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# GROWTH AND FISCAL STABILITY INITIATIVE

DRAFT FINAL REPORT

(JULY 15, 2010 – AUGUST 31, 2013)

Contract Number EEM-I-00-07-00005-00, Task Order 09

This publication was produced for review by the United States Agency for International Development. It was prepared by Deloitte Consulting LLP.

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**DISCLAIMER:**

The author's views expressed in this publication do not necessarily reflect the views of the United States Agency for International Development or the United States Government.

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## ABBREVIATIONS AND ACRONYMS

Abbreviation / Acronym	Definition
ASK	Kosovo Agency of Statistics
AUK	American Education in Kosovo
BEEP	Business Enabling Environment Program
BOT	Build Operate Transfer
BRDP	Brezovica Resort Development Project
CAPEX	Capital Expenditures
CBK	Central Bank of Kosovo
CFO	Chief Finance Officer
CIO	Chief Information Officer
DBFOT	Design, build, finance, operate and transfer
DFID	United Kingdom Department for International Development
DEMI	Democratic Effective Municipalities Initiative
EMSG	Economic Management for Stability and Growth
EBRD	European Bank for Reconstruction and Development
EC	European Commission
EDVAP	Economic Development Vision Action Plan
EIA	Environmental Impact Assessment
EPAP	European Partnership Action Plan
EPPD	Economic and Public Policy Department
ESTAK	Efficient and Sustainable Tax Administration of Kosovo
EU	European Union
FBCC	Fiscal and Budget Committee of Cabinet
FDI	Foreign Direct Investments
FN	Fiscal Number
FIMS	Financial Management Information System
GDP	Gross Domestic Product
GFSI	Growth and Fiscal Stability Initiative
GIZ	German Agency for International Development
GoK	Government of Kosovo
GPRS	General Packet Radio Service
GSB	Gender Sensitive Budgeting
HQ	Head Quarters
IFC	International Finance Corporation
ICT	Information and Communication Technology
IMF	International Monetary Fund
IPSAS	International Public Sector Accounting Standards

ISC	Inter-ministerial Steering Committee
ISD	Instruction Systems Design
IT	Information Technology
ITIL	Information Technology Infrastructure Library
KFMIS	Kosovo Financial Management Information System
KfW	German development bank
KIPA	Kosovo Institute for Public Administration
LPFMA	Law on Public Financial Management and Accountability
LOGOS	Swiss-Kosovo Local Governance and Decentralization Support Project
MBD	Municipal Budget Department
MESP	Ministry of Environment and Spatial Planning
MoF	Ministry of Finance
Mol	Ministry of Infrastructure
MLGA	Ministry of Local Government Administration
MOU	Memorandum of Understanding
MTBF	Mid-Term Budget Framework
MTEF	Medium Term Expenditure Framework
M-MTEF	Municipal Medium Term Expenditure Framework
MTPPS	Medium Term Policy Priority Statement
MTI	Ministry of Trade and Industry
MTBF	Medium Term Budget Framework
MTPP	Medium Term Policy Priority
NCED	National Council on Economic Development
NGO	Non-Governmental Organization
NPI	New Policy Initiative
OAG	Office of the Auditor General
OPM	Office of Prime Minister
O&M	Operation and Maintenance
OSR	Own Source Revenues
PAK	Privatization Agency of Kosovo
PBMS	Performance Based Management System
PDF	Project Development Facility
PDTAF	Project Development Technical Assistance Facility
PEFA	Public Expenditure and Financial Accountability
PFI	Private Finance Initiative
PFM	Public Finance Management
PFMRAP	Public Financial Management Reform Action Program
PIA	Pristina International Airport
PIU	Project Implementation Unit

PM	Prime Minister
PMU	Project Monitoring Unit
POE	Publicly Owned Enterprise
PPB	Program and Performance Budgeting
PPP	Public Private Partnership
PPPC	Public Private partnership Committee
PTD	Property Tax Department
PTS	Property Tax System
RFP	Request for Proposals
SBA	Stand-by Agreement
SER	Strategic Expenditure Review
SEETO	South East Europe Transport Observatory
SIDA	Swedish International Development Cooperation Agency
SOE	Socially Owned Enterprises
STA	Single Treasury Account
STTA	Short Term Technical Assistance
TAK	Tax Administration of Kosovo
TOR	Terms of References
TOT	Training-of-Trainer
USAID	United States Agency for International Development
VAT	Value Added Tax
WB	World Bank

# 1. GFSI EXECUTIVE SUMMARY

GFSI was established to build fiscal stability at the central and municipal level, to expand use of public private partnerships for the private financing of public infrastructure, and to build vision, strategy, and coordinated action by the Government of Kosovo (GoK) supporting an environment conducive to rapid economic development. This Report sets out the activities and outcomes of GFSI's work over the course of its three-year period of performance.

GFSI's original Task Order set three core objectives:

- Support Private Sector Participation through Public-Private-Partnerships and through Support to the Privatization Agency of Kosovo;
- Fiscal Stewardship - Build Professionalism and Expertise in Sound Public Financial Management in Municipalities; improve data sharing among the various IT Systems in the Ministry of Finance and assist the MoF Property Tax Department in meeting the Own-Source Revenue needs of Municipality;
- Economic Policy Assistance – Provide assistance to relevant Counterpart Institutions to develop and implement an Action-Oriented Government Strategy for Profitable Private Sector Growth and the Attraction of Foreign Direct Investment, stimulate Policy debate and improve the legal environment for private sector growth.

Two additional Objectives were added under Modification 4 to the Task Order:

- Route 6 Motorway: Analytical and technical support for (1) financing and transaction options and (2) a possible private sector role in the construction and/or operation, maintenance, and tolling of major new public transportation infrastructure;
- Brezovica Ski Resort: Support the Municipality of Strpce and the Inter-Ministerial Steering Committee in investigating transaction options for the Brezovica Ski Resort, possibly through Public-Private-Partnership (PPP) arrangements.

In implementing the Task Order objectives, GFSI has successfully assisted the GoK to develop, significantly improve, and implement systems critical to Kosovo's fiscal and macroeconomic stability, as well enhancing its ability to attract private investment in public infrastructure. GFSI's support has produced substantial outcomes for Kosovo:

## **Public Private Partnerships**

With extensive GFSI support, Kosovo's PPP Law is now aligned with EU requirements and is supplemented by detailed directives for implementing PPPs. Clear guidance materials for contracting authorities are now in place, and the PPP Department has staff certified to roll out and further develop a multi-day PPP training curriculum to Municipalities and central level institutions. Eight Municipal PPP projects have been successfully developed and approved (or pending approval in July, 2013) by GoK-level Public-Private Partnership Committee. Kosovo now also has an economic viability assessment for the Route 6 Motorway, enabling the Government to move forward with this important project. A multi-year PPP strategy, elaborated through an inclusive stakeholder consultative process, is now in place to guide Kosovo's next phase of PPP development. This strategy aims at: 1) incorporating PPP planning into the GoK's policy and expenditure planning process; 2) establishing a Project Development Technical Assistance Facility; 3) promoting Private Finance Initiative opportunities, 4) developing and publishing of a PPP Transaction Pipeline; and 5) establishing of a risk-based PPP contract management system.

The Brezovica Ski Resort project moved forward with five international investors expressing interest in the project, four of which have been qualified to compete for the investment in the Serb-majority municipality of Shterpce. This project will inject significant private sector investment into Kosovo's economy, will generate significant number of jobs for the local community and will serve as a bellwether for future investments in Kosovo.

## **Municipal Fiscal Stability**

Public Financial Management at the municipal level has improved significantly, with staff now demonstrating a strong capacity and high professionalism. Following intensive training and assistance to relevant municipal staff, 12 municipalities have applied the PEFA Self-Assessment tool and assessed their systems and practices. These municipalities were able to design and implement detailed PFM reform action plans addressing weaknesses identified through PEFA assessment reports. MoF Municipal Budget Department staff are now

equipped with necessary tools on PFM practices to support municipalities in the future, thus contributing to sustainability and local ownership of the process.

The budget process at municipal level has improved dramatically, with most of municipalities preparing and using municipal MTEFs as a guiding policy document in annual budgeting. Municipal budgeting is now to a large extent an integrated process, with active participation of all relevant municipal departments in the process, rather than only local budget departments. Municipalities have also significantly improved their accounting, financial control, and financial reporting capacities. As a result of intensive training and capacity building efforts by GFSI and strong collaboration with the Office of Auditor General (OAG), 30 municipalities have received unqualified audit reports for 2012 (compared with only 2 municipalities in 2009), an impressive achievement for a relatively short period.

Finally, capacities for property tax planning and collection at municipal level have improved; administration enhanced and the property tax system advanced with new functions to support municipalities conduct analysis and further improve property tax administration, resulting in increased revenues and improved services to citizens.

### **Central Level Fiscal Stability**

At the national level, the budget process has continued to develop and modernize. The GoK was able to conduct a Strategic Expenditure Review that established key PFM reforms needed to develop a high quality, policy-oriented and program-based budget. GoK budget entities are now able to cost policy initiatives, following promulgation of an Administrative Instruction on Costing New Policy Initiatives and training of staff at line ministries on how to implement the instruction.

The MoF has established an IT Department with reasonably well skilled staff engaged in Operations, Infrastructure and Applications Management. MoF IT Governance structures established and functioning, with an IT Steering Committee being headed by the Minister and a Technical Committee by the IT Director. This enhancement in IT governance has removed significant impediments to the communication and collaboration abilities of the technical working committee. An ICT Plan and Strategy is now in place for the MoF, addressing critical IT deficiencies and establishing management coordination and leadership. Management Information System is now providing real time and accurate information to the Minister and enabling evidence-based decision making.

