 municipalities have planned staff, with a total of 490 officials. In a ratio of the number of officials of road/public infrastructure and urban planning and environment, with the number of signed contracts, it turns out that the average of officials, for contract management, is highest in the Municipality of Klinë/Klina with 21.57, followed by Dragash/Dragaš with 15.2 and Shtime/Štimlje 9.53. Meanwhile, the lowest percentage of contract management calculated with the number of officials turns out to be 0.6% in Zubin Potok/Zubin Potok, 0.83% in Zvečan/Zvečan and 0.62% in Severna Mitrovica/Mitrovicë e Veriut. To put it in context, large municipalities such as Prishtinë/Priština have this average at 3.07%, Prizren/Prizren at 8.33%, Pejë/Peć at 6.80%, Ferizaj/Uroševac at 6.84%, Gjiilan/Gnjilane at 4.09%, Mitrovicë e Jugut/Južna Mitrovica at 6.45% and Gjakovë/Đakovica at 6.35%.

Meanwhile, in economic development, 28 out of 38 municipalities have planned officials, or a total

85 <https://gzk.rks-gov.net/ActDetail.aspx?ActID=68695>

86 <https://gzk.rks-gov.net/ActDetail.aspx?ActID=68695>

87 <https://mapl.rks-gov.net/wp-content/uploads/2024/08/Raporti-per-permbushjen-e-obligimeve-te-komunave-nga-Agjenda-Evropiane-Janar-Qershor-2024.pdf>

88 <https://e-prokurimi.rks-gov.net/HOME/Documents/Legislation/Raportet%20Vjetore/shq/Raporti%20Vjetor%202023.pdf>

89 <https://gzk.rks-gov.net/ActDetail.aspx?ActID=85052>

of 212 officials. From the data received from the Information Offices in 28 municipalities, it appears that none has established a team or a special office for drafting development projects. While 2 municipalities are in the process. In most cases, there are officials engaged within the directorates for urban planning, economic development and the mayor's office. In 2 municipalities, one previously had a structure, but which is currently not functional and one has a team, but which functions within economic development, known as the Office for Investment and Business Support (OIBS).

5. Evidence and data

■ Linking projects with municipal strategic documents

Referring to the data from (9) municipalities⁹⁰ selected as a sample for the analysis, it turns out that: 3 municipalities (Obiliq/Obilić, Rahovec/Orahovac, Glogovac/Glogovac/Glogovac) have drafted MDPs, 4 municipalities (Vushtrri/Vučitrn, Fushë Kosovë/Kosovo Polje, Mamushë/Mamuşa, Ranilug/Ranillug) have not drafted them, 1 municipality (Junik/Junik) reports that they have the MDP approved by MESPI, but an additional discussion is needed, scheduled for 10.12.2024. While the municipality of Lipjan/Lipljan has reported that they have been awaiting approval from the MESPI for more than a year, although the municipal assembly has approved the MDP. Regarding the UDP, 8 out of 9 municipalities have integrated it into the MDP, while one municipality (Ranilug/Ranillug) does not have an UDP at all. Regarding implementation assessments, no report has been provided.

Regarding Strategies for Local Economic Development (SLEDs): 3 municipalities (Obiliq/Obilić, Rahovec/Orahovac, Glogovac/Glogovac) have approved them, 5 municipalities (Ranilug/Ranillug, Vushtrri/Vučitrn, Junik/Junik, Fushë Kosovë/Kosovo Polje, Mamushë/Mamuşa) have not. Similarly, the municipality of Lipjan/Lipljan has approved the strategy in the municipal assembly, but is awaiting confirmation of legality from the MLGA.

Table of Municipal Plans and Strategies

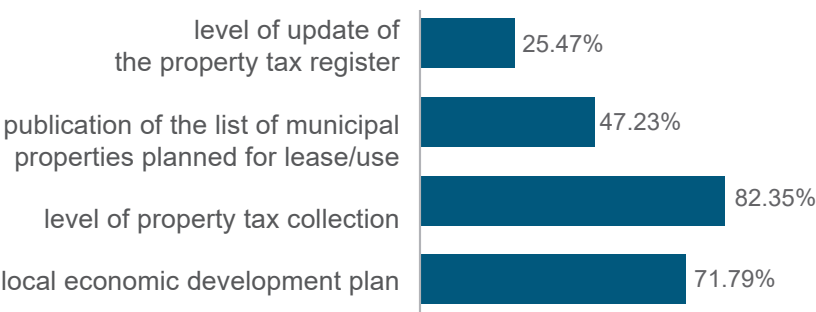
Municipality	Municipal Development Plans (MDPs)	Strategies for Local Economic Development (SLEDs)	Urban Development Plan (UDP)
Obiliq/Obilić	Drafted	Approved	Integrated into the MDP
Rahovec/Orahovac	Drafted	Approved	Integrated into the MDP
Glogovac/Glogovac	Drafted	Approved	Integrated into the MDP
Vushtrri/Vučitrn	Not drafted	Not approved	Integrated into the MDP
Fushë Kosovë/Kosovo Polje	Not drafted	Not approved	Integrated into the MDP
Mamushë/Mamuşa	Not drafted	Not approved	Integrated into the MDP
Ranilug/Ranillug	Not drafted	Not approved	There is no UDP at all.
Junik/Junik	Approved (partially) by MESPI ⁹¹	Not approved	Integrated into the MDP
Lipjan/Lipljan	Approved by the Assembly, awaiting approval from MESPI	Awaiting approval	Integrated into the MDP

⁹⁰ Glogovac/Glogovac, Fushë Kosovë/Kosovo Polje, Lipjan/Lipljan, Obiliq/Obilić, Vushtrri/Vučitrn, Rahovec/Orahovac, Junik/Junik, Ranilug/Ranillug, Mamushë/Mamuşa

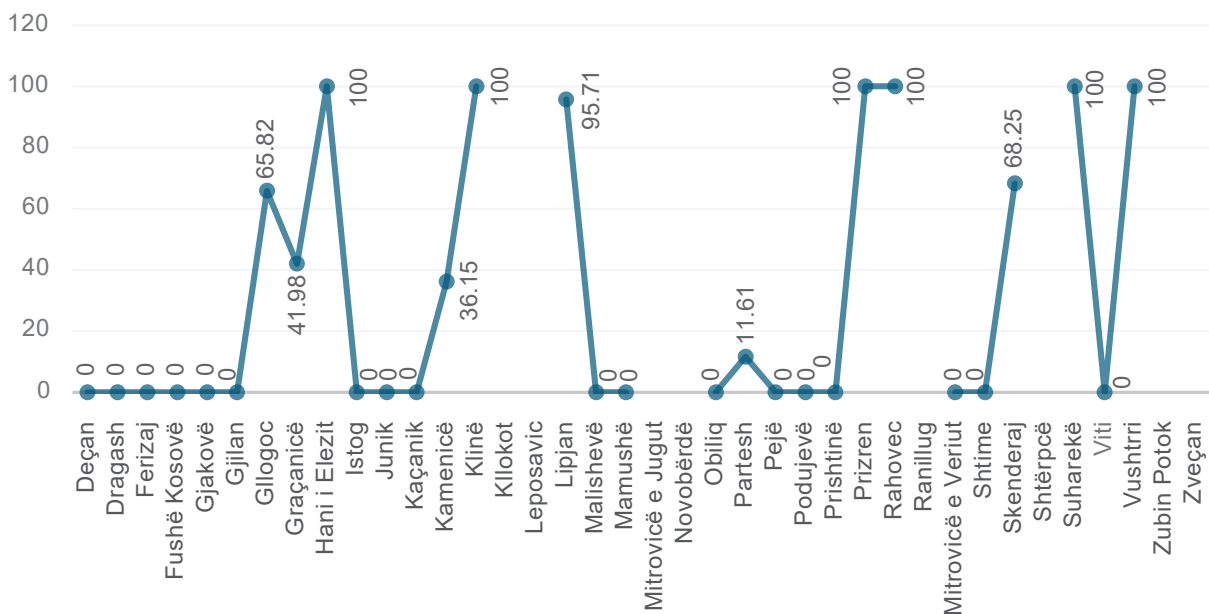
⁹¹ Approved (partially) by MESPI, returned for public discussion (correction) on 10.12.24

5.1. Performance in Local Economic Development

Based on the assessment of reports, such as the 2023 performance report, it turns out that the field of economic development planning still remains at a low level, at 56.75%. The highest achievement in this field is marked by the preparation and publication of the list of municipal properties planned for use at 82.35%, followed by the level of updating the property tax register at 71.79%, while the level of property tax collection is at 47.23%, and the MDP remains at the lowest level⁹².



Performance table by municipalities in the implementation of the MDP



92 <https://mapl.rks-gov.net/wp-content/uploads/2024/01/Raporti-i-Performances-se-Komunave-janar-Dhjetor-2022.pdf>

5.2. Central Level Investments in Municipalities

Referring to the analysis of the GAP Institute, Capital Projects of Ministries: Should capital investments be centralized under one ministry? In the capital investment planning⁹³, it turns out that out of the approximately 3.2 billion euros budget for 2023, central and independent institutions are planned to manage 2.5 billion euros, or 79% of the budget; while municipalities are planned to manage about 660.3 million euros, or 21% of the budget¹. Compared to 2022, in 2023 the total budget has increased by 18%, or 477.3 million euros². In the last four years (2020-2023), ministries have planned an average of about half a billion euros of their annual budget to finance capital projects. In 2023, the budget for capital projects of ministries was planned to be 569.4 million euros, which constitutes about 26% of the total budget of ministries, or 18% of the total budget. Compared to 2022, the budget for capital projects of ministries has increased by about 55 million euros, or 11%.

The Analysis of Capital Investment Distribution for 2022⁹⁴ by Regions and Ministries shows that the distribution of capital investments for 2022 has shown large variations between regions and ministries. Some regions, such as the Centre and the West, have benefited proportionally, while regions such as the North have had a disproportionate approach. This shows the need for a more balanced and fair distribution in the future, aiming to improve infrastructure and services for all citizens in Kosovo.

The total value invested for 2022 in the 5 development regions from the central level amounts to 47,867,750.72 euros, divided as follows: The Central Development Region has benefited 11,831,157.58 euros, the East Development Region has benefited 10,282,412.89 euros, the North Development Region 4,583,448.70 euros. The West Development Region 12,918,027.11 euros and the South Development Region 8,252,704.44 euros. Below is a detailed analysis for each region and the respective contributions of the ministries:

Total investments by Development Regions for 2022

No.	Development Region	Municipalities by Regions	Total Investments (EUR)
1	Centre	Prishtinë/Priština, Podujevë/Podujevo, Lipjan/Lipljan, Obiliq/Obilić, Glogovac/Glogovac, Shtime/Štimlje, Fushë Kosovë/Kosovo Polje, Gračanica/Gračanicë	11,831,157.58
2	East	Ferizaj/Uroševac, Gjiilan/Gnjilane, Hani i Elezit/Elez Han, Kaçanik/Kaçanik, Novo Brdo/Novobërdë, Štrpce/Shtërpçë, Viti/Vitina, Klokot/Klllokot, Ranilug/Ranillug, Kamenicë/Kamenica, Parteš/Partesh	10,282,412.89
3	North	Mitrovicë e Jugut/Južna Mitrovica, Severna Mitrovica / Mitrovicë e Veriut, Leposavić/Leposaviq, Zvečan/Zvečan, Zubin Potok/Zubin Potok, Vushtrri/Vučitrn, Skenderaj/Srbica	4,583,448.70
4	West	Pejë/Peć, Klinë/Klina, Istog/Istok, Junik/Junik, Deçan/Dečane, Gjakovë/Đakovica	12,918,027.11
5	South	Prizren/Prizren, Rahovec/Orahovac, Malishevë/Mališevo, Suharekë/Suva Reka, Dragash/Dragaš, Mamushë/Mamuša	8,252,704.44

93 [https://www.institutigap.org/documents/36101_centralizimi_projekteve\(SHQ\).pdf](https://www.institutigap.org/documents/36101_centralizimi_projekteve(SHQ).pdf)

94 [https://www.institutigap.org/documents/36101_centralizimi_projekteve\(SHQ\).pdf](https://www.institutigap.org/documents/36101_centralizimi_projekteve(SHQ).pdf)

Favouritism and discrimination of municipalities in capital investments⁹⁵ are also observed in the new projects planned in the 2022 budget, although 86.8 million euros or 89% of the projects of ministries in municipalities are a continuation of previous years, while about 10.3 million euros are new projects. During 2022, the municipalities that have benefited the most from new investments are: Prizren/Prizren (about 1.9 million euros), Prishtinë/Priština (about 1.5 million euros), Podujevë/Podujevo (about 1.2 million euros) and Gjakovë/Đakovica (1 million euros).

