

Estimating cost implications of the Kosovo government programme



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Executive Summary and Recommendations

The objective of this short report is to evaluate the costs of the government programme while mirroring it with the current economic situation, the budget, and the Medium Term Expenditure Framework (MTEF). It ought to contribute towards improving performance and accountability in reaching its targets and objectives. The report also shortly highlights some risks associated with intervention areas and likely sources of funding.

The leading idea of the new government programme, as stated by the Prime Minister during his address to the Assembly (the 17th of May 2021), is to build a society where everyone earns the part they deserve and pays the obligation that belongs to them. It outlines a new approach, which aligns with what the current ruling party has been proclaiming as its political philosophy. The programme can be recognised with heavier government involvement and spending, dedicated to social transfers, and also some elements of the policies that one can attribute to the developmental state policies. The government intends to revisit and review the programme at the beginning of each fiscal year. It is understandable to implement a programme with annual consolidated budgets of the country; however, for such an important document, it is necessary to have at least a medium-term perspective about economic trends and also budgetary and fiscal aspects. For this purpose, the most important document should be the MTEF. The new government has prepared (updated) the MTEF, which covers the period 2022 - 2024. As stated in this document it is prepared also based on Governmental Programme 2021 - 2025. However, serious gaps remain to be addressed for better harmonisation of government programme, MTEF, and annual budgets.

It seems that ambitious government spending during the next four years is somewhat in contradiction with the dynamics and the level of new value-added respectively the GDP. The government expenditures have reached the highest share of GDP (above 32%) that could be rational and appropriate in terms of the sensible burden for the economy and society for the cost of government and also in terms of the absorptive capacities of governmental institutions and their cost-effectiveness - to effectively and efficiently transform the budget spending into adequate and acceptable cost-benefit projects and services for the society and citizens. Another issue of concern is that the public debt will be doubled until 2024, and foreign debt more than triple. This concern is more related to managerial and absorptive capacities to effectively use these funds than to the overall burden with public debt, which remains relatively low if measured as a share of GDP.

Social care and transfers already absorb the most significant part of the budget, with a share of about 19.6 %. The government programme has indicated several new items to be included in this envelope e.g. increases for maternity leave, the assistance of unemployed new mothers, child allowances. However, the volume of spending is expected to remain similar (slightly lower) in 2024 compared to 2021. Including new spending items would be possible only with restructuring and reducing some of the current spending items. This is necessary given that this budget spending category is considered too high for the budget possibilities of the country and its economic and social level of development. On the other side, government spending in education and health sectors remains inadequate within budget proportion; low compared to the region and especially to the needs for the transformation of these sectors to better serve the needs of the citizens.

RECOMMENDATIONS

1. Government, ministries, and other budget agencies need to harmonise government programme, MTEF, and annual budgets and eliminate existing gaps, assess priorities and costs for their achievement
2. We recommend especially policies and other support for the increase of investment of private sector, supply-side policies to stimulate growth and competitiveness of domestic products and services, and economic growth as a critical precondition for macro-economic and fiscal stability
3. We recommend a rigorous analysis on the very fast increase of public debt and its management and effective use of loans and adjust that priorities for economic growth and social development and also absorptive capacities to use and manage debt and loans.
4. Restructure social transfer and subsidies, adjust them to priorities and budget possibilities and also increase their effectiveness;
5. Restructure budget expenditures and significantly increase the share of budget/government spending in health and education.

1. Introduction

Evaluation of the cost schedule of the governing programme is of utmost importance for improving performance and accountability in reaching its targets and objectives. Estimating costs can be a crucial step within the government programme formulation process which allows decision-makers to consider the extent to which policy objectives and strategic orientations are feasible and affordable. The process of costing a programme should be considered an essential part of the planning process and not undertaken after the overall plan has been completed and presented as a finalised document.

In order to fill a gap, the focus of this report is on an ex-ante estimation of costs associated with selected intervention areas and likely sources of funding as proposed by the government programme. This evaluation will attempt to assess assumptions and risks associated with the government programme critically. Doing so will inform the general public and initiate an informed debate that ultimately would lead to better monitoring, transparency and accountability.