### **Economic Policy**

With GFSI assistance, the GoK developed and adopted an Economic Development Vision and Action Plan (EDVAP) setting out a clear statement of economic vision and an action plan that is in implementation. The National Council on Economic Development, formed at the government level, now has responsibility for monitoring of the implementation of EDVAP and developing policy measures that promote economic growth was established and functionalized. With its first three-year comprehensive Medium-Term Policy Priority Statement being produced in 2013, Kosovo has begun the process of policy prioritization. This policy document incorporates costing into the policy planning process, prioritizing new policy initiatives in light of budget and forward year expenditure constraints within the Medium-Term Expenditure Framework.

A legally binding fiscal rule is now in place that will provide guidance to policy makers and the public on prudent spending and debt levels to achieve sustainable public finances. The rules based fiscal framework is composed of two main components: a ceiling on the outstanding debt to GDP of 40%, and a mechanism that controls the speed of reaching the maximum debt limit, which is the overall deficit to GDP ratio of 2%. It also allows for spending flexibility when it comes to privatization proceeds.

In April 2012, GoK entered into a Stand-By Arrangement program with IMF, with the objective to maintain fiscal sustainability and anchor fiscal policy in the long-term, complemented by structural fiscal reforms and steps to further strengthen the financial system's stress resilience. As of July, 2013, four reviews of the program have been completed successfully, resulting with disbursements of approximately 94 million EUR to the Government's budget. After successful membership at IMF and World Bank in 2009, Kosovo gained another important full membership at the European Bank for Reconstruction and Development in 2012. In addition to boosting domestic and international confidence, membership at EBRD will enable Kosovo to benefit from the investments of this institution in private and public sector.

Finally, an Economic and Public Policy Department (EPPD) is now established and functional within the Ministry of Finance. This department, under a strong leadership of a western educated woman contains the macroeconomic, tax policy, public policy and legislative analysis sections and now operates at its full staffing levels, with key role on economic and fiscal policy formulations.

## 2. MAIN ACHIEVEMENTS

GFSI has been able to accomplish successes that are significant and highly relevant to Kosovo's fiscal and macroeconomic stability at the central and local government levels. The main successes have been:

### ***OBJECTIVE 1 – Support Private Sector participation through public-private partnerships and through support to the privatization agency of Kosovo***

- 1) Aligned Law on PPP with EU requirements, as well as developed detailed directives for PPP
- 2) Developed clear guidance materials for contracting authorities and supported the institutional development of PPP
- 3) Built PPP training capacity by assisting PPP Department develop PPP course curriculum and certify trainers for a training program that is currently being rolled out
- 4) Successfully helped develop eight PPP projects that are approved (or pending approval in July, 2013) by PPPC
- 5) Supported the development of a multi-year PPP strategy
- 6) Supported the development and implementation of a urban transport project in Peja, the first municipal PPP project in Kosovo
- 7) Provided considerable experience and capacity to design and implement urban bus transport concessions for Kosovo, allowing for easy replication of similar PPP projects in the future
- 8) Developed the concept of a project development facility to continue the important strategic transaction support for PPP projects going forward
- 9) Developed procurement options analysis report for Route 6 Motorway;
- 10) Conducted and delivered successful economic viability assessment for Route 6 Motorway, as requested by the IMF and the World Bank
- 11) Supported successful negotiations with IMF and World Bank, allowing Kosovo to pursue the procurement of the construction of motorway Route 6 Motorway in the short term
- 12) Attracted four pre-qualified potential investors for the Brezovica Resort Development Project.

### ***OBJECTIVE 2 – Fiscal Stewardship:***

- 1) Supported 12 municipalities to apply PEFA Self-Assessment tool and assessed current PFM system and practices, individual municipality performance reports produced
- 2) Trained 39 municipal PEFA assessors, who are now fully equipped on the application of standard PEFA tool
- 3) Designed and implemented PFM reform action plan for Local Governments (implementation ongoing) as a result of PEFA diagnosis – from which 12 individual municipality PFM customized action plans approved by the board of directors
- 4) Supported 29 municipal MTEFs to be approved and submitted to MoF, seven of them fully complying with suggested format and guidelines on mid-term budget formulation best practices
- 5) Introduced integrated approach to municipal budgeting, bringing active participation of all municipal sectors in the process, rather than only budget and finance department
- 6) Introduced extensive list of capital projects for mid-term period, instead of annual planning (with seven municipalities), and a new chapter of performance budgeting to the municipal mid-term budget framework
- 7) Equipped MoF/Municipal Budget Department staff with necessary tools on PFM activities
- 8) Supported IT Unit within MoF to be developed into a fully-fledged IT Department, with a Director and Managers of three divisions focusing on Operations, Infrastructure and Applications Management
- 9) Assisted in establishment of critically needed, state-of-the-art Server Room for MoF to help, in the future, consolidate IT Services within a single network.

- 10) Successfully supported establishment and functioning of governing IT Steering and Technical Committees, removing significant impediments to the communication and collaboration abilities of the technical working committee
- 11) Developed ICT Plan and Strategy for MoF addressing critical IT deficiencies and establishing management coordination and leadership
- 12) Trained all municipalities on preparation of financial statements, resulting in most municipalities now having no problems observing the requirements on presentation of financial statements and understanding cash basis reporting standards
- 13) Supported new municipalities to achieve fully functioning budget and finance departments with trained and certified staff on Kosovo Public Financial Management rules and procedures
- 14) Developed Administrative Instruction on Costing New Policy Initiatives and provided training to line ministries on implementing the instruction/costing their new initiatives, as well as to Budget Department staff who are to follow-up with implementation of the instruction in the future
- 15) Conducted, together with GoK and DFID, a Strategic Expenditure Review establishing key recommendations for PFM reforms to introduce a high quality, policy oriented program-based budget
- 16) Reformed inspection process, updated annual inspection report and continued to build capacities in the MoF Property Tax Department on implementation new inspection process
- 17) Developed new surveyor manual on gathering and registration of information on the property and taxpayer
- 18) Assessed impact of the new valuation mode and rate increases on the property tax collection documented for 21 municipalities
- 19) Supported municipalities to plan revenues for property tax based on the data available from PTS
- 20) Enhanced tax audit capacity of Municipal Property Tax Departments.
- 21) Supported significant improvement in property tax administration by developing different instructions for data administration, function development and new reports in the property tax program and trainings for property tax offices staff on the tax program

### **OBJECTIVE 3 – Economic Policy Assistance**

- 1) Assisted GoK to develop an Economic Development Vision and Action Plan with a clear statement of economic vision, accompanied by an action plan that was adopted by the GoK and is in various stages of implementation.
- 2) Supported the establishment of the National Council on Economic Development (NCED) that has the responsibility for monitoring of the implementation of EDVAP and developing policy initiatives that promote economic growth and improve business environment in Kosovo
- 3) Assisted with strengthening of the linkages between the Government policy priorities, as set in its key documents, such as EDVAP, MTPPS, MTEF, and the yearly budget spending allocations
- 4) Assisted the MoF to establish the Economic and Public Policy Department that contains the macroeconomic, tax policy, public policy and legislative analysis sections
- 5) Supported GoK negotiate a Stand-by Arrangement facility with IMF, including support in program review missions by IMF
- 6) Assisted the MoF in designing and negotiating with the IMF policy options for introducing a legally binding rules-based fiscal framework
- 7) Assisted MoF in implementing the necessary structural reforms and successful implementation of the Stand-by Arrangement with IMF, resulting in disbursement of €94 million of funds
- 8) Supported the MoF on completing all the requirements for Kosovo's membership at the European Bank for Reconstruction and Development
- 9) Assisted the Prime Minister's Office of Strategic Planning on developing the first comprehensive Medium-Term Policy Priority Statement, comprising a consolidated set of costed and prioritized policy initiatives that are affordable against the budget and forward year expenditure constraints, as set out on the Medium-Term Expenditure Framework.

# 3. PROJECT RESULTS

## 3.1 OBJECTIVE 1 – SUPPORT PRIVATE SECTOR PARTICIPATION THROUGH PUBLIC-PRIVATE PARTNERSHIPS AND THROUGH SUPPORT TO THE PRIVATIZATION AGENCY OF KOSOVO

### A. PUBLIC-PRIVATE PARTNERSHIPS

At GFSI's initiation, Kosovo was in the process of completing its initial development phase in building a Public-Private Partnership system. Through USAID support under an earlier project, Economic Management for Stability and Growth (EMSG), Kosovo had passed initial legislation regulating PPPs and established a central PPP Unit under the MoF, and was working toward financial closure of a €106 million transaction to build a new terminal and manage operations at Pristina International Airport (PIA).

GFSI successfully helped bring Kosovo through the next critical phase of establishing credibility and sustainability of this new PPP system. GFSI assisted the GoK to financially close the PIA transaction and worked very closely with the MoF to develop and pass secondary PPP legislation and regulations harmonizing the law with EU PPP requirements and systems, and converting the PPP Unit into a fully-fledged department of the MoF—the Central PPP Department. The new PPP Law also reconfigured the previous PPP Inter-Ministerial Committee (PPP-ISC) into the current PPP Committee. Over the course of the project GFSI helped establish a firm foundation for sustainable PPP growth by supporting both the institutional development of the MoF PPP Department and the PPP project development capacity of government organizations at the central and municipal levels.