Evaluation of New Projects (largest amounts) in Municipalities for 2022

No.	Municipality	New Investments (EUR)
1	Prizren/Prizren	1,900,000
2	Prishtinë/Priština	1,500,000
3	Podujevë/Podujevo	1,200,000
4	Gjakovë/Đakovica	1,000,000

Meanwhile, for the 2023 budget allocations, the GAP publication: Draft Budget 2024 - Analysis of Budget Revenues and Expenditures emphasizes that: in 2022⁹⁶, the realization of capital was 60%, while during 2023, until September, the realization rate is 35%. In 2023, the value of new central-level capital investments destined for specific projects in municipalities is 21.8 million euros. Similar to last year, this year too, the government has allocated more funds to municipalities led by the same party, where over half of this amount (59.5% or 13 million euros) is oriented to four municipalities (Gjilan/Gnjilane, Kamenicë/Kamenica, Podujevë/Podujevo and Shtime/Štimlje). These municipalities constitute only 14.5% of the area in Kosovo and 11.6% of the population.

This proves that the trend of distribution without criteria has continued for these years. This is based on previous analyses, which show distribution on political grounds and without criteria⁹⁷. To reflect the uncertainties in the scope of the ministries and the lack of coordination between them, the table shows the areas where they have invested. Referring to the table below, it appears that 3 ministries (MLGA, MESPI and MDR) have planned sidewalks, 4 ministries (MLGA, MESPI, MDR and MCYS) have planned local roads, 3 ministries (MLGA, MCR, MESPI) have planned sewerage, 4 ministries (MESPI, MCYS, MCR, MFLT) residential buildings, 4 ministries (MLGA, MEST, MCYS, MIAPA) have planned educational facilities, 4 ministries (MLGA, MEST, MCYS, MCR) have planned sports facilities, 3 ministries (MLGA, MIAPA, MCR) have planned administrative facilities.

95 https://www.institutigap.org/documents/62170_Ligji%20per%20buxhet%202022.pdf
96 https://www.institutigap.org/documents/21330_Projektbuxheti_2024f.pdf
97 <https://mzhr.rks-gov.net/desk/inc/media/286DB1FB-27DF-4306-BA65-7DF87A3E39E9.pdf>

Table of budget allocations of Ministries⁹⁸ by fields

Investment categories	Ministries (capital investments - 2022)										
	MLGA	MESPI	MRD	MESTI	MEST	MCYS	MIAPA	MoH	MCR	MIET	MFLT
Sidewalks	1,174,448.26	324,828.45		509,237.01							
Local roads	1,067,355.27	13,541,092.89		173,321.38		44,284.30					
Water supply		429,404.55									
Sewerage	84,072.93	169,902.18							417,236.00		
River adjustment		1,913,489.52									
Residential buildings		93,911.14				256,469.66			4,175.20		18,234.87
Educational facilities				40,000.00	3,695,121.14	28,118.12	2,296,940.69				
Sports facilities	172,264.10				236,668.05	602,953.90			155,318.32		
Administrative facilities	15,079.06						5,407,907.31		48,691.70		
Fences	91,546.95										
Tourism	91,411.99										
Infrastructure/Irrigation System			1,641,930.64								
Cultural heritage sites				251,484.15							
Technology parks/Business zones/Industrial parks				448,618.53						230,481.79	
Business buildings										15,391.69	
Administrative buildings/Multifunctional centres						318,211.54					
Cultural facilities				3,534,788.63							
Health facilities								161,794.79			
Other capital	39,370.00										

98 Ministry of Local Government Administration (MLGA); Ministry of Environment, Spatial Planning and Infrastructure (MESPI); Ministry of Agriculture and Rural Development (MARD); Ministry of Regional Development (MRD); Ministry of Education, Science, Technology and Innovation (MESTI); Ministry of Culture, Youth and Sports (MCYS); Ministry of Internal Affairs and Public Administration (MIAPA); Ministry of Health (MoH); Ministry of Return and Communities (MRC); Ministry of Industry, Entrepreneurship and Trade (MIET); Ministry of Finance, Labour and Transfers (MFLT).

5.3. Cases/Examples - Problems in the Implementation of Projects by Ministries, Enterprises and Network Operators in Municipalities

Even in terms of capital investment planning, weaknesses are confirmed by Line Ministries, Regional Enterprises and Network Operators that lead to delays or project failures. As a result, municipalities are often left without important services, which hinder sustainable development.

The impact of projects of ministries, operators and enterprises at the municipal level has often been linked to significant challenges that hinder the development of municipalities and the provision of effective services to citizens. According to **the Performance Audit Report (2023)**⁹⁹ of the National Audit Office (NAO), capital investments by Regional Water Supply Companies (RWSCs) have been characterized by poor planning and lack of a long-term strategy. The same report highlights that support for small and medium-sized enterprises (SMEs) has been insufficient and unoriented towards market needs. Public calls for financial support have not been based on proper analysis of strategic sectors. A concrete example includes the information technology sector, which, despite its potential to create jobs and grow the local economy, remained uninvolved in the published calls. Investments in Economic Zones are also characterized by a lack of basic infrastructure, including water and electricity supply. This problem has limited the operations of businesses and increased their operational costs.

In the sports infrastructure sector, according to the data from this report, the renovation and reconstruction of stadiums in Mitrovicë/Mitrovica, Gjiilan/Gnjilane and Gjakovë/Đakovica has shown serious weaknesses in management and coordination between municipalities and the ministry. The process that began several years ago has not yet been completed due to the lack of key prerequisites, such as the expropriation of plots and the provision of construction permits. In the case of Mitrovicë/Mitrovica, the stadium remains unfinished and out of operation, risking that international matches will be held in other countries.

Even with regard to the Performance Grant divided into two funding approaches, shortcomings have emerged that require attention. The main problems are the need for additional approval of funds by the MLGA, double registration of projects as ongoing investments, return of funds as surplus and lack of criteria for determining beneficiaries. Procurement activities for donor-funded projects have shown weaknesses such as failure to include projects in procurement plans, division of tenders into LOTS that increase costs, failure to confiscate tender security and signing contracts without assigning a work site. Although the intended results have been achieved, municipalities have not demonstrated the integration of marginalized groups beyond the facilitation policies and general strategies.

Meanwhile, the National Audit Office Performance Report (2023) - Impact of capital investments in reducing water losses and expanding water services to citizens by RWSCs¹⁰⁰ highlights that: RWSC Prishtina has not developed an asset management plan and a long-term investment plan, which has resulted in inappropriate prioritization of projects and deviations from initial objectives. A clear example includes a project to reduce water losses in the urban network, which remained suspended due to a lack of coordination between the RWSC and other institutions. Furthermore, insufficient harmonization between Business Plans and the Regulatory Business Plan has negatively affected the effective use of financial resources and the achievement of planned objectives.

99 https://zka-rks.org/cms/DocumentFiles/2024_7c153874-6fc1-4048-91a4-bcf0d75d2b5a.pdf

100 https://zka-rks.org/cms/uploads/2023/08/RaportiAuditimit_Investimet-Kapitale_KRU_shqip.pdf

According to data from **the National Audit Office (2023)** from the performance audit on capital projects of the Kosovo Electricity Transmission, System and Market Operator (2015-2021)¹⁰¹, capital projects in the energy sector have been delayed due to obstacles in procurement processes and poor management. One example includes the construction of a new transmission station in Fushë Kosovë/Kosovo Polje, which was identified as a need in 2014, but has not yet started. Meanwhile, projects in cities such as Dragash/Dragaš and Malishevë/Mališevo have been blocked due to complaints to the PRB, resulting in overloading of the transmission network and uncertainty in supply. These cases show that poor planning, ineffective management and lack of inter-institutional coordination are key factors hindering the development of municipalities and the provision of high-quality services to citizens.

Table with cases and examples

Field/Project	Responsible Institution	Main Shortcomings
Capital investments in water supply	RWSCs and WSRA	<i>Lack of Asset Management Plans and Long-Term Investment Plans; Lack of prioritization of projects based on real needs; Failure to harmonize Business Plans with the Regulatory Business Plan; Delays in completing projects to reduce water losses and expand the service network in urban and rural areas.</i>
Support for MSMEs	MIET/KIESA	<i>Public calls without detailed analysis for the most affected sectors; Call system and evaluation with non-transparent procedures; Deficiencies in monitoring the use of funds by MSMEs; Incomplete infrastructure in Economic Zones, hindering the functioning of businesses.</i>
Renovation of stadiums in Mitrovicë/ Mitrovica, Gjilan/Gnjilane and Gjakovë/ Đakovica	Ministry of Culture and relevant municipalities	<i>Failure to expropriate the necessary plots on time; Lack of construction permits and completed technical projects; Delays in creating the prerequisites for the start and completion of works; Poor planning and coordination between municipalities and the Ministry of Culture.</i>
Municipal Performance Grant	MLGA and beneficiary municipalities	<i>Double registration of projects as ongoing investment and return of funds as surplus; Lack of clear criteria for the distribution of funds among municipalities; Weakness in the inclusion of marginalized groups in funded projects; Failures in following procurement procedures, including the division of tenders into LOTS and failure to confiscate tender guarantees.</i>
Capital investments in energy	KOSTT	<i>Delays in procurement processes for stations in Fushë Kosovë/Kosovo Polje, Dragash/Dragaš and Malishevë/ Mališevo; Problems with complaints and prolonged reviews in the Procurement Review Body; Overload in the transmission network due to non-construction and non-revitalization of critical stations.</i>