Cost estimates are necessary for government programmes for many reasons: to support decisions about funding one project over another, to develop an annual budget, to evaluate resource requirements at crucial decision points, and to develop performance measurement baselines. Moreover, having a realistic estimate of projected costs makes for effective resource allocation, and it increases the probability of a programme's success. Developing reliable cost estimates is not a traditional practice in Kosovo. The governments typically lacked the willingness to provide reliable cost estimates, which would become an essential source of information for accountability seeking efforts. Also, cost estimating is challenging as it requires time and resources. Government programmes characteristically are based on unrealistic assumptions, especially about the complexity or difficulty of introducing new policies. Also, the programmes are based on a culture of optimism which, apart from some merits, can also lead to overestimation of the ability of the government to deliver accordingly. It can also result in an underestimation of risks, which can lead to the development of unrealistic cost and schedule estimates.

To properly mitigate this optimism, it is essential to have an independent view of the programme. While this function can also be performed by outside organisations like Riinvest, it is still important that the government is willing to address and understand the risks its programme faces. Having an independent view of the programme can help to bring to light actions that can potentially limit the government's ability to succeed.

This report is prepared on the basis of data that can be quantified from the government programme, augmented by the data from official sources, primarily the Kosovo Agency of Statistics (KAS). In some cases, the authors have made certain assumptions to account for missing information or to provide a scenario. All those instances are labelled accordingly.

The report is organised as follows: section 1 presents key governmental programme orientations. The second section gives an overview of the government programme vis-à-vis the fiscal situation of the country. Section three provides a tentative costing of some of the elements of the government programme and budgetary implications. The key findings and policy recommendations are concisely presented in the executive summary.

Riinvest wishes to thank all parties involved in the preparation of this report for their contribution while it assumes the sole responsibility for the findings and conclusions of the report.

2. Key governmental programme orientations

The new government, headed by Prime Minister Albin Kurti, has presented its governing programme (2021-2025) on the 17th of May 2021. In his presentation speech, the Prime Minister (PM) stated that the top priority for the government is managing the situation created due to the COVID-19 pandemic. According to PM, in the first 55 days, they have managed to provide 74,100 vaccines, while by the end of May, they will have another 142,530 vaccines.

The PM stated that his government plans to build a society where everyone earns the part they deserve and pays the obligation that belongs to them. The government aspires to build an equal society with equal opportunities for all. A society that cares for the weakest and those who earn the least. As such, they have developed a programme that raises the minimum wage and raises the threshold of non-taxable wages. According to the PM, in Kosovo, no one working 8 hours a day should receive less than 10 euros a day and no one should be taxed for survival.

Regarding employment, the PM stated that they had devised a guaranteed employment scheme for young people where the government will pay the minimum wage for one year for each young person who is employed for the first time. They also plan to activate measures for women's employment and improve liquidity for women-owned and led businesses, as well as measures to promote the self-employment of young women from rural areas where they plan to have 40 women-led enterprises.

The government plans to start with reform in the rule of law and justice. The vetting process will continue where it was left off in spring 2020. Judges, prosecutors, inspectors, and senior police and intelligence officials are to be the subject of this process. The Criminal Procedural Code will be finalised. The illegal and unjustifiable property will be investigated and confiscated. The Commercial, Administrative, and Labour Courts will be established. For the delayed justice against the crimes of Serbia in Kosovo during 1998-1999, the government plans to establish the Institute for the Crimes committed during the war in Kosovo and will file lawsuits in the International Court of Justice for the genocide of Serbia in Kosovo.