As a result of GFSI's assistance, Kosovo now has a clear and phased approach to identifying, developing and approving, and competitively tendering PPP projects. Kosovo now enjoys a modern PPP regulatory environment, a sustainable Central PPP Department with training capacity and a development strategy for further growth, and several central and municipal-level PPP transactions approved or in implementation. The MoF PPP Department is developing a pipeline of 20 potential PPP projects, of which four have been approved by the PPP Committee, two pending approval and one contract due to be signed. GFSI has also successfully developed and assisted implementation of the urban bus transport PPP for the municipality of Peja, the first municipal PPP in Kosovo.

#### *3.1.1. Consolidate the Legal, Institutional, and Strategic Framework for PPP*

GFSI assisted in strengthening the legal, institutional and policy framework for PPPs in Kosovo by enhancing Kosovo's PPP legislation and regulations, producing PPP Guidelines and assisting the elaboration of a multi-year PPP Development Strategy. Following up on project initiation due diligence, GFSI supported development of a revised, EU compliant PPP Law, administrative directives governing PPP, organizational structure for the MoF PPP Department, sample contracts for works Build-Operate-Transfer (BOT)/concessions and service concession, and sample tender documents for requests for qualifications and requests for proposals. The Revised PPP Law was adopted by Kosovo's Assembly in 2011. GFSI also assisted in revising and adopting a new Law on Waste that is conducive to implementing PPPs as well as assisting in ensuring that the Law on State Aid is consistent with PPP legislation and relevant EU criteria.

GFSI assisted in developing the following Administrative Directives regulating PPPs:

- PPP Directive No. 1 on Procedures for the Review and Approval of PPP Projects
- PPP Directive No. 2 on Project Management Teams
- PPP Directive No. 3 on Review and Approval of Municipal PPP Projects

These Directives establish a clear process to the PPP Committee, the MoF PPP Department and project management teams of public authorities on the procedures to be followed for developing and implementing PPP projects, the preparation of project feasibility studies, and the composition of PPP project management teams.

GFSI assisted the MoF PPP Department to develop and adopt the “*PPP Guidelines Manual*” addressing the life cycle of PPP projects. Set out in multiple project phases, the Guidelines are comprised as follows:

- Phase 1 PPP Project selection and pre-feasibility study
- Phase 2 PPP Feasibility study, Draft PPP Contract and Draft Tender Documents
- Phase 3 PPP Tender Implementation
- Phase 4 PPP Contract Management & Performance Monitoring

The PPP Guidelines, substantially completed in Project Year Two, were finalized in Project Year Three and used as the basis for developing a sustainable PPP training curriculum led by the MoF PPP Department. GFSI, together with Kosovo Institute for Public Administration trained and certified trainers at the MoF PPP Department, which is now successfully rolling out a PPP training curriculum to budget authorities with periodic training deliveries.

With GFSI assistance, the MoF PPP Department elaborated, through an inclusive stakeholder consultative process, a multi-year PPP Development Strategy (2013-2016). The process resulted in five Strategic Objectives that include: 1) incorporating PPPs into Kosovo’s policy and expenditure planning process; 2) establishing a Project Development Technical Assistance Facility; 3) promoting Private Finance Initiative opportunities; 4) developing for publication of a PPP Transaction Pipeline; and 5) establishing a risk-based PPP contract management system. This Strategy covers three years going forward, includes annual action plans for the MoF PPP Department, and incorporates an annual strategy review and update. Following additional stakeholder consultation in early July, 2013, the PPP Department plans to present the finalized draft at the next meeting of the PPP Committee, seeking approval and recommendation to pursue its adoption by government decision.

***Task order tasks completed during year one:***

- Create organizational structure for the drafting of necessary secondary legislation
- Identify priorities and begin drafting of secondary legislation
- Review / Refine PPP-ISC by-laws and operating procedures
- Update organizational structure for central PPP Unit
- Development of municipality selection criteria for PPP assistance / integration strategy
- Update and refine PPP project pipeline
- Prepare annual “PPP & Concession Report” for the Assembly
- Continue drafting of secondary legislation. Review, consult, and finalize draft regulations
- Selection of municipalities and organizational structuring for municipal PPP implementation
- Approve / promulgate secondary legislation
- Establish working group to review PPP law and consider priority amendments
- Develop TORs and recruit / second staff for municipal PPP

***Task order tasks completed during year two:***

- Draft, approve, and promulgate any required PPP Law amendments
- Develop and formalize institutional coordination procedures between municipalities and PPP-Committee / Refine PPP Committee by-laws and operating procedures
- Develop PPP Guidelines

***Task order tasks completed during year three:***

- Finalized PPP Guidelines and rolled-out PPP training curriculum by trainers certified and trained by GFSI.
- PPP institutional capacity was developed on a case-by-case basis within municipalities that are preparing PPP projects.
- Satellite PPP Unit established in Peja and Gjilan municipalities, where GFSI provided significant transaction development strategic advisory support.

- Multi-year PPP Development Strategy drafted through stakeholder consultative process work plan for central government and municipalities

### 3.1.2. Provide Technical Assistance for Priority PPP Transactions across Multiple Sectors

GFSI developed a process for identifying, ranking, and selecting potential projects for strategic support by the GFSI PPP Team. The process, developed and implemented by the GFSI team and shared with the MoF PPP Department and the various contracting authorities for each potential project, includes ranking the project on a matrix of relevant qualitative data and conducting a pre-feasibility study with a “back-of-the-envelope” financial model. For those potential projects selected following this process, GFSI provided strategic advisory assistance in preparing transactions for PPPC review, including assisting the contracting authority to develop a feasibility study, required tender documents, and draft PPP contract. The following Tables present the pipeline of Projects supported by GFSI to the central and municipal governments through the GFSI Objective 1, along with brief descriptions of the assistance provided and current project status.

**Table 1. Central Level Projects – Status as of July 2013**

	Project	Type of Project	Contact Point	Status
1	Route 6	PPP/PFI (BOT)	Rame Qupeva (Ministry of Infrastructure)	Financing study and procurement options analysis completed, The Government of Kosovo has made a political decision to procure the project traditionally. GFSI project successfully assisted in justifying the economic viability of the project and negotiations with IMF and World Bank
2	Route 7, Maintenance and tolling	Management contract minimal CAPEX to be paid by provider	Rame Qupeva (Ministry of Infrastructure)	Short term maintenance contracts are currently being procured. Intention to enter into long term O&M concession. Tender documents for transaction advisor provided by GFSI project.  Further assistance to highway projects was stopped on request of USAID
3	Customs/Tax building	PFI	Lorik Fejzullahu - MoF PPP Department and Customs/TAK Director	Initial prefeasibility work was undertaken.  Project was not progressed further by the relevant Ministries
4	Pristina International Airport	PPP (BOT)	Lorik Fejzullahu – MoF PPP Department	Contract monitoring phase  MoF PPP Department acting PMU
5	The Solid Waste Landfill	PPP (BOT/PFI)	Lorik Fejzullahu – MoF PPP Department	IFC Transaction Advisor  Project was delayed due to policy concerns by the Ministry of Environment.
6	Motorway Service Areas	PPP (BOT)	Rame Qupeva (Ministry of Infrastructure)	Developed as 3 separate PPP projects for 3 locations and approved by PPP Committee in April 2013. Tender phase ongoing
7	Fiber Optic Cabling along Route 7	PPP (BOT)	Rame Qupeva (Ministry of Infrastructure)	Feasibility study initiated but after change in law on telecommunication there was no longer scope for a PPP

**Table 2. Municipal Level Projects – Status as of July 2013**

	Municipality	Type of Project	Contact Point	Status
1	Pristina	Underground Parking- University BOT	Deputy Mayor	Prepared feasibility & supplied STTA technical support/draft tender & contract documentation.  1 <sup>st</sup> tender process failed but Municipality wants to proceed with new competition. Grand hotel location was brought forward to the PPPC for approval.
2	Pristina	Underground Parking- Grand Hotel BOT		
3	Pristina	Underground Parking- Parliament/Municipality BOT		
4	Pristina	Urban Bus Concession	Deputy Mayor	Completed pre-feasibility & review of Trafiku Urban  Completed Public Transport Plan and viability assessment as well as study tour for the PMU.  Awaiting political decision on how to proceed from contracting authority
5	Peja	Urban Bus Concession	Mayor	Complete (provided feasibility study & draft tender & contract documentation)  At contract monitoring stage
6	Peja	Waste treatment/landfill BOT/concession	Mayor	Pre-feasibility showed that the project was not feasible without public financial contribution. Municipality is now considering other ways forward
7	Peja	Municipal Parking BOT/concession	Mayor	Pre-feasibility, project was no longer pursued by counterpart
8	Suhareka	Solid Waste Management BOT/concession	Mayor	At contract negotiation phase. Contract has been successfully negotiated with the preferred bidder, and municipality has now decided to ask opinion of the Anti-Corruption Agency before going forward.
9	Suhareka	Industrial Park BOT/concession	Mayor	Early pre-feasibility stage, no longer pursued by municipality
10	Obiliq	Solid Waste Management BOT/concession		Pre-feasibility, no longer pursued by municipality
11	Mitrovica	Waste treatment/landfill BOT/concession	Mayor	Feasibility showed that the project is feasible, but only in case in which the whole value chain is included in the PPP. This means the POE would cease to exist. Municipality is contemplating how to move forward.
12	Gjilan	Urban Transport PPP/Concession	Director of Public Works	Feasibility study and tender documents and draft contract completed and ready to be submitted to the PPPC for approval
13	Prizren	Sports complex rehabilitation	Municipality of Prizren	Pre-feasibility study ongoing

### ***3.1.3. Assist the GoK at the Central and Municipal Levels to Develop Contract Governance and Oversight Structures for PPP***

The overall objective of this task is to build project governance and oversight capacity for PPP projects. GFSI supported development of regulations, such as Directive (2/2011), and provided hands-on guidance on establishing project management units to design and develop transactions and project implementation units (PIUs) to implement awarded projects. Sample procurement documents (Request for Qualifications, Request for Proposal) and sample PPP contracts have been developed, revised, and updated based on lessons learned during the implementation of supported PPP projects. The PPP Guidelines supported by GFSI address contract management and oversight in its Part IV, explaining applicable legislation and regulations as well as practical considerations.