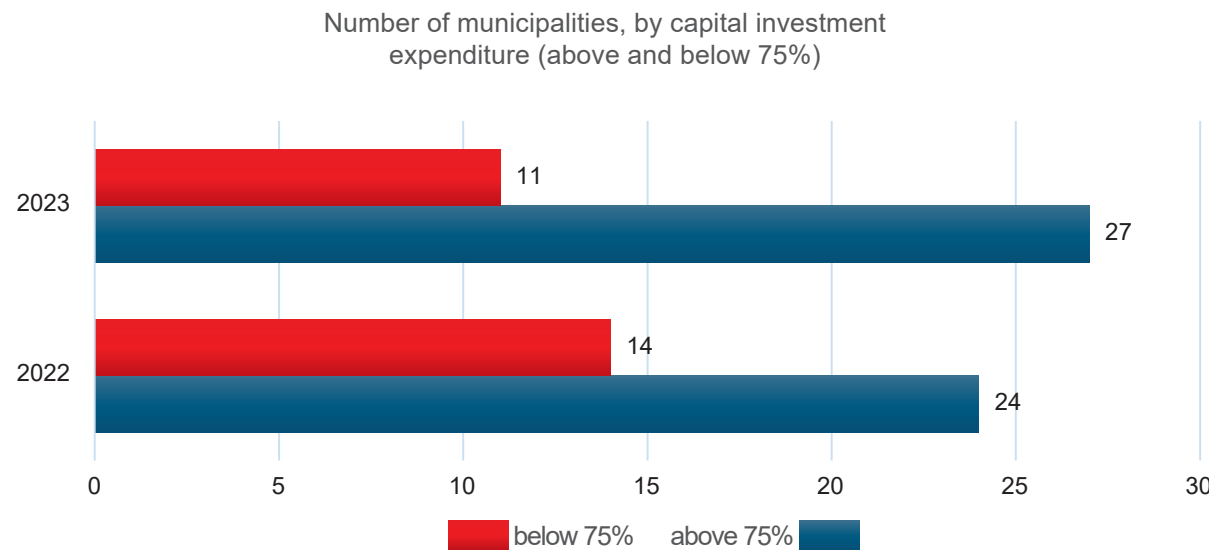
101 zka-rks.org/cms/uploads/2022/07/Raporti-Auditimit-KOSTT.pdf

5.4. Investment Prioritization and Project Design

The Auditor General’s 2021 Annual Financial Report emphasizes that ‘Project planning in the Public Investment Program (PIP) must be done in detail and approved by the heads of organizations, based on their analysis and justification’.¹⁰²

The audit results have highlighted that the audited municipalities still did not have standard processes for receiving requests from citizens, reviewing them and prioritizing investment needs¹⁰³. As a result of the lack of planning, in many cases during the implementation of projects, problems arise, such as the lack of financing planning, property issues or even the lack of special permits for those investments such as water and environmental permits, and at the same time this hinders the pursuit of strategic and development objectives. As a result, a significant part of capital investments remain unused. Referring to the Treasury’s annual financial report for 2022¹⁰⁴, it turns out that 14 out of 38 municipalities have spent less than 75% of the budget for capital investments, while in 2023¹⁰⁵ it appears that 11 out of 38 municipalities have spent less than 75% of the budget for capital investments, or 3 more than the previous year. This is also reflected in the total percentage of budget spending, from 85% in 2022 to 89% in 2023.

The Administrative Instruction on Selection Criteria and Prioritization of Capital Projects requires that the budget be accompanied by an evaluation appendix of up to 300 points. However, only 1 out of 10 municipalities where the working material was found attached the evaluation appendix of the projects proposed for approval in the Municipal Assemblies, as set out in Article 4, point 8 of this Administrative Instruction¹⁰⁶.



102 https://zka-rks.org/wp-content/uploads/2022/08/RaportiVjetoriAuditimit_2021_Shqip-2.pdf

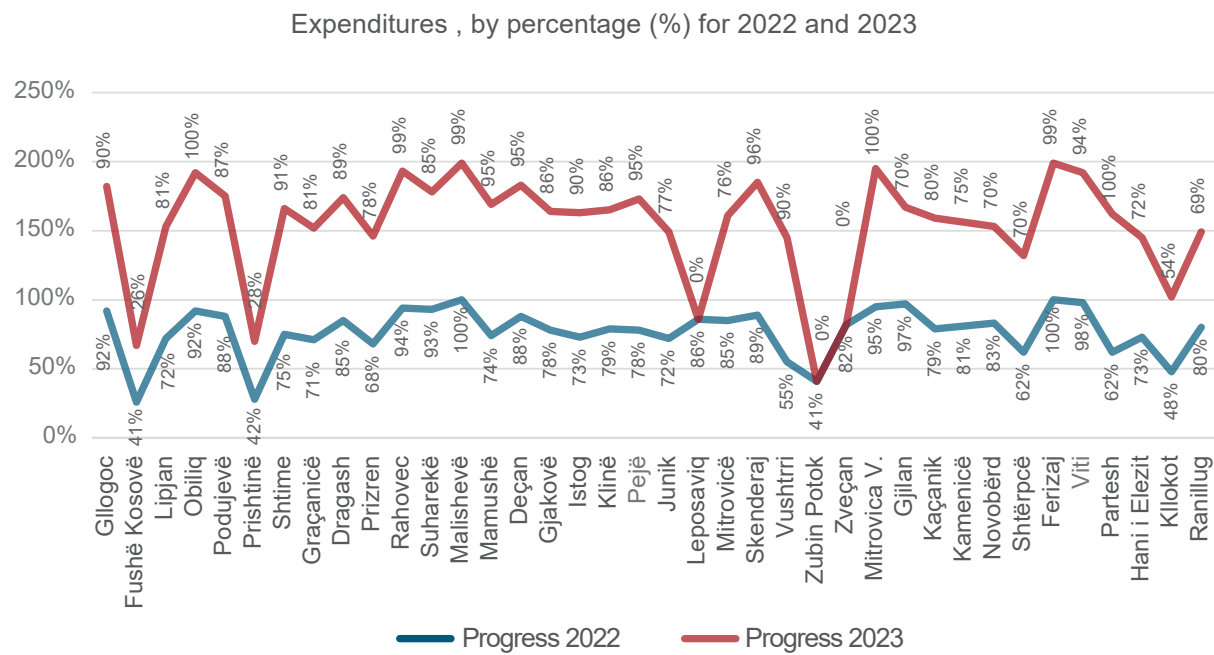
103 https://zka-rks.org/cms/DocumentFiles/2023_f46e90ad-3592-401a-b867-0f0efb9a5573.pdf

104 <https://mfpt.rks-gov.net/Thesari/Page/33>

105 <https://kk.rks-gov.net/podujeve/wp-content/uploads/sites/25/2024/03/Raporti-Financiar-per-vitin-2023.pdf>

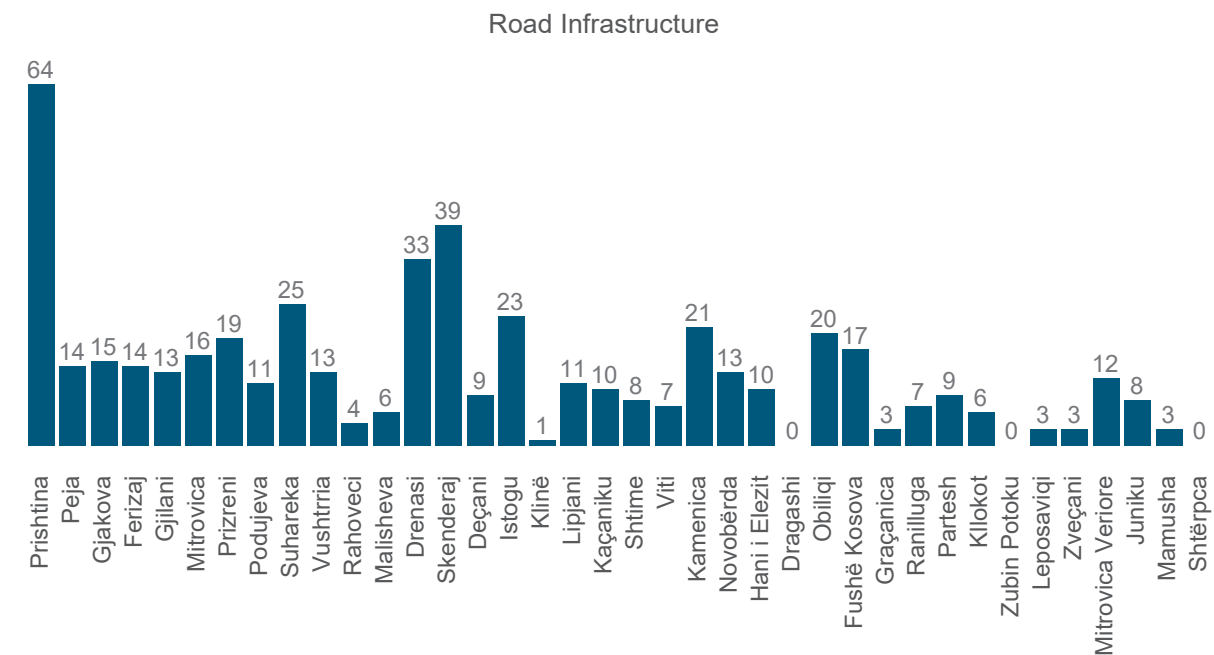
106 [ADMINISTRATIVE INSTRUCTION MF- NO. 06/2019 ON SELECTION CRITERIA AND PRIORITIZATION OF CAPITAL PROJECTS \(rks-gov.net\)](#)

Table of capital expenditures by municipalities (2022 and 2023)



To see the capacities of municipalities in the development of capital and development projects, tables have been drawn up, with the number and division by municipality;

Table of the number of road infrastructure officials by municipality



Regarding municipal capacities, in the management of road infrastructure in the framework of public services, protection and rescue, it appears that out of 38 municipalities, only 2 municipalities¹⁰⁷ do not have designated staff in this category, while the total appears to be 490 officials.

Table of the number of urban planning and environmental officials by municipality

Regarding urban planning and environment, out of 38 municipalities, only 1 municipality¹⁰⁸ does not have any designated staff. The total number of staff in these areas comes to 350 officials.

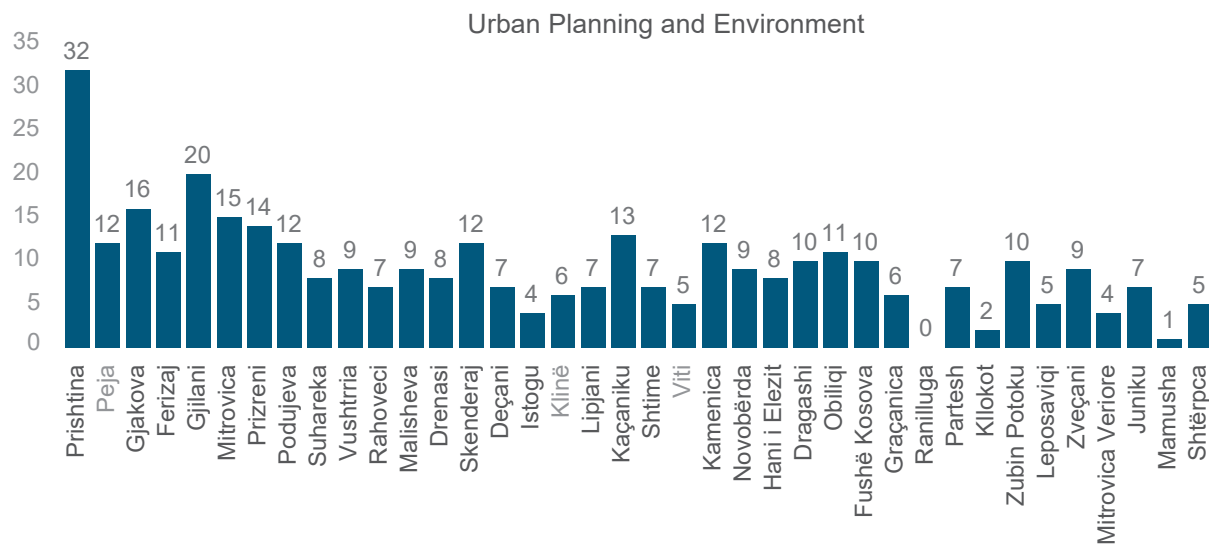


Table with the number of local economic development officials by municipality

In economic development or economic development planning, 28 out of 38 municipalities have special staff, while 10¹⁰⁹ do not have any designated staff. In total, there are 212 local officials for this field.