Economic inequality will tend to be alleviated through social schemes and economic development. The PM stated that the government would soon start with a child and maternity allowance distribution scheme. The scheme foresees an allocation of 20 euros per month for children up to 2 years old and 10 euros per month for children from 2 to 16 years old. They also plan to amend the maternity leave and introduce paternity leave for both parents to carry the burden of raising a newborn child. For unemployed and new mothers the minimum 250 euro wage will be paid in the first six months of birth. For the elderly, they plan to build five new homes that will provide care services. Meanwhile, through the programme "120 × 120" and "150 × 150" the government plans to offer young couples apartments with monthly instalments of only 120 or 150 euros per month, respectively, for a period of not more than 120 or 150 months.

Regarding economic development, the PM has stated that he and his cabinet aim for economic recovery after the pandemic. Investments are foreseen to be oriented towards the education sector, training, digitalisation, investment in human capital, energy, infrastructure, and promo-

tion of local production to embrace a sustainable, innovative economic development concept. To achieve this, the government plans to introduce reforms in public procurement and public administration. Parts of TPP 'Kosova A' will be decommissioned, and investments in TPP 'Kosova B' will be made in such a way as not to jeopardise the security of the electricity supply during the transition. To ensure that the capital of the diaspora is channelled into investments that create jobs, the government, starting from the first year, will issue treasury bills dedicated to the diaspora.

The PM stated that they plan to establish the Sovereign Fund, which will take ownership of the strategic assets of the Republic of Kosovo. The fund will be established to valorise the strategic assets, enable foreign investment, access to foreign capital markets, and attract foreign investments to increase the value of Trepça, KEK, Telecom, and Post. Using the Fourth Grant for Municipalities, they will finance infrastructure projects which generate not only new jobs but also build critical infrastructure for the revitalisation and urbanisation of municipalities.

Entrepreneurs are promised to be provided with access to finance to cope with increased production. The PM has also promised the establishment of a Development Bank, which will serve as a mechanism to support the private sector and promote investment. Further, the government plans to establish the Fund for New Entrepreneurs and will allocate 2000 grants each year for new entrepreneurs. The Kosovo Privatization Agency will cease to exist and will be transferred to an agency within the government, and they will create the Development Agency to lead development policies among ministries and independent agencies.

Fiscal policies are planned to be reformed. This is planned to be done through applying new policies, which will include analysis of tax system, review of the tax system for small and medium-sized businesses, changing the form of personal income tax return, and making mandatory the annual personal income tax return. This will help with increased transparency and more accountability in the use of public finances. To fight the informal economy and protect employee rights, the government plans to increase the number of inspectors and strengthen the investigative and intelligence capacities of existing inspectors.

The government has also planned to reform the Education sector. Early/primary education curricula will be reviewed so that it is oriented towards self-regulatory abilities of children and the government will provide ongoing professional support for teachers for the new curricula to be implemented and for the attention to be brought back to the teacher. The government plans to invest in 160 kindergartens and the adaptation of spaces in the school. In this way, they plan to increase involvement in early childhood education from 7% to 24% for children aged 0-5 years old and from 38% to 64% for children aged 3-6 years old. They plan to hire 400 pedagogues, psychologists, and social workers in the framework of consolidating the psycho-pedagogical service in schools. Further, they plan to do 500 external evaluations of schools to ensure a fair and qualitative evaluation. They plan to train 5000 teachers annually and license 9000 teachers based on performance evaluation to ensure that pupils get the education they deserve. They plan to invest in libraries, provide scholarships to 1000 girls who choose to study science, technology, and engineering degrees. Education should be free. No fees will be paid for the semester at the public universities. The engagement of students is planned to be stimulated through internships in all public institutions.

The health system is foreseen to be reformed as well. Modern infrastructure, working conditions for doctors, sufficient medicines for patients are planned to be secured. Equal access to

health services and health insurance is promised to be guaranteed for all citizens. The number of health and pharmaceutical inspectors is expected to increase by 30, and one family doctor will be assigned for 2000 citizens.