An additional paper on PPP Contract Management was developed to provide an overview and explanation of applicable legislation and secondary rules related to contract management structures and processes. The Contract Management paper also integrates parts of the general PPP Guidelines pertaining to contract management in order to provide a comprehensive understanding of all relevant contract management aspects. Additionally, the PPP Training Curriculum supported by GFSI includes a module on contract management. Finally, the PPP Development Strategy supported by GFSI, which is currently in the process of adoption by GoK, includes a Strategic Objective for the MoF PPP Department to establish a risk-based contract management and oversight process.

GFSI also assisted the MoF PPP Department to design a Project Management Unit and a program for managing the Pristina International Airport 20-year 'build, operate and transfer' contract. The PPP Department was appointed temporary as a PMU for the PIA project. GFSI assisted the MoF PPP Department to prepare tender documentation for the procurement of an outside company to carry out the role, and a RFP is ready for issue. However, the procurement for this tender has been on hold since Project Year Two while awaiting funding and approval from the MoF.

#### ***Task order tasks completed during year one***

- Establish legal and institutional framework for contract governance of the PIA PPP
- Analyze and identify sustainable funding sources for PMU.
- Implement funding mechanism for PMU
- Ongoing support to PIA PPP PMU
- Ongoing performance monitoring and compliance audit support to PMU
- Outline general framework for contract governance and oversight for PPP projects
- Design project-specific PMU's (as so required)

#### ***Task order tasks completed during year two***

- Ongoing support to PIA PPP PMU.
- Ongoing performance monitoring and compliance audit support to PMU
- Outline general framework for contract governance and oversight for PPP projects – draft completed
- Design project-specific PMU's (as so required)

#### ***Task order tasks completed during year three***

- Ongoing support to PIA PPP PMU.
- Design project-specific PMU's (as so required)
- PMU training / capacity building.

### ***3.1.4. Implement a Multi-Sector PPP and Project Finance Capacity Building Program***

Addressing key needs identified at project initiation and based on a training needs assessment in the first year, GFSI focused on assisting the MoF PPP Department develop comprehensive PPP Guidelines to build government entity awareness and understanding of the process for PPPs in Kosovo and appreciate how PPPs and their project life cycles differ from traditional procurement options.

From these PPP Guidelines, GFSI assisted the MoF PPP Department to develop a sustainable Training Curriculum in PPPs, complete with trainer certification and delivery through the Kosovo Institute for Public Administration. Training of trainers in course development was provided by employing Instructional Systems Design (ISD) methodology. The PPP Training Curriculum is now periodically delivered by the MoF PPP Department government officials and other public sector and private sector (banks, companies, Chambers of Commerce, etc.), raising awareness and building capacity to identify and plan PPPs.

GFSI also supported organization of a study tour by World Learning for fourteen central and municipal officials to participate in an intensive one week PPP training program at PPP Centrum, the PPP capacity center in the Czech Republic. Program participants were selected based on their capacity and the nature of their institutions' PPP projects in the PPP pipeline. GFSI supported additional study tours of MoF PPP Department and relevant public authority officials to Dubrovnik Croatia in October 2012 and to Amsterdam in June 2013.

***Task order tasks completed during year one***

- Training Needs Assessment for Targeted Training & Seminars
- Identify and structure study-tour opportunities
- Development of Targeted Training and Seminar Program
- Regular delivery of targeted training and seminars
- Design and Development of standardized curriculum
- PPP Study Tour to Czech Republic

***Task order tasks completed during year two***

- Development of Targeted Training and Seminar Program
- Regular delivery of targeted training and seminars
- Design and Development of standardized curriculum (Draft completed)
- Train the Trainers – initial workshop July 2012

***Task order tasks completed during year three***

- Training of the Trainers and trainer certification for PPP Curriculum
- Regular delivery by MoF PPP Department of targeted PPP training and seminars
- Study tours to Dubrovnik, Croatia, in October 2012 and to Amsterdam in June 2013

***3.1.5. Promote Positive Environmental Impact through Public-Private Partnerships***

GFSI's approach has been to build awareness through development of Environmental Guidelines and providing training on environmental issues while also supporting development of projects with a positive environmental impact, such as public transportation and waste management.

In Project Year One GFSI adopted an approach of emphasizing support for transactions in sectors with positive environmental outcomes – public transportation and solid waste management. Accordingly GFSI supported a solid waste management project in Suhareka and public bus transportation projects in Peja and Pristina, and subsequently an urban bus project in Gjilan. The Peja Urban Bus project successfully closed in Project Year Two while the Suhareka solid waste management project was awarded during Year Three and is awaiting contracting. The Gjilan Urban Bus project has been completed through preparation of feasibility study and tender documents and is expected to be submitted for PPPC review in the coming weeks. Meanwhile, GFSI's intensive supported Pristina Bus has resulted in completion of a Public Transport Plan and Viability Assessment as well as the Amsterdam study tour for the PMU. The project is currently awaiting political decision on how to proceed by Pristina Municipality.

During Project Year Two GFSI completed a comprehensive environmental guideline—“*Guidelines for Environmental Impact Assessment for Infrastructure Projects*”. The Environmental Guidelines are for use in undertaking PPP Projects and guides the reader through the environmental issues that have to be taken into account particularly in the early stages of the PPP project life cycle together with the procedures that have to be followed to comply with Kosovo environmental laws.

Following completion of the guidelines, during Project Year Three the Team GFSI coordinated with the Ministry of Environment and Spatial Planning (MESP), to develop and deliver a comprehensive set of training sessions on Environmental Impact Assessment for Infrastructure projects introducing the Environmental Guidelines. GFSI assisted in delivery of five training session for 30 municipalities throughout Kosovo in six regions to improve knowledge of the environmental issues and provide better understanding of the process of executing the Environmental Impact Assessment, EIA reporting, and conditions of issuing the Municipal Environmental permits to PPP projects. A total of 113 participants attended these training events. Finally, training was also delivered on the central government level in three sessions. Training was attended by total of 51 participants, from the 13 following ministries:

1. Ministry of Finance
2. Ministry of Trade and Industry
3. Ministry of Economic Development
4. Ministry of Environment and Spatial Planning
5. Ministry of Health
6. Ministry of Agriculture
7. Ministry of Infrastructure
8. Ministry of Internal Affairs
9. Ministry of Communities
10. Ministry of Public Administration
11. Ministry of Labor
12. Ministry of Education
13. Ministry of Local Administration

#### ***Task order tasks completed during year one***

- Lend ongoing technical assistance to the central and municipal governments evaluating a PPP for SWM (landfills and collection)

#### ***Task order tasks completed during year two***

- Lend ongoing technical assistance to the central and municipal governments evaluating a PPP for SWM (landfills and collection)
- Draft implementing regulations establishing general environmental guidelines for all PPP projects.

#### ***Task order tasks completed during year three***

- Technical assistance to the central and municipal governments on evaluating PPP for public transport projects
- Targeted training module developed regarding environmental planning, mitigation and monitoring measures in PPP projects
- Improved knowledge of environmental issues and development of Environmental Impact Assessments

### ***3.1.6. Establish a Project Development Facility***

GFSI identified an opportunity to support PPP capacity building by advising on potential development of a facility to support PPPs, and included this in its Project Year Three Work Plan. To help local authorities overcome the capacity gap in the field of implementation and preparation of good and bankable PPP projects, GFSI worked with the MoF PPP Department to plan and design a Project Development Technical Assistance Facility (PDTAF). This Facility would support procuring authorities to acquire strategic support for the development of the viability study and tender documents and transaction advisory services for their PPP projects. The PDTAF as a concept is supported by the Minister of Finance in principle, and the study, planning, and development of the PDTAF is proposed as a Strategic Objective in the draft PPP Development Strategy.

In Project Year Three GFSI, with STTA support, worked with the MoF PPP Department in drafting a viability assessment for the PDTAF. It also drafted the guidelines for the facility as well as the chartered document. The GFSI support aimed to draft procedures and operations manual for the PDTAF, including internal control mechanisms, to assess the viability of the PDTAF concept, including a pipeline of potential projects to be supported by the PDTAF and to start marketing the PDTAF to potential providers of funds.

### **Task order tasks completed during year three:**

- Viability assessment of PDTAF concept
- Preparation of operations manual/guidance materials for PDTAF and internal control mechanisms
- Initial discussion of the PDTAF concept with donors and the MoF to build support for establishing the facility

## **B. ASSISTANCE TO PAK**

This activity area under the Task Order was intended to provide the Privatization Agency of Kosovo (PAK) assistance in monitoring an international law firm expected to be engaged by GoK in the process of liquidating legacy claims against Kosovo's privatization trust fund, created through retention of privatization proceeds in previous years. Technical assistance was to be provided in this activity area only if USAID instructed GFSI to proceed. During Project Year Two, USAID decided not to trigger GFSI's assistance to PAK under the Task Order, and so no specific tasks under this activity were taken.