¹⁰⁷ Severna Mitrovica/Mitrovicë e Veriut and Zubin Potok/Zubin Potok

¹⁰⁸ Ranilug/Ranillug

¹⁰⁹ Suharekë/Suva Reka, Vushtrri/VuÇitrn, Malishevë/Mališevo, Klinë/Klina, Viti/Vitina, Dragash/Dragaš, Obliq/Obilić, Ranilug/Ranilug, Parteš/Partesh and Klokot/Klokot.

From the data received from the Information Offices in 28 municipalities, it appears that none has established a special team or office for the drafting of development projects. Even the NPLED-2030 highlights that capacities are limited even when it comes to drafting projects to attract funds from foreign donors. Many municipalities lack qualified personnel in many departments and this negatively affects the business environment. On the other hand, some municipalities have excess staff, but they are not managed properly¹¹⁰. Referring to the table below, or even the development programs, it appears that municipalities have mainly reported on co-financing. What stands out is that only a small number of projects, apart from those of international cross-border cooperation, are from other components of the Instrument for Pre-Accession Assistance (IPA). A considerable number in this area are also reported as participations mainly in the field of subsidies in agriculture.

Table of Projects and Investments (from domestic and external donors)

No.	Municipality	Number of Projects	Total 2022 (€)	Investment Field	Donor
1	Deçan/Deçane	2	93,334	Tourism (unspecified)	External co-financing and participation
2	Dragash/Dragaš	2	50,356.55	Tourism development projects	Co-financing projects with donors
3	Ferizaj/Uroševac	3	463,607.78	Cross-border co-operation, water supply, other	Co-financing of projects with various donors (internal and external)
4	Fushë Kosovë/ Kosovo Polje	1	129,387.60	Unspecified	Co-financing of projects with various donors (internal and external)
5	Gjakovë/ Đakovica	1	1,043,820.44	Various (unspecified)	Co-financed projects
6	Gjilan/Gnjilane	1	1,100,000	Unspecified	Co-financing of projects with various donors (internal and external)
7	Glogovac/ Glogovac	2	56,328	Unspecified	Co-financing of projects with various donors (internal and external)
8	Gračanica/ Gračanice	1	46,571.70	Unspecified	Co-financing of projects
9	Hani i Elezit/ Elez Han	1	55,259.44	Environmental protection	Co-financing of projects with various donors (internal and external)
10	Istog/Istok	5	214,066.52	Infrastructure, efficiency, NGOs, communities, other	Projects with co-financing/ domestic and external donors
11	Klinë/Klina	1	56,168.36	Unspecified	Co-financing of projects

110 <https://mapl.rks-gov.net/wp-content/uploads/2023/10/PROGRAMI-NACIONAL-PER-ZHVILLIM-EKONOMIK-LOKAL-2030-1.pdf>

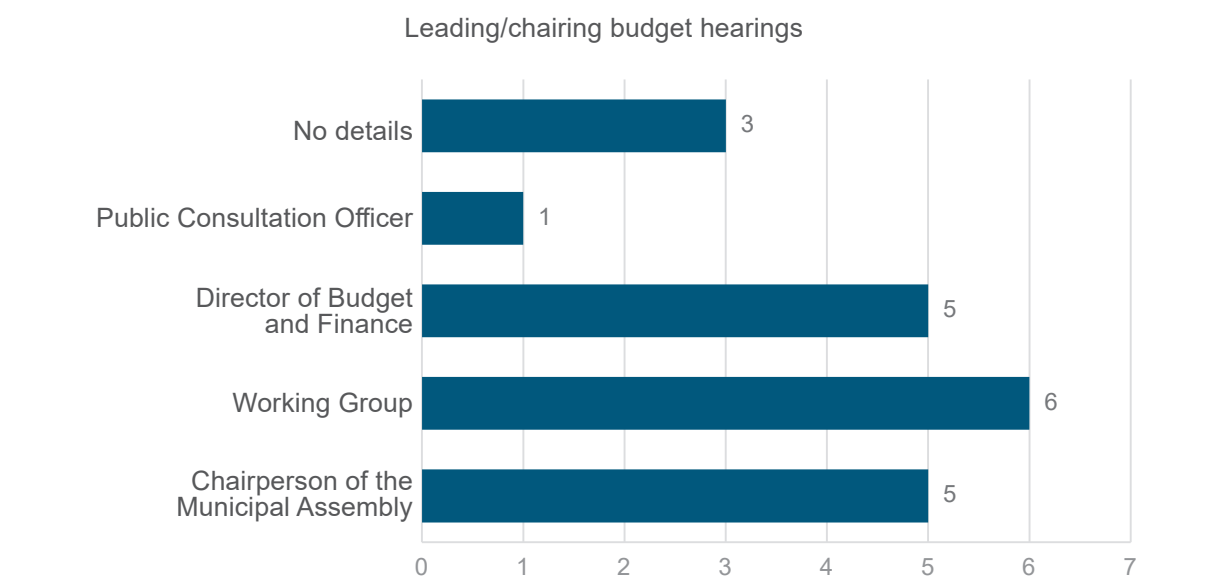
12	Kaçanik/Kaçanik	1	97,005.76	Unspecified	Co-financing of projects with various donors (internal and external)
13	Kamenicë/Kamenica	2	626,792.82	Water supply, unspecified	Co-financing of projects with various donors (internal and external)
14	Klinë/Klina	1	288,091.07	Unspecified	Co-financing with donors
15	Klokot/Kllokot	1	8,873.12	Unspecified	Co-financing of projects with various donors (internal and external)
16	Lipjan/Lipljan	1	97,603.19	Unspecified	Co-financing of projects with various donors (internal and external)
17	Mamushë/Mamuşa	1	10,000.00	Unspecified	Co-financed/donor projects
18	Mitrovicë e Jugut/Južna Mitrovica	3	1,471,130.02	Public space	Co-financing of projects with various donors (internal and external)
19	Novo Brdo/Novobërdë	1	87,585.91	Unspecified	Co-financing of projects with various donors (internal and external)
20	Obiliq/Obilić	1	311,051.12	Unspecified	Co-financing of projects with various donors (internal and external)
21	Parteš/Partesh	3	92,082.38	Education, health, other unspecified	Co-financing of projects with various donors (internal and external)
22	Pejë/Peć	5	1,276,493.18	Cultural heritage, energy, communities	Projects with internal and external donors
23	Podujevë/Podujevo	2	345,755.95	Sewerage infrastructure, health	Co-financing of projects
24	Prizren/Prizren	4	440,687.84	Water supply, tourism	Co-financing of projects with various donors (internal and external)
25	Rahovec/Orahovac	6	620,704.57	Agriculture, culture, youth, infrastructure, other	Co-financing of projects with various donors (internal and external)
26	Ranilug/Ranillug	1	15,100.14	Unspecified	Co-financing of projects with various donors (internal and external)
27	Shtime/Štimlje	3	430,293.76	Sewerage infrastructure, economic development	Co-financing of projects with various donors (internal and external)

28	Skenderaj/Srbica	2	280,237.39	Unspecified	Co-financing of projects with various donors (internal and external)
29	Štrpce/Shtërpcë	1	12,575.50	Unspecified	Co-financing of projects with various donors (internal and external)
30	Suharekë/Suva Reka	3	419,496.64	Educational facilities/Unspecified	Co-financed/donor projects
31	Viti/Vitina	1	438,926.15	Unspecified	Co-financing of projects with various donors (internal and external)
32	Vushtrri/Vučitrn	4	128,433.66	Water supply, culture	Co-financing of projects with various donors (internal and external)

5.5. Budget Drafting Process

Table of budget hearings led

The following will present data on the conduct of budget hearings extracted from 20 reports published by municipalities: 5 cases were led by the Chairperson of the Assembly, or the Office of the Municipal Assembly; 5 cases were led by the Directors of Finance, 6 cases by a working group, 1 case by a consultation officer and in 3 cases there are no details. However, it should be noted that in most cases where there was a working group, there was no involvement by members of the Municipal Assemblies.



Meanwhile, regarding the groups/types of budget hearings, it appears that referring to the 20 reports published by municipalities: 5 municipalities held general budget hearings, 6 held budget hearings with 3 targets/types of hearings (areas/villages, institutions/sectors and focus groups); 1 of them held a meeting with political entities, 8 municipalities held budget hearings with 2 targets/types (centres/villages).

Meanwhile, from the Public Consultation Monitoring (2022)¹¹¹, on the issue of whether there was any case where documents were refused for approval by the Chief Administrative Officer (CAO) or documents that did not meet the consultation standards as provided for in the relevant administrative instruction were rejected by the Municipal Assembly. From the 16 municipalities that responded, it appears that for both cases it was reported that there was only 1 case of refusal or return of the document.

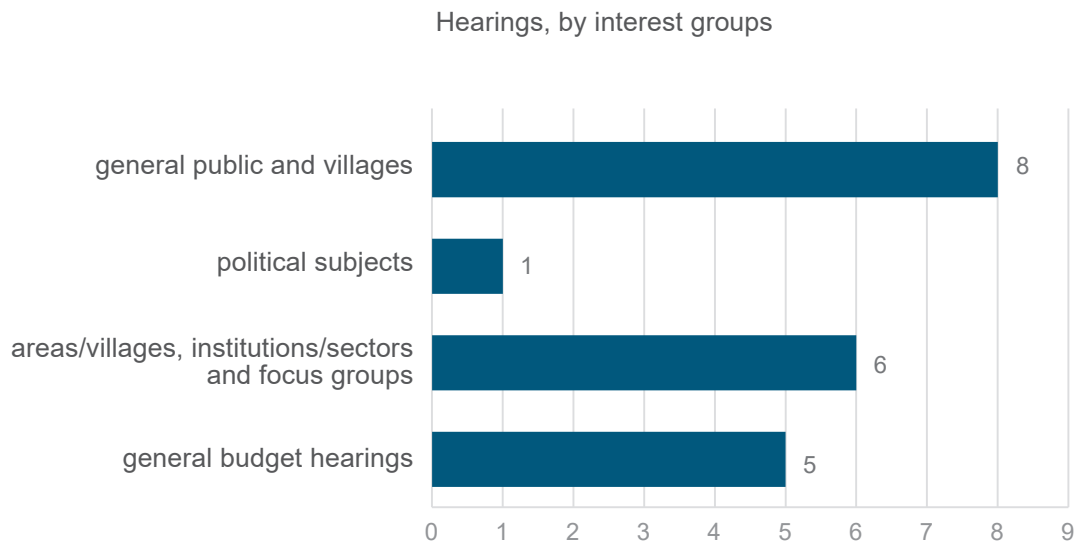
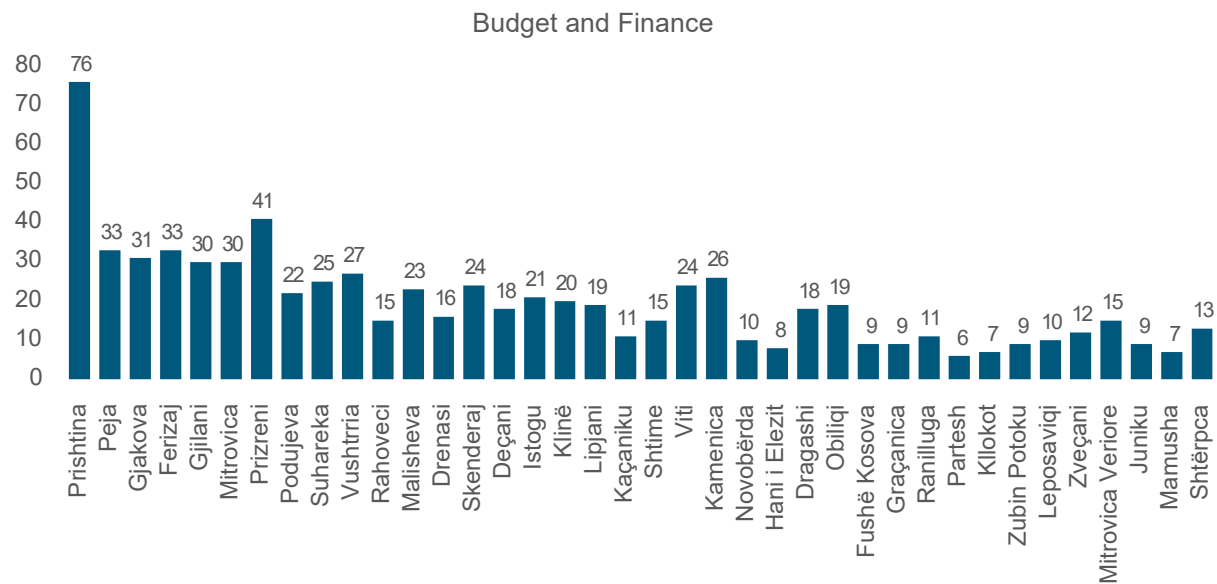


Table of the number of budget and finance officials, by municipality

Regarding capacities in planning, budget management, in the category of budget and finance officials, it appears that all municipalities have designated staff, with a total of 752 officials.