Regarding the agriculture sector, farmers will be protected and assisted. The PM stated that his government will introduce minimum prices for a range of strategic agricultural products to guarantee market stability. Grants and subsidies will be provided, and infrastructure investments will help turn agriculture into a profitable sector that ensures a dignified life for farmers. Infrastructure projects that are currently being done will be finished, and new ones will be started. The government plans to finish the segment of Besi-Merdare highway and Prishtina-Gjilan highway, expand the existing segment of the Prishtina-Mitrovica road network and the Kijev-Zahaq highway. The government plans to construct the outer ring road of Prishtina, expand national roads Istog-Peja-Deçan-Gjakova-Prizren, including circular roads, rehabilitate national roads Qafë Duhël-Shtime-Ferizaj, which is connected to Prishtina- Skopje highway, as well as construct the border roads Deçan-Plava, Prizren-Tetovo, and Gjilan-Kumanovo.

Foreign policy is seen as an essential pillar of the international subjectivity but also for the democratic state-building. The PM stated that the foreign policy must protect us from enemies and deepen our cooperation with our friends, so our orientations for integration into NATO and the European Union are clear. The alliance with the United States of America will be deepened based on shared values, and Security Force will continue to strengthen its capacity to become a force worthy of maintaining security and protecting its territorial integrity. EU membership remains a priority that should not be replaced but also a process that should not be slowed down. The resolution of open issues with Serbia should be done through principled dialogue. Kosovo recognises dialogue with Serbia only if it participates as an equal party and the dialogue will be used to resolve outstanding issues, such as clarifying the fate of missing persons, debts and war damages, reparations, and succession.

Culture and sports are foreseen to be developed and supported. The government aims to make Kosovo the country that hosts competitions and championships, festivals and concerts, which put our country on the world map and at the same time bring economic growth to the entire Kosovar society. Further, the government plans to expand cultural spaces, build the Opera and Ballet Theatre, the new National Theatre, the Museum of Contemporary Art, and the Kosovo Cinema Network. The government plans to improve the sports infrastructure and invest in elite sports so that Kosovo results as high as possible in the international arena.

Keeping in mind the limited budgetary capacities, the government ought to increase the efficiency and effectiveness of its interventions using a cost-benefit approach to set the priorities. To do so, it is necessary to have an ex-ante evaluation of the cost schedule of the government measures.

3. Government programme and economic and fiscal situation

Government programme 2021 – 2025 outlines a new approach in line with what the current ruling party has been proclaiming as its political philosophy. It could be identified with heavier government involvement and spending dedicated to social transfers and also some elements of the policies that could be attributed to the development state policies. In addition, there is a focus on strengthening the rule of law, improving education and employment opportunities and also facing consequences of Covid-19. The government intends to revisit and review the programme at the beginning of each fiscal year. It is understandable to implement the programme with annual consolidated budgets of the country, however, for such an important document, it is necessary to have at least a medium-term perspective about economic trends and also budgetary and fiscal aspects. For this purpose, the most important document should be the MTEF. The new government has prepared (updated) such a document for the period 2022 -2024. As it is stated in this document, it is prepared also based on Governmental Programme 2021- 2025.

Based on our analyses main challenges ahead for the new government are (1) how all this can be accommodated with existing budget possibilities and (2) how to incorporate instruments and policies of the developmental state, namely Sovereign Found ad Development Bank, within the current institutional structure which is based on a different approach regarding the role that state institutions should have in business affairs.

Governmental Programme 2021-2025 itself does not contain national macro-economic balances and indicators which are necessary for assessing whether this programme has adequate space in these balances and expected post-Covid -19 dynamics related to economic growth, budget incomes and their adequacy to support budget spending pertaining to government policies. However, it is said that it will be implemented through annual budgets, which is expected to follow the Medium Term Expenditure Framework (MTEF), recently updated for the period 2022-2024. As this is the most important document that should guide governmental policies, our assessment of cost burden of the Government Programme will be based mainly in this document. Table (1) below illustrates the dynamics of key components of budget financing sources during the period up to 2024, compared to 2020.