## **3.2 OBJECTIVE 2 – FISCAL STEWARDSHIP**

### **A. FISCAL STEWARDSHIP: BUILD PROFESSIONALISM AND EXPERTISE IN SOUND PUBLIC FINANCIAL MANAGEMENT IN MUNICIPALITIES TO BECOME INSTITUTIONS CAPABLE OF AUTONOMOUSLY AND EFFICIENTLY STIMULATING LOCAL ECONOMIC DEVELOPMENT WHILE PROVIDING HIGH STANDARD OF PUBLIC SERVICES**

GFSI's PFM assistance program accomplished its goal of building effective and efficient whole-of-government fiscal stewardship. GFSI supported PFM improvements at the central government level while also creating conditions for the full application of these critical tools and processes—consolidated Budget and Treasury system built around a common FMIS and Single Treasury Account (STA)—at the municipal level, enhancing Kosovo's decentralization.

GFSI helped conduct PEFA Self-Assessments in 12 Kosovo municipalities applying standard PEFA methodology for preparation and implementation, while developing a robust framework for municipal PFM. GFSI accomplished this by coaching and conducting training of trainer exercises with all beneficiary municipalities and including the MoF through the Municipal Budget Department. PEFA Self-assessments evaluated current PFM systems and practices in Kosovo municipalities, providing the basis for a PFM reform action plan for local governments while substantial improvements were made in municipalities' capacity to manage their finances. GFSI also applied a full MTEF approach to municipalities as a process to strengthen the municipal budget processes, providing trainings, workshops and hands-on assistance to a number of municipalities. To maximize sustainability of its PFM reform activities, GFSI provided training to the MoF Municipal Budget Department (MBD) and engaged the MBD in the implementation of the assessment program with municipalities. The MBD's staff are now equipped with necessary tools on PFM practices to support municipalities in the future.

#### **3.2.1 Public Expenditure and Financial Accountability (PEFA)**

##### **3.2.1.1 Conduct an inventory of current PFM practices through PEFA self-assessment**

In Project Year One, GFSI launched the first Kosovo Local Government PEFA Self-Assessment program, seeking to gain high level support and commitment in government for PEFA assistance to ensure sustainability. GFSI's PEFA Team developed and coordinated a comprehensive strategy for the PEFA program and ensured participation of the leadership from the MoF and the Ministry of Local Government Administration (MLGA) as a confirmation of Government's commitment towards public finance management reforms. The Association of Kosovo municipalities was also brought into the process as a partner for the PEFA undertaking. Working with the government, GFSI's PEFA Team established principles for the application of PEFA methodology at the Kosovo Local Government level, including criteria for the selection of a representative sample of municipalities.

The first round of the PEFA Self-Assessment municipalities consisted of Pristina, Podujevo, Vushtri, Sterpce, and Mamusha. GFSI's PEFA Team designed and developed tailored technical guidance and training materials addressing the specific needs of Kosovo municipalities. Representatives from those five municipalities as well as representatives from the Association of Kosovo Municipalities, Kosovo PEFA Secretariat, USAID and DFID, participated in a three day retreat where the output of PEFA process was reviewed and an exchange of lessons-learned between the municipal teams was hosted. It also served as an opportunity to launch the debate on a reform action plan oriented towards further strengthening of municipal PFM. Upon the receipt comments by the PEFA Secretariat, GFSI conducted a workshop for the municipal teams to discuss the PEFA Secretariat's comments, prepare necessary amendments, and solicit municipal ownership of final version of the Report.

Building on the interest, success, and momentum being observed during the first round PEFA exercise, GFSI launched another PEFA initiative to a second group of municipalities, from May 2011 to April 2012. The following municipalities – primarily regional centers - were invited and accepted to participate in the second round of the PEFA Self-Assessment: Ferizaj, Gjakova, Peja, Istog, Gilan, and Novo Brdo. GFSI Team again conducted formal commencement and progress workshops, concluding with a results and lessons-learned retreat, review by the PEFA Secretariat, and dissemination of a PEFA report.

Following the successful municipal PEFA exercises in 11 municipalities during the first two project years, GFSI focused support on a final Kosovo Local Government PEFA with Fushe Kosova Municipality. Implementation of the Fushe Kosova PEFA process was based on the assisted self-assessment approach, where a core municipal assessment team equipped with necessary tools to perform the assessment. The assessment was carried out during the period from November 2012 to March 2013 and was comprised of a series of critical and important events, which supported a phased-in approach to the conduct of PEFA.

This process was combined with the effort of building similar experience with the MoF Municipal Budget Department for their future reference and assistance to municipalities in need. Four staff members of MBD, as appointed by Department Director, were trained and actively involved during the inception, implementation and reporting phase of the PEFA process with Fushe Kosova. GFSI provided theoretical training and necessary resources, combined with practical PEFA support to Fushe Kosova municipality. This approach served to build capacity within the MBD, and now, the MBD staff is able to support further municipalities interested in commencing similar process.

***Task order tasks completed during year one:***

- Completion of the first Kosovo Local Government PEFA Performance Report based on the assisted self-assessment in five Municipalities
- Roll out and commencement of the second round of the PEFA assessment for the selected group of six Municipalities primarily representing key regional centers
- Design and development of a unique Technical Guidance on the implementation of the PEFA assessment in Municipalities, which supports PEFA standard manuals and can now serve as a model approach, including international application

***Task order tasks completed during year two:***

- Completion of the second Kosovo Local Government PEFA Performance Report based on the assisted self-assessment in five Municipalities

***Task order tasks completed during year three:***

- PEFA Performance Report for Fushe Kosova Municipality completed and approved by the Mayor and municipal board of directors.
- Built Ministry of Finance Municipal Budget Department capacity to assist municipalities interested in commencing PEFA or similar self-assessment process.

### **3.2.1.2 Based on PEFA self-assessment, develop and implement municipal PFM**

The completion of the second Kosovo Local Government PEFA assessments paved the way for action plans to address identified reform issues in public financial management. The PFM Reform Action Plan (PFMRAP) design and adoption process for the first round of PEFA municipalities consisted of a number of consultative discussions and workshops organized with Municipality of Prishtina, Vushtrri, Podujeva, Shterpce and Mamusha. The latter contributed to the final Municipal PFMRAP containing measures, institutional responsibilities and timelines for implementation.

The process followed for round-one municipalities served as a basis for PEFA round-two municipalities which were exposed similarly. The PFMRAP design and adoption process for PEFA round-two municipalities included round tables with municipal officials, focusing on activities to improving lower scores and then meeting with mayors to agree on priority measures to improve municipal PFM practices and designating responsible persons and timelines. In Project Year Three, GFSI assisted in developing a PFMRAP for Fushe Kosovo, consisting of workshops incorporating measures, institutional responsibilities and timelines for implementation.

In addition, GFSI supported building monitoring and reporting measures on the implementation of already approved workable PFM action plans in the prior 11 PEFA municipalities. GFSI assisted individual municipalities in producing six-month progress reports against their approved action plans, with a comprehensive progress report shared with stakeholders.

#### ***Task order tasks completed during year one:***

- Introductory training and capacity building initiative in the design and development of municipal PFM Action Plan

#### ***Task order tasks completed during year two:***

- Dissemination of observations from PEFA exercise on MTEF practices in the Kosovo Municipalities through the example of 11 PEFA municipalities
- Dissemination of sectorial costed strategies in health and education and its linkage to municipal mid-term budget through earmarked grants

#### ***Task order tasks completed during year three:***

- Fushe Kosova PFMRAP developed together with municipality team and approved by the Mayor and municipal Board of Directors
- Progress reports completed on 11 prior PEFA municipalities and shared with stakeholders in a conference

## **3.2.2 Municipal Medium Term Expenditure Framework**

### **3.2.2.1 Phase a Municipal MTEF (M-MTEF) approach into municipal budget process**

GFSI's approach to developing a Municipal MTEF included ensuring the Municipal Budget Department would play a driving role. The inception phase centered on a formal review and evaluation of the most recent MTEF practices and documents produced by municipalities during the 2011 budget process. The review undertaken for 26 municipalities served as a basis for the preparation of a first comprehensive Municipal MTEF Assessment Report, with the emphasis on application by municipalities of key aspects of a multi-year, strategic and policy-oriented approach towards the development of municipal annual budgets. The Report provided for a range of recommendations addressed to municipalities and MoF designed to guide the 2012 budget process. The GFSI Team conducted a workshop in early 2011, focusing on key findings, recommendations, and outline of the proposed next steps. GFSI also developed a Technical Manual, including technical guidance and template formats, for the implementation of a new strengthened approach towards the preparation of MTEF by Municipalities, and distributed to municipal budget practitioners across the Kosovo Municipalities.

The GFSI team continued with the next phase of support, with a focus on Medium Term Budget Framework (MTBF) application during the 2013-2015 period. The first event was organized in early 2012 with about 80

municipal budget managers and CFOs participating. The conference included contributions by Municipal Budget Department of MoF, Strategic Planning Office of Prime Minister, Ministry of Health, Ministry of Education, and DFID-funded projects. The conference created the opportunity to discuss municipal medium-term budgeting in the context of national sectorial strategies, in particular to ensure their comprehensive implementation in health and education, for which municipalities are primarily responsible. Municipal practitioners were also presented with good practice principles and examples of MTBF application from other countries.

For Project Year Three, GFSI conducted a conference in April, 2013, this time with approximately 100 municipal budget managers and CFOs participating. The conference provided for discussion of an assessment on prior budget cycle MTBFs and their alignment with Ministry of Finance budget circular requirements. In addition GFSI provided to all municipalities a qualitative assessment on mid-term budget planning on sample municipalities followed by conclusions and recommendations in order to utilize that for new budget cycle 2014-2016.