111 <https://www.klgi-ks.com/wp-content/uploads/2024/04/RAPORT-I-MONITORIMIT-TE-KONSULTIMIT-PUBLIK-NE-NIVEL-LO-KAL-2023-CEA.pdf>

Table reflecting the interdependence of requests by municipality

During the budget hearings, from the reports published in 20 municipalities, it appears that a considerable number of requests and issues raised relate to investments, services or issues under the management of the central level, agencies, regional companies and network and distribution operators. However, the municipalities here fail to provide answers on these issues and as such, they are mainly treated as not being under municipal competence or management, without further clarification.

Table of interdependent issues

No.	Municipality	Priorities	Referral of Interdependent Problems
1	Obiliq/Obili	Public investments/infrastructure: Investments in the electricity network; Expansion of the water supply	A request should be made to the municipality or Ibër Lepenc; This year we have an agreement with Ibër Lepenc, to pay for every acre of land that is irrigated, this for the next three years; Regarding the regulation of substations and electricity, the municipality of Obiliq/Obili is constantly trying to work in this direction.
2	Podujevë/ Podujevo	Bringing drinking water to the village	Cooperation with the water utility in replacing pipes.
3	Prishtinë/ Priština	Public investments/infrastructure: Sewerage; Water supply	Requests regarding water supply and sewage will go to all relevant departments.
4	Klinë/Klina	Request for water supply installation	For the construction of the water supply network, the municipality of Klinë/Klina will cooperate with "Hidrodrini" by co-financing various projects.
5	Pejë/Pe	Improving the electrified network;	Unaddressed/Outside municipal competences.
6	Kamenicë/ Kamenica	Intervention on electric poles	Outside municipal competences.
7	Kaçanik/ Ka anik	Adjustment of the electricity network, due to aging poles; Increasing the capacity of the water supply system	Rehabilitation of the electricity network is the responsibility of KEDS/KESCO. The increase in water capacities will be considered in coordination with the RWSC "Bifurkacioni".
8	Glogovac/ Glogovac	Public investments/infrastructure: Paving roads, drinking water supply; Sewage; Public lighting; Cemeteries; Sidewalks.	Legalization is under the care of the Ministry of Environment and Spatial Planning. As for the parking lot, it is the property of the ministry, but I believe that together with the ministry we will fix it. Regarding concrete electricity poles, you must make a request to KEDS.

9	Suharekë/ Suva Reka	Public investments/infrastructure: Construction of sidewalk; Naming of streets; Request for water supply; Construction of a playground	<p>The request for water supply should be addressed to “Hidro-Regjioni”, because it is their competence.</p> <p>We will make a request to KEDS for the construction of the transformer.</p> <p>Sewerage maintenance is the responsibility of “Hidro-Regjioni”.</p>
10	Gjakovë/ Đakovica	Public investments/infrastructure: Construction of sewerage; Construction of roads; Regulation of inert waste landfill; Public lighting	Regarding the martyr's tombstone, the request should be directed to the Kosovo Agency for the Management of Memorial Complexes, because these objects are the competence of this agency.
11	Hani i Elezit/ Elez Han	Public investments/infrastructure: Construction of stairs to the cemetery due to the steepness of the site; Renovation of the playground in front of the municipality	<p>The overpass is the responsibility of “Infrakos” and “Trainkos” and will be implemented by them;</p> <p>The electrified network at the bus station is not the responsibility of the municipality; This request is the responsibility of KEDS; This is a request from the company NPL “Pastrimi”.</p>

5.6. Procurement

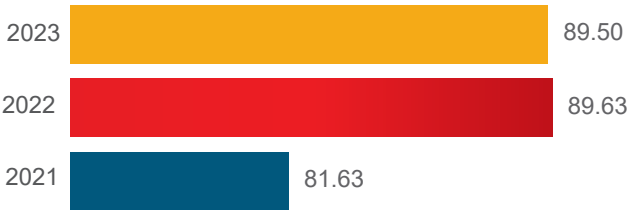
The municipal performance report sets out several indicators in this area, such as: the level of implementation of the annual procurement plan and the publication of procurement documents. According to the report in (2023)¹¹², regarding the publication of public procurement documents, the average compliance is 67.60%, or a decrease of 19.16 points compared to 2022 and 14.80 compared to 2021.

The level of implementation of the procurement plan measures the performance in relation to the implementation of the planned budget for procurement activities. The indicator assesses the difference between the planned and executed budget, ensuring the effectiveness and efficiency of municipal authorities. According to the report, the average fulfilment for this indicator is 89.63%, an increase of 8% compared to 2021, when it was 81.63%. Meanwhile, a decrease of 0.13 points compared to 2022.

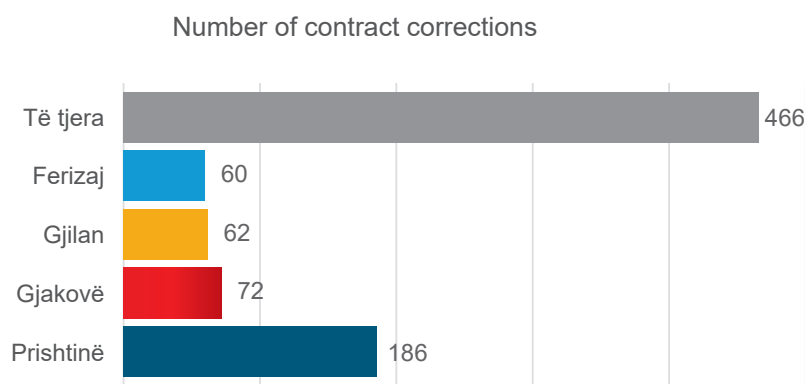
Publication of public procurement documents



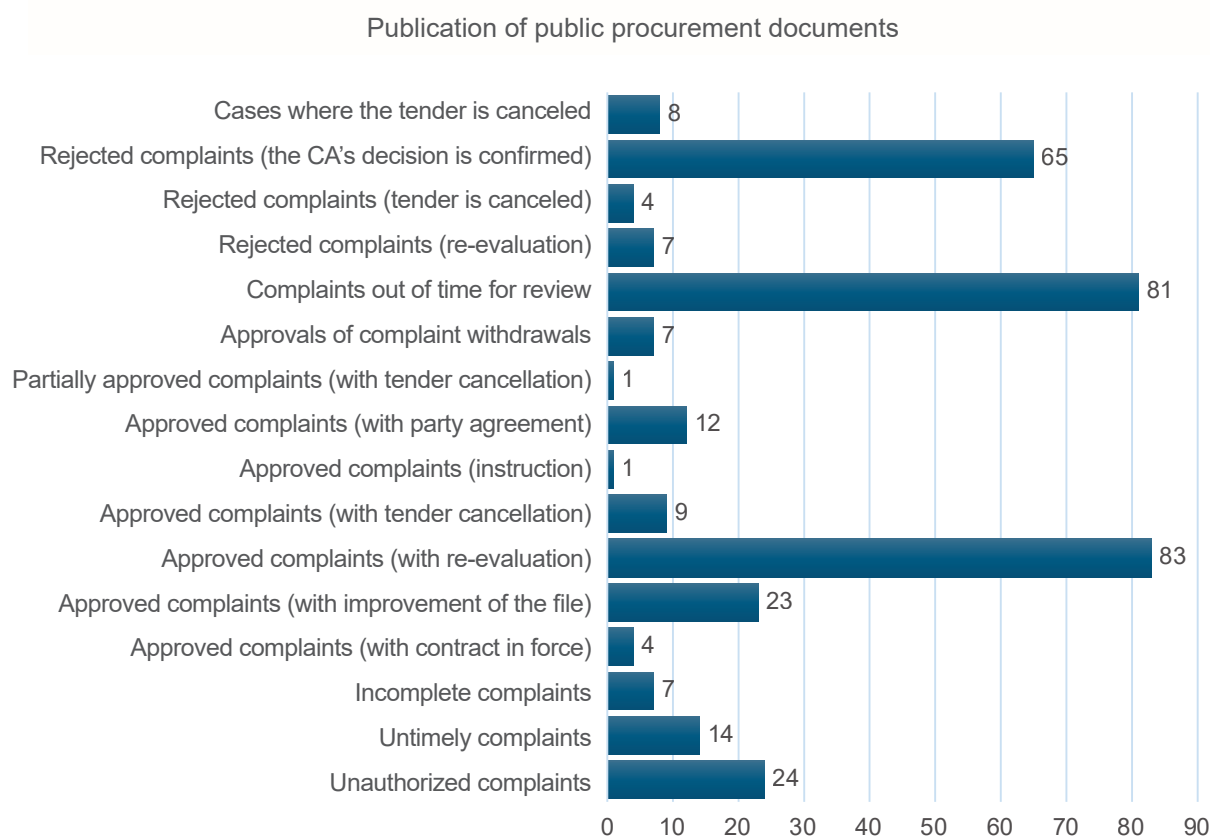
Level of implementation of the procurement plan



112 <https://mapl.rks-gov.net/wp-content/uploads/2024/07/Raporti-performances-Komunale-2023-final-18.07.2024.pdf>



Referring to the 2023 annual report of the Public Procurement Regulatory Commission (PPRC)¹¹³, it appears that 36 municipalities have signed 3972 contracts, worth 414,212,489.550 euros, of which 48,432,201.170 euros, or 11.69% are contracts over 2 million euros. Meanwhile, 10 municipalities have signed 14 contracts over 2 million euros, the most of which is the Municipality of Ferizaj/Uroševac with 3 contracts, followed by Prizren/Prizren and Suharekë/Suva Reka with 2 contracts and Deçan/Deçane, Gjilan/Gnjilane, Gjakovë/Đakovica, Gllogovc/Glogovac, Malishevë/Mališevo, Rahovec/Orahovac and Vushtrri/Vučitrn with 1 contract each. From the procurement process, 846 corrections have occurred in 17 municipalities. Prishtinë/Priština leads with 186 corrections, followed by Gjakovë/Đakovica with 72, Gjilan/Gnjilane with 62 and Ferizaj/Uroševac with 60. During this period, 326 public procurement contracts were cancelled during the procurement process in 9 municipalities. Prizren/Prizren leads with 56 cancellations, followed by Ferizaj/Uroševac with 40 and Klinë/Klina and Lipjan/Lipljan with 38 cancelled contracts each.