Table 1: GDP growth and key Budget components in %

	2024/ 2020
GDP	+18%
Total Budget Revenues	+34%
Total Budget Expenditures	+22.2%
Tax revenues	+34%
Nontax revenues	+37%
Public Debt	+137%
Internal Debt	+60%
Foreign (External Debt)	+211%

Source: Calculated based on MTEF, MFLT, April 2021

Based on these projections, economic growth is expected to return to its historical pattern of pre-COVID-19 period around 4%-4.5 % , after recovery during 2021 with growth of 5% , equalling value added at the country at its level of 2019 , which is better than it was expected and slightly more optimistic than projections of WB and IMF for a growth rates of 4 % respectively 4.5% . These growth rates could be considered enough realistic/ conservative. But still, they are below the needs of the Kosovan economy to successfully address its macro-economic imbalances, primarily high unemployment and high foreign trade deficit. Riinvest institute has continuously advocated for active economic and industrial policies in a line of supply-side policies to ensure long term sustainable economic growth. The government programme has some indications of heavier government involvement in supporting entrepreneurs and businesses, but still these orientations are not clear enough in terms of their consistency with the role of the state institutions and involvement for an open market economy.

It seems that ambitious governments spending's during next four years are somewhat in contradiction with the dynamics and the level of new value-added respectively GDP. The government expenditures have reached the highest share of GDP that could be rational and appropriate in terms of the rational burden for the economy and society for the cost of government and also in terms of the absorptive capacities of governmental institutions and their cost-effectiveness - to effectively and efficiently transform the budget spending into adequate and acceptable cost-benefit projects and services. The experience of developing economies would advise that the share above 30-32 % of Budget to GDP in not healthy for an economy. Following this, Table 2 below shows that there is not more rational space to burden GDP with the increase of budget expenditures. Quite contrary. The focus should be to accelerate economic growth, increase the level of GDP and make government less costly for the private sector. And this is the area that needs to be clarified and addressed by the new government.

TABLE 2: Government expenditures to GDP (Million Euro)

	2020	2021	2024
Government expenditures	2,235	2,454	2,708
GDP	6,803	7,243	8,458
Gover.expenditures /GDP (%)	32.8	33.8	32.0

Source: Calculated based on MFLT, MTEF , April 2021

It is clear that within these economic growth projections, increase of the budget revenues and expenditures by the new government should rely on the better collection of budget revenues, decrease of the level of the informality, increase of taxes (personal income) and quit heavily in the increase of Public Debt-it will be more than doubled during this period. After the dynamic increase of internal public debt during the last five years, by 2024 it will increase by 60% compare to 2020. Especially should be noted and analysed the fact that external debt within these four years will grow almost exponentially; it will be more than tripled. Although in terms of the overall public debt burden situation is not to be alarmed, especially when you look at the ratio of Public Debt to GDP. After very dynamic growth during the last five years, especially of internal debt, it reached 22.3% (2020) and it is expected to increase its share to GDP at about 38% (2024). It is still less than in most other countries, but it opens very serious questions again about absorptive capacities of governmental agencies (ministries and others) and PEOs to channel borrowings and loans into projects and services with appropriate cost-benefit and economic rates of return. The problems in this area are serious in all phases of the project management cycle, starting for sectoral studies, pre-feasibility and feasibility studies, project preparation and planning, appraisal, procurement, contracting and implementation. All this is followed by serious deficiencies and consequences in delaying project implementation, increasing costs of financing and serious worsening of the cost-benefit ratio of the projects. The relatively low share of public debt to GDP should not decrease the rigour of analyses of the feasibility of the projects and also to assess adequately the abilities of the government agencies to manage projects and loans and ensure adequate returns to repay loans according to their maturity plans. Inefficient borrowing and loans that fail to ensure feasibility and adequate cost-benefit ratio will have it negative consequences at the macroeconomic and fiscal stability of the country and on the quality of life of successive generations.