***Task order tasks completed during year one:***

- Publication of the first comprehensive review of MTEF practices in the Kosovo municipalities
- Publication and dissemination of the first comprehensive Technical Manual on the preparation of Municipal MTEF, in support to strengthened approach towards multi-year policy oriented municipal budgeting

***Task order tasks completed during year two:***

- Dissemination of observations from PEFA exercise on MTEF practices in the Kosovo municipalities through the example of 11 PEFA municipalities
- Dissemination of sectorial costed strategies in health and education and its linkage to municipal mid-term budget through earmarked grants

***Task order tasks completed during year three:***

- Quantitative assessment of municipal MTBFs on their alignment with Ministry of Finance budget circulars requirements
- Qualitative assessment of mid-term budget planning on sample municipalities followed by conclusions and recommendations was provided to all municipalities in order to utilize that for new budget cycle 2014-2016

### **3.2.2.2 Strengthen capacity of municipalities to integrate an M-MTEF approach in to municipal budget process**

Following the development and publication of a *Municipal MTEF Technical Manual*, the GFSI Team organized a conference for municipal budget practitioners late Project Year One to provide introductory advice and presenting Municipal MTEF Technical Manual with the view to assist municipal budget practitioners in preparing Municipal Budgets for the 2012-2014 period. The conference also served as an opportunity to introduce advanced MTEF budget planning processes in Municipalities. It was designed to provide comprehensive information on the objectives and benefits of MTEF, its main elements, and relation to annual budget development process. With the view to institutionalize the proposed new MTEF approach, the GFSI Team assisted the MoF in drafting MTEF procedures for the inclusion in the Municipal Budget Circulars guiding the 2012-2014 Municipal Budgets. However, significant delay in the official issuance of Budget Circulars by the MoF limit the impact of MTEF and annual budget processes at the municipal level during this budget cycle.

GFSI Team used findings from the PEFA assessment work to identify improvements in mid-term budget planning practices made during budget cycle 2012-2014, following the instructions given with the Municipal MTEF Technical Manual. In order to maximize the impact, GFSI team decided to select a number of municipalities to assist in hands-on process during the development of their MTEF 2013-2015. GFSI team prepared an M-MTEF template draft based on best practices and how an M-MTEF document should look like from lessons learned, shared with all six municipalities. All municipalities were advised in using agreed MTEF document format for budget cycle 2013-2015.

Additionally, the Municipalities of Gjilan, Peja, Vushtrri, Istog, Gracanica and Novoberda were individually decamped with their Board of Directors (including Mayor) for 1.5 days in Prevalle/ Prizren, late in Project Year Two to discuss their respective mid-term budget documents 2013-2015. GFSI team provided further guidance on MTEF document drafting, with workshops, and daily visits to each municipality, until this mid-term budget document approved with Municipal Assemblies. As the quality of past M-MTEFs varies among municipalities GFSI team had in accordance expected results.

Building from this experience with selected number of municipalities assisted in a hands-on process, GFSI team continued the same assignment during the development work of MTEF 2014-2016, with one additional municipality – Shterpce. The work was based on the GFSI M-MTEF template developed in previous years for municipalities to use, following best international practices on mid-term budgeting. Shterpce was originally provided with the past year trend of expenditure analysis followed by modified existing templates of budget requests to be used by each individual department at the municipality during budget formulation process. The municipality was provided with necessary tools to advance an MTEF document in place of its previous capital project-only list. Shterpce's MTEF was approved by the local assembly.

***Task order tasks completed during year one:***

- Capacity building initiatives addressed to the key stakeholders, including MoF, municipal budget practitioners, and municipal executive leaders
- Input into official Municipal Budget Circulars issued by MoF

***Task order tasks completed during year two:***

- Development of complete M-MTEF document with all chapters included (Istog did not have a MTEF document in the past, used some tables with digits only), where projects, budgets are related directly to municipal priorities and policies 2013-2015
- Built a new approach towards budget planning with all departments sitting together and doing the plan (no longer this is a document of Finance and Budget department)
- Municipalities provided an extensive and clear list of their mid-term capital projects and their associated costs
- A new chapter for M-MTEF document introduced with performance indicators against municipal priorities. This is an initial chapter which gives enough room for improvements; however it serves as a good basis for municipalities in the future.
- Capacity building initiatives in particular with six hands-on process municipalities together with municipal budget practitioners, and municipal executive leaders
- M-MTEF Template suggested to municipalities for 2013-2015 budget cycle
- Six M-MTEFs developed and approved in municipal Assemblies

***Task order tasks completed during year three:***

- Shterpce M-MTEF document completed, with all chapters, and related budgets for municipal priorities and policies 2014-2016
- Incorporated a new M-MTEF approach towards budget planning in Shterpce, with all departments sitting together and doing the plan)
- A new chapter for M-MTEF document introduced with performance indicators against municipal priorities.
- M-MTEF Template suggested to municipality for 2014-2016 budget cycle

### ***3.2.3 Public Financial Management in New Municipalities***

#### **3.2.3.1 Support establishment of a cadre of professional and competent financial officers, and assist new municipalities in the certification of treasury functions and provide continued profession development**

The municipalities of Partesh, Ranillug, Gracanica, Klokot and the North Mitrovica Administrative Office were formed in years 2010, 2011 and 2012, including. At the local Government level, the GFSI advisors provided training for the PFM officers from new municipalities Gracanica, Klokot, and Partesh in seven KFMIS functions

(commitment, assets, revenues, procurement, goods receiving, expenditures, and certifying). Training was tailored to the needs of new municipalities and scheduled in accordance with the availability timetable of new administration officials. Subsequently, the certification process and connection to the KFMIS for all new municipalities were successfully completed. The municipalities' key staff members were certified and the municipalities were enabled to record payments, execute their budgets and maintain accounting records. Four of the new municipalities have received unqualified audit opinions for their 2012 financial statements.

***Task order tasks completed during year one:***

- Training and certification of the key PFM personnel from three new municipalities
- Municipalities Gracanica, Klokot, and Partesh connected to the government financial management system and uses live access to the KFMIS

***Task order tasks completed during year two:***

- Identification, inviting and providing training to financial officers in the new municipalities
- Certification of financial officers in new municipalities to perform their respective functions in FreeBalance

***Task order tasks completed during year three:***

- Continuous training on FreeBalance functions
- Training on preparation of financial statements

### ***3.2.4 Enabling Municipal Borrowing***

A legal requirement related to the ability of municipalities to borrow, as set out in the Law on Public Debt, is to take two consecutive unqualified audit opinions from the external audit of annual financial statements. Municipalities and other budget organizations are required to produce annual financial statements in accordance with the International Public Sector Accounting Standards on a cash basis. As set out below, GFSI has supported improved performance in municipalities by focusing on technical assistance to municipalities and to the Treasury Department of the Ministry of Finance, as the institution responsible for accounting systems and financial statements.

## **B. ASSIST OFFICE OF THE AUDITOR GENERAL (OAG) SO THAT THEIR ABILITY TO REVIEW AND ASSESS THE FISCAL OPERATIONS OF MUNICIPALITIES IS STRENGTHENED AND MADE MORE TIMELY AND EFFECTIVE**

### ***3.2.5 Ensure that KFMIS meets the needs of municipalities for accounting, financial control and reporting / Raise the standard of accounting professionals at municipal level / Enhance accounting; reconciliation and reporting through automation of municipal financial transactions***

GFSI provided trainings on KFMIS to finance officers in all budget organizations, including municipalities. The training was addressed to new users (occurring due to ordinary staff turnover) as well as advanced training for existing users, on the financial management policies and procedures, treasury financial rules and practical use of the KFMIS system. To maximize sustainability, the Treasury Department Reporting Unit's role was significantly enhanced, with Treasury staff leading several portions of the training, assisted by GFSI staff. Training included financial statement forms with instructions and print screens from the KFMIS as a guide to support financial statement presentation.

GFSI also provided assistance in the drafting, updating, and improving of the Financial Reporting Administrative Instructions. A key initiative was the drafting of a Financial Rule on preparation of Interim Nine-Months Reports by budget organizations. It provides an opportunity for an interim audit of municipality accounts in order to prepare them for the final audit of financial statements. The GFSI team also drafted the end-year Financial Rule on the preparation of financial statements. This Financial Rule represents an update of previous years Administrative Instructions on Preparation of Financial Statements, taking into account recommendations by both Auditor General and the municipalities.

To support improving the quality of municipal financial statements, GFSI assisted municipalities in preparing quality financial statements using the information currently available in the KFMIS. Results of this assistance were tangible from early in the project, with most of the municipalities that GFSI supported achieving an unqualified audit of their 2010 financial statements. In Project Year Two GFSI conducted a review in a selected number of municipalities, analyzing audit reports and identifying common issues. A questionnaire on these common issues was used during visits to municipalities to trigger discussion and potential resolution. As a result, many of the municipalities took steps to improve in matters such as complete asset records and complete contingent liability records. A report was prepared setting out the main issues and recommendations for improving the audit reports situation among municipalities.

In Project Year Three GFSI intensified its training on preparation of financial statements for municipalities. GFSI brought in an international expert to analyze external audit results for year 2011 during the first half of Project Year Three. To help municipalities improve performance in 2012, the expert conducted visits to nine municipalities that had received qualified audit opinions in 2011, focusing on the reasons thereto. The expert worked with these municipalities to develop action plans for addressing audit recommendations, and audit results for municipalities were significantly improved for year 2012. At the request of several municipalities (Municipality of Suhareka, Municipality of Gračanica, Municipality of Fushe Kosove), GFSI provided guidance and technical assistance during the preparation of their respective financial statements, both the three-quarters financial statements (submitted in October 2012) and the annual financial statements (submitted in January 2013).