¹¹³ <https://e-prokurimi.rks-gov.net/HOME/Documents/Legislation/Raportet%20Vjetore/shq/Raporti%20Vjetor%202023.pdf>

Referring to the annual report of the Procurement Review Body 2022, the table with detailed data on the type of decisions, during this period it appears that: 24 inadmissible complaints, 14 untimely complaints, 7 incomplete complaints were reviewed, while in 4 cases the complaint was approved, but the contract remained in force, in 23 cases the complaint was approved, with the request for improvement of the file, in 83 cases the complaint was approved and a reassessment was requested, there were no complaints approved with a reassessment/order, 9 complaints approved/tender cancelled, 1 complaint approved/order, 12 complaints approved with the consent of the parties, 1 complaint partially approved/tender cancelled, 7 approvals of the withdrawal of complaints, 81 outside the deadline for review, 7 complaints rejected/reassessment, 4 complaints rejected/tender cancelled, 65 complaints rejected/the decision of the Contracting Authority is confirmed, in 8 cases the tender is cancelled.

Regarding measures against economic operators, they were approved in 12 cases, regarding measures against contracting authorities for non-compliance with PRB decisions, within 5 days they were imposed in 2 cases (Municipalities of Prishtinë/Priština and Podujevë/Podujevo). In 1 case, the Municipality of Klokot/Kllokot refused to obtain a license, but issued a warning to the procurement officer for serious violations of the law and procurement rules.

Meanwhile, regarding the initiation of court proceedings, the following data emerges: 1 lawsuit rejected; no lawsuit approved by the Basic Court in Prishtinë/Priština; no complaints are reported to the Court of Appeal against the first instance; in 2 cases we have approved requests for extension of the execution deadline in the Commercial Court, and in 2 cases the requests were rejected.

While, referring to e-procurement, terminated contracts, values and amounts paid in three years (2021, 2022 and 2023) were analysed.¹¹⁴ In 2021, 58 contracts were terminated, worth 12,621,117.09 euros, while payments were made for works worth 858,964.80 euros, or 6.73%. In 2022, 29 contracts were terminated, worth 2,635,412.48 euros, while payments were made for works worth 132,380.40 euros, or 5.02%. In 2023, from the data entered in e-procurement, it appears that 9 contracts were terminated, worth 295,507.44 euros, while payments were made for works worth 131,005.42 euros or 44.33%.

Year	Number of Contracts	Contract Value (€)	Payment for Works (€)	% of Payments
2021	58	12,621,117.09	858,964.80	6.73%
2022	29	2,635,412.48	132,380.40	5.02%
2023	9	295,507.44	131,005.42	44.33%

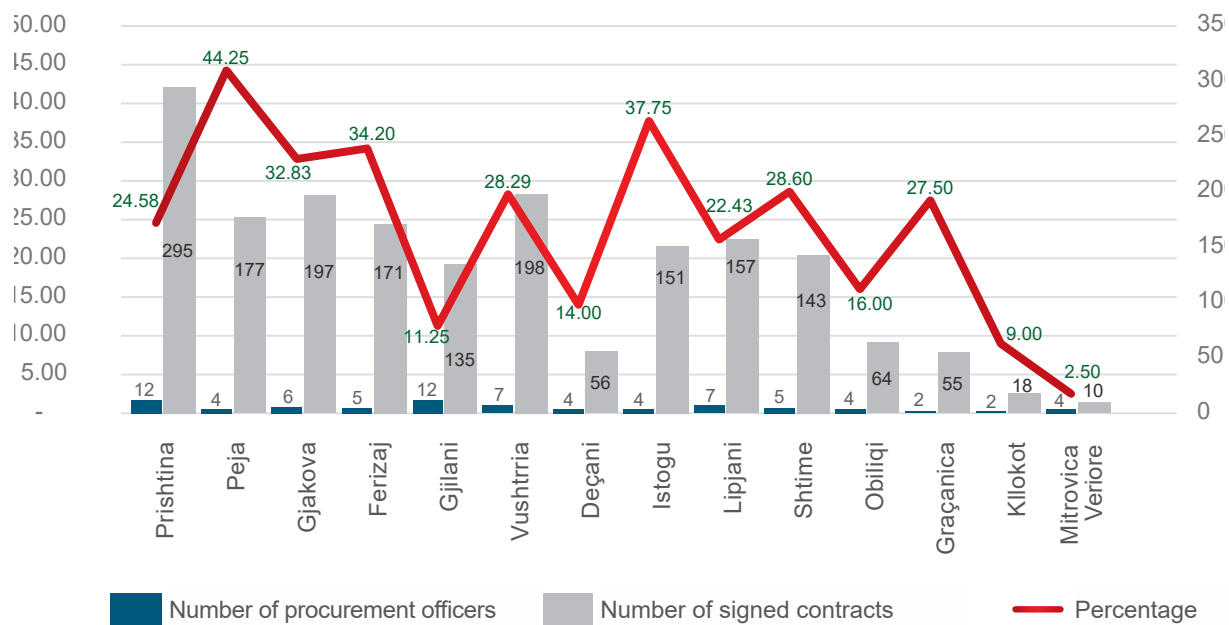
Referring to table 4.1 for the Budget Allocation Plan of Total Municipal Expenditures for 2024, in the Budget Law¹¹⁵, it appears that out of 38 municipalities, only 14 have separate procurement offices, while the rest are located within the mayor's office or municipal administration. Calculating for these 14 municipalities¹¹⁶, the number of staff with the number of contracts, it appears that: from the total number of contracts which is 1827, proportional to the number of procurement officers 78, the average number of contracts per officer is 23.80. Of these municipalities, the highest average is occupied by Pejë/Peć with 44.25, followed by Istog/Istok with 37.75 and the lowest average is occupied by Klokot/Kllokot with 9 and Severna Mitrovica/Mitrovicë e Veriut with 2.5.

¹¹⁴ <https://e-prokurimi.rks-gov.net/HOME/ClanakItemNew.aspx>

¹¹⁵ <https://gzk.rks-gov.net/ActDetail.aspx?ActID=85052>

¹¹⁶ Prishtinë/Priština, Pejë/Peć, Gjakova/Đakovica, Ferizaj/Uroševac, Gjiilan/Gnjilane, Vushtrri/Vu itrn, Deçan/De ane, Istog/Istok, Lipjan/Lipljan, Shtime/Štimlje, Obliq/Obili , Gra anica/Graçanicë, Klokot/Kllokot and Severna Mitrovica/Mitrovicë e Veriut.

Average contract management for the number of procurement officers



5.7. Contract management

The Public Procurement Regulatory Commission (PPRC), the procurement unit, in accordance with the official information/notification from the PPRC dated 01/02/2021, related to the amendment/supplement A01 - Rules and Operational Guidelines for Public Procurement (ROGPP) No. 001-2022, has started using two new modules of the electronic procurement system: the “Contract Management Module” and the “Contractor Performance Evaluation Module”. For this, a handbook¹¹⁷ and manuals¹¹⁸ have been drafted and published in written and as videos¹¹⁹.

The Analysis of the Contract Management of the Module Use highlights that: 22,993 contracts have been signed, of which 14,409 of them have the status of a contract management plan, this plan has been approved by both parties, the Contracting Authority and the Economic Operator. According to the system data, 13,011 contracts appear, of which 1,398 have the status of being implemented, or rejected by the Contracting Authority and the Economic Operator. Expressed as a percentage of the 22,993 contracts awarded, 13,011 have a contract management plan, or 56.60%.

This percentage indicates a significant adoption of the module; however, it also suggests that there is still room for improvement in its use. Factors that may influence this adoption rate include the level of staff training, the available technological infrastructure and awareness of the importance of using the module through the platform.

117 <https://e-prokurimi.rks-gov.net/HOME/Documents/Manualet%20Menaxhimi%20i%20Kontrat%C3%ABs/alb/Manualet%20Text/DORACAKU%20P%C3%8BR%20MENAXHIMIN%20E%20KONTRATAVE.pdf>

118 <https://e-prokurimi.rks-gov.net/HOME/ClanakItemNew.aspx?id=451>

119 <https://e-prokurimi.rks-gov.net/HOME/ClanakItemNew.aspx?id=450>

Annual Usage Trend of Contract Management Plans

Regarding the Contract Management Module¹²⁰ within the **Electronic Procurement System (e-procurement)**, evidence shows that the use of this module at the local level remains limited, where in the previous 3 years it has not reached 50% (2021 – 45.5%; 2022 – 40.6% and 2023 – 40.2%)¹²¹.

Year	Central level (%)	Local level (%)
2021	54.5%	45.5%
2022	59.4%	40.6%
2023	59.8%	40.2%

Use of the Contract Management Module by Level of Government (2021-2023)

In many cases, municipalities do not use this module fully by not recording changes in contracts or project progress. According to data from the Analysis - Contract Management Module¹²², in 2023, the module had: 2.7% evaluated contracts, 4% contracts in process and 93.2% unevaluated contracts.

Contract Evaluation Status (2021-2023)

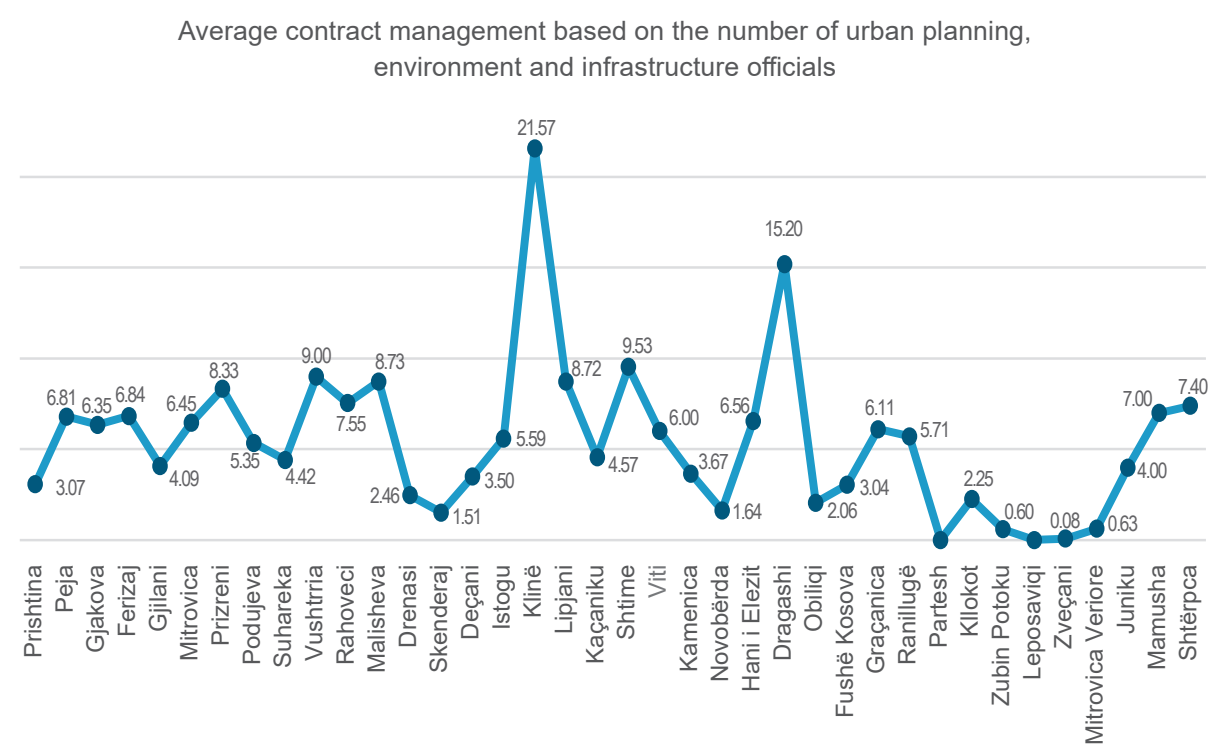
Year	Contracts Evaluated (%)	Unevaluated Contracts (%)	Contract in Process (%)
2021	7%	87.4%	5.6%
2022	5.3%	88.8%	5.9%
2023	2.7%	93.2%	4%

In order to improve some of the public procurement and contract management processes, the regulation has been amended, where the new **public procurement regulation 002/2024**¹²³ includes issues such as: specifying the obligations for allocating funds and initiating procedures; specifying the deadline for drafting the contract management plan; determining the contract value also by lots; determining penalties during the implementation of the contract; changes to contracts - clarifying the obligation for approval by the NAO; signing the affidavit of the requesting entity; specifying the appeal fees; clarifying the procedure for the contract management plan through the e-procurement platform between the contracting authority and the economic operator.