Table 3: Key Budget Destinations

	2021	%	2024	%
Overall government/ Budget expenditures	2,454	100	2,708	100
Wages	639	26.0	663	24.5
Goods and services	363	14.8	365	13.5
Subventions and transfers	786	32.0	771	28.5
Capital Spending / public investment	626	25.5	849	31.3
Budget Balance / Deficit	-566	23%	- 399	14.7

Looking at key budget destinations designed with MTEF 9 table 3) it could be noticed that there is an orientation to improve current distorted relations in its internal structure, which is partially also consequence of anti COVID interventions. Wages will have lower share compared to pre COVID period. Remain open the issues of Law on Budget wages which was suspended by Constitutional Curt. Also there are some sectors that complain for low wages and this is especially true for specialists – doctors at University Clinical Center and other hospitals, which is considered to be quit below the level that could ensure adequate motivation of key medical staff.

Budget spending in Kosovo is overburdened by subsidies and transfers which increased with interventions related to the COVID . And this remain as an problem also with New Government Programme. The share of this category in overall budget indicate that government needs to revise policies regarding transfers. Social transfers need to be audited in terms of their adequacy with the criteria set in respective legislation , while transfers of through different ministries for project and services needs to be critically assessed. Support with subventions to private sector, entrepreneurs, farmers, to NGOs, sports and artists needs to be significantly advanced and be based on clear objectives and expected outputs. This issue again is related also to absorptive capacities of respective ministries to adequately manage the process of assessment and evaluation of destinations and projects supported especially with subventions. Other negative influences – political affiliation, nepotism, corruption and other forms of misuse of official position could seriously question real effects of these transfers. The fact that they have reached the level of capital spending and become the heaviest category within budget expenditures requires serious engagement by government to critically assess situation and undertake policies and measures to increase positive effects of government transfers and subsidies.

Special problems represent that nearly 1/4 (2021) of budget spending needs to be serviced by external sources , mainly foreign loans. This is expected / foreseen reduced in to 1/6 of budget spending by 2024 and this could be right direction. But, on the other side, in conditions of almost exponential growth of foreign debt, the whole issue needs to be revisited and seriously analysed. Related to this high budget deficit during 2020 and 2021 as a consequence of COVID

(- 5.3 and -4.7% of GDP) is expected to gradually decrease and in 2023 to reach target of 2 % of GDP. This is supported also with decrease of the bank contingency reserve from 3.3% to about 2% of GDP during this period.

Another important aspect of budget policies could be analysed through sectoral budget spending. Table 4 below provide some indications for this purposes.

Table 4: Sectoral Destination of budget expenditures (mil. Euro)

Sectors	2020	2021	2024	% of total budget '24	2024/ 2021, % of change
Total Budget Expenditures	2,234	2,454	2,709	100%	10.4%
Economy	362	359	420	15.50%	17.0%
Defence	59	67	133	4.91%	98.5%
Legal and internal order	223	235	248	9.15%	5.5%
Environment	32	34	93	3.43%	173.5%
Housing	6	8	7	0.26%	-12.5%
Health	185	209	210	7.75%	0.5%
Education	79	97	99	3.65%	2.1%
Culture, sports and religion	39	51	52	1.92%	2.0%
Social Care	555	551	530	19.56%	-3.8%
Central governance	122	296	227	8.38%	-23.3%
Municipalities: government grants	463	440	503	18.57%	14.3%
Other	109	107	187	6.90%	74.8%

Based on the MTEF for the period 2022 -2024, which was adopted by government as a document that should have been used as a base for outlining governmental programme 2021-2024 it is difficult to see government priorities. In terms of dynamics of increase of budget spending priority have been given to the environment, defence, economy and grants from central budget dedicated to the municipalities. In terms of the share in the total budget spending we see heavier weight of social care, economy, and grants to municipalities, judiciary and legal order.