In 2012, 30 municipalities received unqualified opinions on their 2012 financial statements, up from 16 municipalities on the previous year. This improves municipalities' potential eligibility to borrow, under the Law on Public Debt, as the law requires unqualified opinions for the two previous consecutive years in order to be allowed to incur debt. With GFSI assistance Kosovo now has 13 municipalities having achieved this status for 2014. All municipalities are now able to submit financial statements within the legal deadline (January 1).

***Task order tasks completed during year one:***

- Municipalities are achieving unqualified audits.
- The budget of the Office of the Auditor General has increased during the first year of the GFSI Project.
- Office of the Auditor General remains on course with its program of doing more audits in-house with less reliance on external audit firms.
- Reconciliation practices have been enforced and strengthened and is demonstrated in the absence of reconciliation errors in municipal financial statements
- The use of KFMIS devolved to give spending units access, enhanced information, and improved internal control, resulting in appropriate levels of fiscal autonomy
- Enhanced training to new municipalities on financial management enabling their certification
- Further depth in financial management developed through lower level intense training on KFMIS

***Task order tasks completed during year two:***

- Assistance in preparation and issue of Administrative Instructions on Reporting
- Assistance in preparation and issue of Administrative Instruction on Reporting Arrears
- Assistance in preparation and issue of Administrative Instruction on Three-Quarters Interim Reporting
- Presented at Treasury Workshop for municipalities regarding Financial Statements
- Review of municipalities audit reports, internal controls, visits to municipalities and report produced
- Training held on preparation of financial statements

***Task order tasks completed during year three:***

- Training for budget organizations on KFMIS use.
- Training of Municipalities in preparing financial statements

## **C. ASSIST MoF TO DEVELOP AND IMPLEMENT AN ACTION PLAN TO ENABLE DATA SHARING AMONG THE VARIOUS LEGACY IT SYSTEMS IN THE MINISTRY**

### **Task 1: Information Technology**

GFSI conducted an initial IT assessment that identified a number of issues within the MoF IT organizations. While there were a number of IT expertise identified throughout the Ministry they had been scattered throughout the departments and agencies without any form of communication and collaboration amongst them. The central IT unit within the MoF lacked leadership, had minimal expertise and faced real and immediate threats with its server room infrastructure.

To address these issues, GFSI provided assistance through fostering collaboration of all IT teams within MoF and its agencies. Key achievements were establishment of more effective governance bodies – the IT Steering and Technical Committees. Moving from IT management of individual IT silos to a Ministry-wide focus on major cross-organizational issues will yield many tangible benefits to the Minister and the Ministry.

#### ***3.2.6 Establish a foundation for IT Governance Board at the MoF***

The GFSI IT Advisor conducted an initial assessment of IT in the MoF HQ, Customs, and TAK in September, 2010 identifying critical issues. Following compilation of the issues identified, GFSI designed a conceptual model for three IT areas: IT Organization, IT Infrastructure, and Business Applications as well as to identify short-term winning IT projects. The GFSI IT Advisor prepared and gave a presentation to the Minister of Finance, focusing on assessment results and designed conceptual model and emphasizing on urgent need of IT Transformation on October 1, 2010. Unfortunately, political events and the fact that the appointed IT Director/Chief Information Officer (CIO) was out of the country, from September to mid- December, created an environment narrowing chances to achieve success on any IT initiative.

Subsequently in Year One, the GFSI IT Advisor designed and proposed a new IT Organizational Structure aimed at establishing the backbone of the IT Organization, consists of key managers and experts that can drive the IT Transformation. Identifying and appointing those key managers and experts is a high priority task, and the GFSI Project consider its fulfillment as a pre-condition for executing all other tasks leading to achieving project objectives for establishing IT Governance practice and effective and efficient ICT Services to the MoF's businesses.

Project Year Three saw substantial progress. Following GFSI recommendation, in January the Ministry of Finance established IT governance committees—the IT Steering Committee and the IT Technical Committee—by Ministerial Decision, specifying members and functions. The IT Steering Committee is co-chaired by Minister and Permanent Secretary and consists of Directors of Budget, Treasury, Tax, Property Tax, and Treasury Departments. The newly-formed IT Technical Committee has been established and is functioning by addressing foundational issues within the Ministry. The Management Committee (Steering Committee) is led by the Minister and has allowed the Technical Committee to collaborate and communicate across Agency and Departments, resulting in a well-functioning IT business environment. GFSI helped the Technical Committee formulate a cost-effective plan for improving the performance and experience levels of the existing IT staff, a precursor to implementing long-term solutions to financing IT Staff.

GFSI also led a Technical Committee working group that developed a cost-effective approach to increasing the capabilities of existing government IT staff and reducing the risk of single point of failure caused by limited knowledge of systems. GFSI provided assistance and advice to MoF's IT Department in their efforts for building a new MoF Server room and the establishment of the dedicated fiber optics connection to the backup data center located at the Central Bank of Kosovo. The MoF currently is in the final stages of the building the server room, and plans for migration of the infrastructure is already drafted. The physical move of the new server room will provide the basis for the data sharing among systems. The fiber optics connection provided immediate benefits for Treasury, Property Tax and other MoF systems who have already utilized the link and critical data are replicated on daily basis. GFSI IT Advisor provided the know-how, training and implemented the configurations for the Property Tax automatic backup/synchronization of its critical systems.

***Task order tasks completed during year one:***

- Initial assessment of IT at MoF HQ, Customs and TAK
- Raised awareness about urgent need of IT Transformation and engaged leadership (Minister, Deputy Minister, and Secretary Permanent)
- Designed and proposed a new IT Organizational Structure along with detail description of responsibilities of key IT managers and experts
- Defined and documented requirements for Joint Server Room
- Raised IT teams' initial awareness for building an Integrated IT Infrastructure
- Unified version of MS Office installed on all desktop computers in the MoF HQ

***Task order tasks completed during year three:***

- Established IT Governance Committee – Identify key members and institutionalize the Committees.
- Established IT Technical Committee – Identify key members and institutionalize the Committees.
- Built IT Department capacity to ensure effective cooperation and coordination among all IT units.
- Helped Ministry develop a long-term solution for financing of the IT staff, including those functions that currently are being financed by donors
- Assisted the Ministry to take measures that will enable other IT staff to perform key functions
- Helped IT department draft and adopt key IT Policies and Procedures, including decision-making processes and risk management process

***3.2.7. IT Strategic Assessment and ICT Strategic Plan***

In Project Year One the GFSI IT Advisor developed high-level concept models for the MoF IT Organization, IT Infrastructure and Applications Integration. The initial concept for IT Organization “to-be” was developed in a proposed IT Organizational structure. The GFSI IT Advisor also drafted an approach for addressing IT Transformation in the MoF, initiated drafting of IT Policies and Procedures and provided guidance and input to the Senior Systems Administrator for the completion of this task. The first package of IT Policies and procedures will be distributed to broader audience for review, comments, and amendments by the end of July, in order to have this package approved and enacted by September, 2011.

Drafting of the strategic plan was delayed until Project Year Three due to the delays in establishing the IT Governance Committees. GFSI deployed an international advisor to work with the IT Department head in development of a comprehensive ICT Plan for the Ministry. The ICT Plan was developed incrementally, with briefs on important aspects, and feedback requested on the overall approach through numerous counterpart meetings. The plan addresses foundational IT elements, pillars of strategic implementation, vision of the future and Ministry IT Strategies and aligns well with the high level issues and risks that the Technical Committee has developed and presented to the business leaders. Going forward, the ICT Plan will allow MoF leadership to address top level issues and risks and will, provide a consensus roadmap among all MoF Departments and Agencies to enable MoF to realize the anticipated benefits from IT investments.

***Task order tasks completed during year one:***

- Initial assessment of IT in the MoF, including TAK and Customs - to serve as a foundation for planning and executing a Strategic IT Assessment by new appointed Key IT Managers and Experts
- Defined a new IT Organizational Structure outlining key activities and tasks under each organizational unit - To serve as a base for the managers to decide how to organize their teams
- Drafted an IT Transformation Approach outlining each phase goals and objectives - To help key managers and experts to identify and plan activities
- First set of IT policies and procedures, mainly related to the use of IT Assets – Will serve as a core to build a full set of IT Policies & Procedures

***Task order tasks completed during year three:***

- Advise the IT Department on the methodology and tools for the assessment
- Develop a Strategic ICT Plan for achieving the future state of the ICT Services at the MoF

### **3.2.8 Bring the Budget and Treasury IT Systems to the Next Level of Sophistication and Integration**

The ICT Plan includes an assessment report on Budget and Treasury Systems. Additionally, skills inventories and detailed technical information has been developed that provides much clearer insights into all of the Ministries' applications. Current systems have a number of substantial issues causing them to be quite fragile, and these issues are being addressed first, sequentially. Additional functionality needs will be addressed second. GFSI, nevertheless, provided advance guidance on how to move to the next generation of applications that will support enhanced functionality.