120 <https://e-prokurimi.rks-gov.net/HOME/ClanakItemNew.aspx?id=449>
121 https://e-prokurimi.rks-gov.net/HOME/Documents/Raportet/Analiza_Finale_Moduli_i_Manaxhimit_te_Kontrates_Final.pdf
122 https://e-prokurimi.rks-gov.net/HOME/Documents/Raportet/Analiza_Finale_Moduli_i_Manaxhimit_te_Kontrates_Final.pdf
123 <https://e-prokurimi.rks-gov.net/HOME/Documents/Legislation/Rregulloret/shq/FINAL%20DRAFT%20RRPP%2006.11.2024.pdf>

Table of officials for road infrastructure, urban planning and environment calculated by the number of contracts

In a ratio of the number of road/public infrastructure and urban planning and environment officials to the number of signed contracts, it appears that the average of officials for contract management is highest in the Municipality of Klinë/Klina with 21.57%, followed by Dragash/Dragaš with 15.2% and Shtime/Štimlje 9.53%. Meanwhile, the lowest percentage of contract management calculated with the number of officials is found in Zubin Potok/Zubin Potok with 0.6%, Zvečan/Zveçan with 0.83% and Severna Mitrovica/Mitrovicë e Veriut with 0.62%. To put it in context, large municipalities such as Prishtinë/Priština have this average at 3.07%, Prizren/Prizren with 8.33%, Pejë/Peć with 6.80%, Ferizaj/Uroševac with 6.84%, Gjiilan/Gnjilane with 4.09%, Mitrovicë e Jugut/Južna Mitrovica with 6.45% and Gjakovë/Đakovica with 6.35%.



Payments and registrations

In the annual audit report (2022)¹²⁴, it is emphasized that: among the reasons for modifying opinions, payments for unfinished work are also considered, cases when various positions within payment situations have not been completed, while payments have been made in full, or cases when payments have been made, while the supply of goods has not been received; Overstatement of accounts receivable due to unfair billing to obligors; Inaccurate information on capital and non-capital assets, which is reflected by their understatement due to non-registration in the accounting registers of assets; Improper classification and reporting of expenses influenced by payments through court/bailiff decisions, mainly for compensation of jubilee salaries and allowances, but also by improper budget planning for certain economic categories¹²⁵. In the annual financial report (treasury) for 2022¹²⁶, it is noted that the expenditure under Article 39.2 of the LPFMA¹²⁷ (requests from

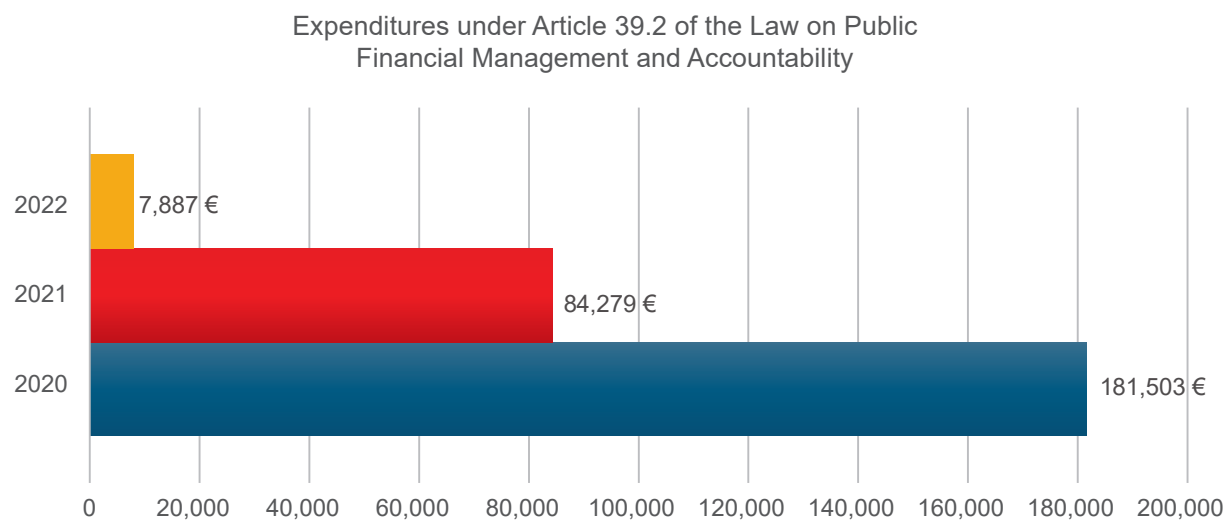
124 <https://zka-rks.org/cms/uploads/2023/08/Raporti-Vjetor-i-Auditimit-2022-shqip.pdf>

125 Ibid.

126 <https://mfpt.rks-gov.net/Thesari/Page/33>

127 Based on the authorizations provided by the LPFMA, Article 39, paragraph 2, the Kosovo Treasury during the year has handled requests from economic operators for payment of overdue invoices (over 60 days) based on this law, of which the expenditure has been approved and transferred from the budget of the relevant budgetary organization to settle the liabilities incurred.

economic operators for payment of invoices overdue by more than 60 days) in 2020 was 181,503 euros, in 2021 - 84,279 euros and in 2022 - 7,887 euros.



Referring to annex (12.),¹²⁸ the report of unpaid invoices by budgetary organizations, for the local level (under 30 days and over 30 days) for the year 2023 results in: 34,125,141 euros total of unpaid invoices (over 30 days) where 13,477,341 euros of (local level) or 52.79%. Meanwhile, for unpaid invoices (under 30 days) out of the total 34,125,141 euros, 13,194,079 euros are of (local level) or 38.66%.

Unpaid invoices by budgetary organizations (2023)

Type of Invoices	Total (€)	Local Level (€)	Share (%)
Invoices over 30 days	25,528,549	13,477,341	52.79%
Invoices under 30 days	34,125,141	13,194,079	38.66%

Referring to Annex (20) the report on payments according to judicial and enforcement decisions, it appears that in 2021 (total 51,936,246 euros), while (local level 40,201,304 euros) or 77.40%; 2022 (total 46,344,383 euros), while (local level 36,462,057 euros) or 78.67% and 2023 (total 51,917,628 euros), while (local level 31,907,352 euros) or 61.45%.

Payments according to court and enforcement decisions

Year	Total (€)	Local Level (€)	Share (%)
2021	51,936,246	40,201,304	77.40%
2022	46,344,383	36,462,057	78.67%
2023	51,917,628	31,907,352	61.45%

128 <https://zka-rks.org/cms/uploads/2023/08/Raporti-Vjetor-i-Auditimit-2022-shqip.pdf>

The Annual Audit Report (2023) highlights that in the expenditures made during 2022, inadequate classifications amounting to 25,139,272 euros were identified in 35 budget organizations, of which 14,010,172 euros or 56% were at the local level. This occurred as a result of payments made with court decisions amounting to 11,017,837 euros, inadequate budgeting of 8,848,371 euros and influenced by the budgetary organizations themselves of 5,273,064 euros¹²⁹.

Inadequate classifications of expenses (2022)

Level	Expenses (€)	Share (%)
Local Level	14,010,172	56%
Central Level	11,129,100	44%
Total	25,139,272	100%

According to the 2023 Annual Audit Report¹³⁰, it appears that in unpaid and contingent liabilities - the total value presented in the Annual Financial Report was 158,650,800 euros (of which 131,979,380 euros at the central level and 26,671,420 euros at the local level). Compared to the previous year, unpaid liabilities have increased by 8,954,176 euros or about 6%. In 2023, the audit identified that unpaid liabilities were overstated by 327,650 euros.

Meanwhile, unpaid and contingent liabilities for 2022, compared to the previous year, unpaid liabilities have decreased by 41,098,513 euros, or about 22%. This was a positive indicator for the management of the state budget. According to the Annual Financial Report, they are 149,734,697 euros.

Table on Outstanding and Contingent Liabilities

Year	Total Value of Outstanding Liabilities (€)	Central Level (€)	Local Level (€)	Difference from Previous Year (€)	Percentage of Change
2023	158,650,800	131,979,380	26,671,420	+8,954,176	+6%
2022	149,734,697	-	-	-41,098,513	-22%

Despite the above, compared to the previous year (2022), this year we have an increase in contingent liabilities in the amount of 137,939,413 euros, while in 2023 they were 142,868,038 euros or a 2% increase¹³¹. Mainly, this increase has occurred at the local level. This poses a challenge for the state budget due to the overload of the budget in the future and in particular, the additional expenses that this category includes.

129 https://zka-rks.org/cms/ReportFiles/2024_24e084aa-f75c-4c23-9828-fd8dea53fe6b.pdf

130 [2024_f5b880fe-6445-4b8b-8eeb-3d19f6554b99.pdf](https://zka-rks.org/cms/ReportFiles/2024_f5b880fe-6445-4b8b-8eeb-3d19f6554b99.pdf)

131 https://zka-rks.org/cms/ReportFiles/2024_24e084aa-f75c-4c23-9828-fd8dea53fe6b.pdf

Contingent liabilities table

Year	Increase in Contingent Liabilities (€)	Percentage of Growth	Main Growth Level
2022	109,606,877	2%	Niveli Lokal
2023	142,868,038		

Payments according to court and bailiff decisions for 2022 amounted to 46,349,349 euros. Compared to 2021, the value of these payments has decreased slightly by 5,568,280 euros or 11%, but still remains at a high level. Expenditures of this nature continue to be a challenge for the state budget, in particular the additional expenses that derive from these procedures¹³².

Non-financial assets - The audit results show that the disclosures on non-financial assets in 2022 did not provide sufficient assurance that public institutions have full controls and monitoring over their assets and management. The data on non-financial assets in the asset management systems in KFMIS and e-assets in 2022 are incomplete and their status was inaccurately reported in the amount of 55,865,029 euros, while in 2021 this inaccuracy was 83,507,406 euros. Accordingly, it results that public institutions have taken improvement measures, however, asset management still remains a challenge¹³³.

Non-financial assets

Year	Non-financial assets (overvaluations/undervaluations) (€)
2021	83,507,406
2022	55,865,029
2023	20,801,578

Other weaknesses in controls and management that were most frequently encountered during the audit of municipal assets are: In 12 municipalities there were deficiencies in asset depreciation and deficiencies in registering assets as ongoing investments; In 8 municipalities there were deficiencies in asset inventorying (non-inventory of assets, partial inventory and late inventory); and in 6 municipalities there was a mismatch between the asset register and the inventory report and the e-asset system was not used¹³⁴.