Following orientation from governmental programme remain to be specially analysed government spending in health and education. Annual Government spending in health (including the grant for municipalities) is expected to reach about 279 million Euro (2024), which is about 3.3%

of GDP and very low even in terms of the level of government spending in WB6. This requires serious reconsideration aiming at least in doubling the government spending in this sector. The same is true also when it comes to budget spending in education, which reaches also only 3.8% including research also. The improvements in these sectors are of critical importance for increasing absorptive capacities of the society for development and also for implementing supply side policies in order to increase domestic competitive products and services for Kosovo and foreign market. Spending in both sectors according to this document will not enjoy priority. This means that there remains very narrow space for implementation of some of the novelties proposed with the government programme e.g. scholarships, research funds, trainings of teachers, employing pedagogues, investment in pre elementary education and external evaluators, than increase of the number of family doctors and also needed improvement in the level of salaries of experienced medical specialists and supply with needed equipment especially for the sophisticated tertiary health services.

Social Care and transfers already absorb the greatest part of the budget with the share of about 19.6 %. Government programme has indicated several new items to be included in this envelope e.g. increases for maternity leave, assistance unemployed pregnant mother, child supplementary assistance. However the volume of spending is expected to remain similar (slightly lower) in 2024 compared to 2021. Including new spending items would be possible only with restructuring and reducing some of the current spending which is necessary given that this budget spending category is considered to be high for the budget possibilities of the country and its economic and social level of development.

Municipalities will enjoy an increase of grant budget sources – new infrastructure grant which seems to be a good solution as it could reduce investment in local infrastructure from central level and provide more objective criteria and space for municipalities to invest in improving their local infrastructure.

Some other novelties of the government programme in the area of housing, 2000 grants to new entrepreneurs, minimum guaranteed price for the price for agricultural products and subsidies, investment in roads and railways most likely will have to wait for restructuring of the spending in the ministries that are related to “Economy” (MTI, MFLT, Ministry of Economic Development, Ministry of Infrastructure and Environment, Ministry of Agriculture)

4. Tentative costing of some elements of governmental programme and budget consequences

As it was noted most of the proposals related to new measures and policies launched, especially in the area of social transfers are not yet related to the budget spending envisaged with MTEF 2022-2024. In fact for these categories Government programme has not yet assessment about their costing. It is already stressed that the annual Kosovo consolidated budget should ensure implementation of this programme. This is correct but, government needs at least medium term time horizon to accommodate respectively eventually adjust all these new elements to the current structure of budget expenditures. Immediate cuts and structuring will be very difficult and in some cases almost impossible.

Table 5 below presents tentative costing of elements – proposals, policies and measures that have significant budget impact. Authors of this Report are aware of limited information of data for assessment of the costs for some of the measures of governmental programmes. However based on demographic and other data at publications of the SAK and level of the intervention indicated in the programme we have provided some indicative costing, only for analytical purposes to illustrate the need to test all these new categories of budget expenditures in terms of their structure and dynamic with current situation.

Table 5 : Tentative costing of some additional budget costs of some elements of government programme

Description	Indicative Cost	Notes
Child maternity allowance, 2 years	10,694,160	
Child maternity allowance 2- 16 years	62,707, 608	
Unemployed woman scheme	19, 500, 000	
Increase of minimal wage	37,000,000	
Employment schemes	22,000,000	
Found for new Entrepreneurs	20,000,000	
Preschool – Kinder gardens	18,750,000	
Scholarships for girls	1,200,000	
New Pedagogues and External Evaluators	8,000,000	
Total	259,851,768	

(Indicative assessment of Authors, based on SAK data and other estimations)

It is clear that especially the area of Social Transfers there are necessary very substantial changes and restructuring. About 152 million Euros is the annual cost for new spending in the area of social transfers. This is an increase of about 29% compare to what has projected MTEF. Looking at Table 4 we can see that according to the MTEF , Social Care spending is expected to be reduced compare to the expected budget spending in 2021 for 20 million in 2024 . As it was stressed already this category already represents heavy burden for the consolidated budget, an burden that is beyond the budget capacities, and there is of outmost importance for deep reform and restructuring of this budget destination. Rigorous audit of beneficiaries about their eligibility to enjoy these benefits could create some space for new items of spending in this area , but it seems very difficult to accommodate all new spending that have indicated government with its programme.