132 <https://zka-rks.org/cms/uploads/2023/08/Raporti-Vjetor-i-Auditimit-2022-shqip.pdf>

133 Ibid.

134 <https://zka-rks.org/cms/uploads/2023/08/Raporti-Vjetor-i-Auditimit-2022-shqip.pdf>

Shortcomings in asset management (2022)

Type of deficiency	Number of Municipalities
Deficiencies in asset depreciation	12
Deficiencies in asset inventory	8
Failure to reconcile records with the report	6



6. Challenges in Strategic Planning, Project Development and Contract Management

■ Highlighting the main challenges;

Fragmentation of the Legal Framework: Sectoral laws often conflict with the SLSG, creating ambiguity in the division of competences between different levels of governance. This has resulted in delays in the implementation of policies and projects, hindering the achievement of municipalities' strategic objectives and local economic development.

Lack of Inter-Institutional Coordination: One of the biggest challenges for municipalities is the lack of a clear and consistent mechanism for coordination with central institutions and regional enterprises. Poor communication and lengthy bureaucratic procedures often lead to significant delays in the approval and implementation of strategic projects. This interdependence and institutional fragmentation negatively affect the provision of basic services and the achievement of sustainable development objectives.

Dependence on Central Funding: Funding from the central level is often not determined based on clear criteria, leaving many municipalities without sufficient resources to implement their projects. This inequality in the distribution of funds creates barriers to sustainable development and improved services for citizens.

High Political Influence on Administration: Municipalities as a result of the spirit of construction expressed in the legal framework, has increased the power of elected and appointed politicians over the administration. Although the direct election of mayors represents high democratic credentials, the lack of a dividing line between the political level and the administration is negatively affecting in two directions, first, in the sectoral management by appointed directors, affecting the planning and implementing positions mainly at the middle level.

Capacities of Municipal Assemblies Oversight of the Executive: The lack of professional capacities and technical, professional and operational support for municipal assemblies, combined with the lack of experience of members, has led to an increase in the number of acts that are not in accordance with the legislation. At the same time, the supervision of municipal assemblies in the implementation of acts, regulations and strategic plans has led to partial and limited fulfilment.

Technical Capacities and Human Resources: Municipalities suffer from a lack of qualified staff to design and implement important projects. In particular, small municipalities face significant shortages of human and technical resources, making it impossible for them to design investment and development projects. Despite some efforts to train staff, many municipalities report that they lack the expertise needed to develop complex projects and manage resources efficiently.

Weaknesses in Strategic Planning: Municipalities in Kosovo face a lack of fundamental strategic documents, such as MDPs and UDPs, which are necessary to guide economic, social and spatial development. Only a limited number of municipalities have adopted these plans, negatively impacting the ability to attract external funding and align local priorities with national ones, as defined in the NDS 2030. In cases where documents exist, the lack of mechanisms for monitoring and evaluating their implementation exacerbates the situation. This indicates a lack of technical, financial and human capacities, hindering the addressing of community needs and ensuring sustainable development.

Shortcomings in the Development of Capital Projects: Capital projects often start without detailed projects, without approved executive plans and with insufficient funding, causing long delays and often failures in their implementation. Interdependence with regional enterprises, RWSCs and RWCs as well as network and distribution operators such as KEDS and KOSTT, and the need for approvals from central institutions create delays in the implementation of infrastructure projects, as a result of the energy network, water supply or special water and environmental permits. Bureaucratic conflicts between different levels of government and the lack of inter-institutional coordination are major obstacles that affect the quality and sustainability of projects.

Financial Management and Resource Constraints: The uneven distribution of funds from the central level for capital projects, as a result of the lack of clear and transparent criteria for their allocation, has created significant inequalities between municipalities. Many projects do not start or remain unfinished due to the central level withdrawing from commitments to municipalities. In the absence of a development fund, municipalities are failing to project issues of special interest such as environmental ones (plants, wastewater collectors, inert landfills), or developmental ones such as tourism or economic and industrial zones.

Weaknesses in Contract Management: Reports show that a significant proportion of municipalities fail to spend over 75% of their budget on capital investments, reflecting serious weaknesses in budget management and implementation. Public procurement processes and contract management are among the most critical challenges at the local level. Unauthorized changes to contracts, execution of payments for unfinished work, and lack of effective oversight are frequent problems. Limited use of the electronic module for contract management has hindered monitoring of implementation and performance. Furthermore, many municipalities have not established proper mechanisms for assessing the performance of contractors, due to a lack of capacity, or contracting in specific areas such as infrastructure or goods and services.

Problems in Payment and Asset Registration: Often as a result of poor planning, but also driven by other factors such as the withdrawal of funds by bailiffs as in the case of collective contracts, municipalities are forced to create delays in paying invoices. Consequently, this also prolongs the completion of works. Another challenge arises in asset registration, where as a result of uncertainty in the registration of financial and non-financial assets, under- or over-valuations of assets often occur.



7. Conclusions

■ Strategic Planning

- **Problems in Strategic Planning and Design** – The analysis period coincided with the period when the MDPs were to be updated, however, it appears that a significant part continues to use the previous ones, a large part is in protracted procedures of review and approval by the central level, and a small part has completed this process. Meanwhile, the harmonization of the Strategies for Local Economic Development with the National Program for Local Economic Development (2030) has not yet occurred;
- **Problems in Implementation and Monitoring** – The implementation of Strategic Projections is being challenged in three dimensions and levels: i. Insufficient capacities for implementation and operationalization with financing and projects in municipalities, including the lack of clear division within municipal fields and sectors; ii. Obstacles from agencies, regional enterprises in coordinating and prioritizing needs and iii. Structural and legal obstacles at the central level as well as unqualified financing of investments in municipalities. Municipalities do not have a standard framework to monitor the progress of their plans and strategies, as a result, necessary changes or adjustments cannot occur in a timely manner;

■ Project Development

- **Shortcomings in Gathering Requests and Needs** – municipalities have not built a methodology or framework for handling/reviewing received requests. At the same time, public consultations on projects and budget hearings have mainly remained within formal frameworks, not reviewing proposals and returning responses. In general, the map from request - development - response remains unclear, as a result this is diminishing the active participation of citizens in these processes and consequently their ownership.
- **Prioritization of Projects** – implementation of legal requirements regarding prioritization of capital investments remains lacking. As does the review by decision-makers. This is resulting in a lack of harmonization between planning in strategic documents and investments on the ground. As a result, much of the municipal financing remains fragmented, not serving sustainable development.
- **Development Project Design** – The lack of capacity and a national coordination mechanism for development projects, combined with procedural, property, financial and management obstacles, is pushing municipalities not to design on areas of particular importance such as: wastewater collectors and treatment plants; economic zones; tourist areas and water accumulation points. This is also reflected in projects related to the application for regional and international development funds.

■ Contract Management

- **Procurement procedures** – represent a serious obstacle in the process of project implementation and financial costs. Shortcomings in planning, publication of procedures, the large number of corrections and cancellations are one side of the problem. The other side is related to the number of complaints and delays in review. As a result of a complex process, a considerable number of projects remain in procurement procedures for a long time, as a result of which their implementation and efficient spending of municipal budgets are delayed.
- **Contract Management** – as a process directly dependent on planning/design and procurement conditions where process chain deficiencies are revealed. Consequently, in many cases during contract management, a change of positions is required as a result of a weak project, similarly as a result of unclear conditions and operator selection, leading to delays, or even interruptions of works. At this stage, at least three unclear levels of communication and reporting emerge: contract manager – economic operator; contract manager – supervisor; and supervisor – chief administrative officer. Furthermore, this becomes even more complex, in the contract management module of the e-procurement platform.
- **Payments and Enforcements** – as a result of contract management and financial management, unpaid obligations continue to be a serious problem, and consequently also the funds received through enforcement and court decisions. In recent years, the most affected has been the receipt of funds as a result of decisions on obligations transferred to municipalities from sectoral collective contracts. At the same time, with the lack of financial resources that has also caused delays in the payment of other invoices by municipalities, it presents a picture of inefficient management of financial resources.
- **Asset Registration** – as the conclusion of the project cycle, it naturally reflects the previous shortcomings, but also those of the registration itself. As a result of registering capital investments as a total of value and registering or not registering non-financial assets separately, three problems arise: First, that registering separately creates over-estimation; second, that not registering avoids the implementation of the regulation and partially under-estimation; and third, that codes for registering assets cannot be created.



8. Recommendations

■ Strategic Planning

- **Clarification of Processes and Procedures in Planning and Drafting** – At the level of strategic planning, improvements should extend to three levels: first, clarification of legal and administrative procedures; second, clear definition of the obligations of all parties in the process; third, the creation of a national coordinating body as part of the support in planning and drafting of strategic documents for municipalities.
- **Coordination and Capacities in Implementation and Monitoring** – creating an inter-institutional coordination mechanism throughout the process of implementing strategic documents to provide continuous support to municipalities in implementation and at the same time for the central level to provide clear and realistic projections on the needs and priorities of municipalities, harmonizing them.

■ Project Development

- **Improving the Project Design and Financing Cycle** – it is recommended to systematically improve three dimensions in design and financing: Firstly, to create a process mapping within the municipalities, starting from the request/needs assessment, treatment/review to approval and feedback; Secondly, the municipalities in partnership with the central level to create an integrated approach to both infrastructure and development projects by correctly linking the municipal potential and projections with the interaction of enterprises, agencies and operators in fulfilling strategic development objectives; Thirdly, to explore the possibility of creating a development fund that takes into account municipal projections, national priorities and project maturity. Including coordination with development partners and donors.
- **Advancement of Needs Assessment and Project Prioritization** – a combined approach to improving budget cycles (from request to addressing) by consolidating mechanisms in two functions: infrastructure and development planning in a systematic approach to improvement from data collection, analysis, setting projections to monitoring and evaluating results.
- **Capacity Building, Coordination and Mechanisms for Development Projects** – it is recommended to create a harmonized system of programming, access and implementation of development programs, where municipalities initially consolidate mechanisms/teams for development projects in inclusion in the programming of national development projects but also of those of development funds and IPA pre-accession instruments, linked to inter-municipal and regional partnerships and closely coordinated with the central level. Aiming at balanced and sustainable economic development.

■ Contract Management

- **Improving Procurement Processes** – a full assessment of the links that contribute to delays and obstacles in the procurement process is recommended, including the preparation of the process (deficiencies in planning, design and contract conditions). Defining national standards for construction, operation and service provision, as a mechanism that avoids inappropriate setting and evaluation of application conditions. At the same time, accurately define the conditions and deadlines for the submission and handling of complaints and penalties for non-compliance by the parties.
- **Effective Contract Management** – it is recommended to create a schematization of the context of how contract management occurs by improving at least three factors: First, where the contract manager is authorized to monitor only when it is proven that the means and standards for this process have been planned; second, related to the first, the manager's supervisor can close the contract only under conditions when the contract manager has received all assessments from officials or contractors that the work has progressed according to the plan and contracted quality; third, the chief administrative officer has a complete and clear view of the entire process. At the same time, these improvements should also be reflected in the contract management module.
- **Efficiency in Expenditure/Payment Execution and Accurate Asset Registration** – to ensure that the allocation of funds and cash flow are in harmony, requesting units and key administrative officers should regularly monitor the fulfilment of the contract. In particular, for framework contracts with special conditions, as a result of not requesting in time and following up on expenses, the contracting authority spends without receiving goods or services. Meanwhile, regarding the registration of financial and non-financial assets, it is recommended that the value of the registration of non-financial assets be reduced to the Petty Cash level in order to avoid double registrations. At the same time, the establishment of sub-codes for specific assets be defined to maintain more accurate asset registers.