In terms of subsidies and intentions new element is support for 2000 new entrepreneurs, which at least could reach 20 million Euros annually. Most likely this can be accommodated within projected budget for economy, where interventions will increase in 2024 for 17% or 60 million Euros (table 4). Another important measure proposed with government Programme is Minimum guaranteed price for agricultural products, is not assessed in terms of the level of orientation and it is not included in this assessment of costing.

Infrastructure projects – roads and railways will be financed with projected capital spending and using investment clause which will be linked to foreign debts and landing. This have been already addressed above. Similarly it is expected that intervention in health sector and in education are not sufficiently budgeted with MTEF and that they will require more intervention in terms of volume and structure. It is expected that spending's for culture and sports can be accommodated within projections of MTEF framework for the period 2022 – 2024.

Annex. Cost estimation

Table A1. Allowance scheme for children under the age of 2

Children under the age of 2	Payment per month	Months per year	Total
61,097.00 [†]	20.00 [‡]	12.00	14,663,280.00

Source: Authors' calculations based on official data

[†]Kosovo Agency of Statistics (KAS)

[‡]Government programme

Table A2. Allowance scheme for children under the age of 16 (excluding children under the age of 2)

Children under the age of 16 (excluding children under the age of 2)	Payment per month	Months per year	Total
467,455.00 [†]	10.00	12.00	56,094,600.00

Table A3. Allowance scheme for unemployed women

A	Women of working age [†]		614,176
B	Women in reproductive age (15-49) [†]		480,061
C	Active women in the labour force [†]		127,000
D	Women employed [†]		83,312
E	Women unemployed [†]		43,688
F	Passive women in the labour force [†]		487,176
G	Births [†]		21,798
H (D/B)	Estimated employment share		0.17
I (G*H)	Estimated employed new mothers		3,783
J (G-I)	Estimated claimants		18,015
Estimated claimants	Payment per month	Months per year	Total
18,015	250 [†]	6 [‡]	27,022,500.00

Source: Authors' calculations based on official data

[†]Kosovo Agency of Statistics (KAS); [‡]Government programme

Table A4. Estimated implications of minimum wage increase

Number of beneficiaries of social schemes tied to the minimum wage	Payment per month (change in minimum wage; 250-170=80)	Months per year	Total
38,216 [†]	80 [‡]	12.00	36,687,360.00

Source: Authors' calculations based on official data

[†]Kosovo Agency of Statistics (KAS)

[‡]Government programme

Table A5. Estimated implications of wage subsidy scheme (for new entrants in the labour market)

Number of new entrants in the labour market	Payment per month	Months per year	Total
18,000 [†]	250 [‡]	12.00	54,000,000.00

Source: Authors' calculations based on official data

[†]Kosovo Agency of Statistics (KAS)

[‡]Government programme

Table A6. Affordable housing scheme

Affordable housing scheme	Total per year
	22,000,000.00
As estimated by the government programme	

Source: Government programme

Table A7. Young entrepreneurs support scheme

	Number of grants	Amount	Total cost
As per government programme (the amount of the grant is presumed by the authors)	2,000.00 [†]	10,000.00 [†]	20,000,000.00

Source: Authors' calculations

[†]Authors' assumption

[‡]Government programme

Table A8. Scholarship scheme

	Nr	Shuma		Kosto vjetore
1000 bursa	1,000.00 [‡]	100.00 [‡]	12	1,200,000.00

Source: Authors' calculations

[†]Authors' assumption

[#]Government programme

Table A9. Running costs for 160 kindergartens

		Number of children currently in kindergartens (7%) (38%)	Number of children planned to be placed in kindergartens (24%; 64%)	Difference (C-D)
Number of children (0-5 years)	169,325	11,852.79	40,638.13	28,785.34
Number of children (3-6)	116,269	44,182.58	74,412.76	30,230.18
Estimated overlap between two age groups				16,800.00
Total excluding the estimated overlap				42,215.52
Cost per kid per year				2,000
Total				84,431,047.50
Paid in by families				55,724,491.35
Paid in by the government				28,706,556.15



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