#### **Task order tasks completed during year three:**

- Assess the systems regarding their functional completeness and performance.
- Support the MoF IT Department to identify functionalities that need to be added to each of the systems or functionalities that need to be changed

### **3.2.9 Improve Data Sharing Among Systems / Assist the MoF in Implementation of the SSC and Data Sharing Environment**

In Project Year One GFSI developed projects to build a server room for the MoF HQ, Customs and TAK and to design integrate IT infrastructure. Data sharing capacity was significantly improved during Project Year Three with the implementation of the governance committees for IT. GFSI documented current systems data exchanges and Interface Exchange Requirements. The immediate benefit was that the Tax administration was able to use property Tax MOU to obtain data needed from Civil Registry. GFSI further developed a data governance approach for ensuring effective and efficient data and information sharing among systems and business units selected. A full-time Data Governance asset is required to organize and manage essential data, as shown in the ICT Plan. Repeatable IT services are introduced by the ITIL and IT Steering Committee Frameworks that have been licensed and are being deployed and trained across the Ministry.

#### **Task order tasks completed during year one:**

- Identify needs of data exchange between some applications – internal and external for the MoF
- Implement Fiscal Number (FN) in Property Tax System and functionalities allowing TAK experts to access Property Tax Systems, search and retrieve information

#### **Task order tasks completed during year three:**

- Identify needs of data and information sharing among systems (Simultaneously with Strategic Assessment)
- Recommend an approach for building and implementing data sharing solutions
- Identify IT Services that can be provided as shared (are currently provided in multiple MoF units)

### **3.2.10 MoF IT Staff Skills Improved**

IT staff skills inventory was completed on Project Year Three. Going forward, the MoF will be developing a skills gaps assessment in upcoming months.

#### **Task order tasks completed during year three:**

- Assess skills of the IT staff (*Simultaneously with Strategic Assessment*)

## **D. ASSIST MOF TO ASSESS REMAINING PRIORITY CAPACITY BUILDING NEEDS IN THE MINISTRY'S BUDGET AND TREASURY FUNCTIONS AND DESIGN AND CONDUCT TRAINING PROGRAMS TO ADDRESS THOSE NEEDS**

### **Task 2: Budget and Treasury**

#### ***3.2.11 Continue implementation of PFM action plans, advance cash flow and asset management system, and introduce performance management in the Budget process***

##### **PFM Action Plan**

GFSI assisted the MoF in implementing Kosovo's 2009 Public Financial Management Action Plan. GFSI supported key elements of the PFMAP, in particular conducting a Strategic Expenditure Review to better align strategic goals and actions of the GoK, instituting forward estimates into the budget process, re-aligning the MTEF on a sector basis with a focus on policy, and better capital planning for large projects.

In Project Year One, at the GoK retreat in Bansko, Bulgaria, the Government recognized that because of increased deficits and less certainty in revenue growth; they needed to develop processes to match new policies with revenue constraints. It was agreed that a Strategic Expenditure Review (SER) was necessary. As a result, in Project Year Two, GFSI, in cooperation with DFID, conducted the SER. While confirming strong alignment with the economic policy priorities contained in the Economic Development Vision Action Plan agreed to at Bansko, the SER concluded that GoK's budget formulation process needed mechanisms to prioritize new policy initiatives contained in EDVAP, EPAP and sector strategies within the Medium Term Expenditure Framework consistent with the Government's medium term fiscal targets.

The SER put forth key recommendations for PFM reforms to introduce a high quality policy-oriented, program-based budget, among which were that:

- GoK should develop an annually updated Medium-Term Policy Priority Statement that contains costed and prioritized initiatives contained in EDVAP, EPAP and sector strategies that are affordable against the hard budget and forward year expenditure constraints;
- GoK should introduce a Fiscal Rule that will strengthen fiscal discipline and fiscal credibility and increase the transparency and accountability of public finances in Kosovo;
- The MoF should produce a guidance manual and deliver training to improve the process and methodology for costing of new policy initiatives;
- The Fiscal and Budget Committee of Cabinet (FBCC) should be further institutionalized with responsibility for reviewing the MTPPS, MTEF, ministerial budget submissions (containing new policy proposals), New Policy Initiative (NPI) fiscal impact assessments, Medium Term Budget Framework, Annual Budget Law, and evaluations;
- In accordance with a Government approved Action Plan, implement Program and Performance Budgeting (PPB) prior to the 2015 Budget to improve measurement and reporting of the performance of budget organizations in achieving the stated socio and economic policy goals and objectives;
- Continue to implement the Action Plan for Public Expenditure and Financial Accountability in order to enhance public expenditure efficiency.

GFSI concentrated efforts in Project Years Two and Three to implement these recommendations. In particular GFSI supported key reforms of preparing, together with DFID, a Costing Manual and drafting an implementing Administrative Instruction, developing a standardized Budget Cycle Calendar, and supporting an update of the 2009 PEFA. As well, GFSI supported development of Kosovo's first MTPPS and establishment of a Fiscal Rule. The Budget Cycle Calendar, Costing support, and PEFA update are discussed here immediately below, while the MTPPS and Fiscal Rule are discussed further down, in Objective Three – Economic Policy.

**Budget Cycle Calendar:** GFSI helped the Budget Department produce a Budget Cycle Calendar, establishing the current budget cycle in detail and in a visual form, with some proposals for changes to the process. This document was completed together with the Budget Department at the end of Project Year 3. The budget cycle document was requested by the Budget Department's Director, and it can serve as a permanent, standing

budget calendar, obviating the need to produce a new budget calendar each year. In addition, unlike the previous budget calendars produced annually as part of the budget process, this document encompasses and clarifies all the steps of the budget cycle (policy formulation, planning, execution, reporting and audit). The Budget Cycle Calendar will also be useful to the Budget Department as material for training and presentation purposes.

**Costing Manual and implementing Administrative Instruction:** GFSI coordinated with DFID in preparation of a Costing Manual for budget organizations, based on a bottom-up costing approach and provided training to the MoF Budget Department. Further to training held with budget organizations, and in order to make costing of new policy initiatives a requirement for budget organizations, GFSI prepared an Administrative Instruction on Costing of New Policy Initiatives, which was signed and issued by the Ministry of Finance. GFSI also supported development and delivery of a training for line ministries on the Administrative Instruction. The MoF's Budget Analyst delivered the training jointly with GFSI. The training was well received and the Budget Department has recently issued a memo to line ministries that they need to begin with the implementation of the Costing Instruction, that is, they need to submit costing information for all new policy initiatives as part of the budget submissions process.

**Central Level PEFA:** With the support of GFSI, GoK commenced a new PEFA assessment during Project Year Three, updating the last PEFA assessment conducted in 2009. A Steering Committee was established and a technical assessment team-PEFA Secretariat led by the Deputy Director of Treasury. They delivered a one day PEFA training session for the Secretariat to refresh the main technical aspects of the assessment. Most of the team members were part of PEFA assessment in 2009 and therefore are familiar with the application of PEFA tools. GFSI advisors supported the Secretariat in their data collection and scoring work developed during this reporting period and reviewed the PEFA performance report and provided quality assurance.

### **Cash Flow and Asset Management**

GFSI assisted the Treasury in developing enhanced capacity to manage cash flows and arrears so that budget organizations better ensure that their commitments do not exceed available allocations. One of the issues in recording arrears is that the KFMIS does not yet have the capacity to record invoices as accounts payable when they are received (this is essentially an accrual concept and KFMIS was set up on a cash basis). GFSI assisted the Treasury in drafting and issuing an instruction requiring all budget organizations to report arrears at the end of each month and, on GFSI's recommendation, the Treasury Director established a Monitoring Unit to identify those areas of non-compliance, such a contracting without first committing funds that are likely to lead to the accrual of arrears. GFSI advisors worked with the Treasury in the appropriate methodology for identifying where allocations can be withheld based on information about commitment and obligations. These actions complement the work of the US Treasury advisor in the Treasury Department to establish a functioning debt management function, including systems for the Treasury and central bank to issue domestic debt.

### **Performance Management**

GFSI worked in Project Year One to support introduction of performance management into the budget process. GFSI advisors engaged with the Budget Director and the Minister to build and gain support for this major change in the approach to budgeting and public management. GFSI worked with the Minister and Budget Department to introduce performance measures for all budget organizations in the context of the 2012 Budget.

#### ***Task order tasks completed during year one***

- Commit with GoK to conduct Strategic Expenditure Review
- Performance information introduced in the context of the 2012 Budget.
- Developed and implemented Treasury instruction on arrears
- Assisted Treasury in the process for identifying 60 million euro in appropriations to be withheld pending IMF conditions being met
- Support to the Grants Commission during the 2012-2014 Municipal Budget process
- Contributed to policy and technical initiatives, including relations with IMF, in the area of municipal finances

### **Task order tasks completed during year two**

- Conduct Strategic Expenditure Review

### **Task order tasks completed during year three:**

- Develop for the Budget Department a standardized Budget Cycle Calendar establishing the current budget cycle in detail
- Coordinate with DFID in preparation of a Costing Manual for new policies
- Develop an Administrative Instruction on costing
- Design and delivered trainings on Costing to line ministries on costing
- Support draft PEFA document for the central level

## **E. ASSIST MOF TO ENSURE THE MINISTRY'S PROPERTY TAX DEPARTMENT AND SUPPORTING SYSTEMS REMAIN ROBUST AND CAPABLE OF MEETING THE OWN-SOURCE REVENUE NEEDS OF MUNICIPALITY**

### **Task 3: Property Tax**

Development of an effective property tax system is vital to Kosovo municipalities' generation of Own Source Revenues (OSR). Despite significant prior donor assistance, at project commencement the Property Tax Department (PTD) at the MoF and those in the municipalities were performing poorly and were not generating appropriate levels of revenue from property taxes. Together with assistance provided by programs such as USAID BEEP and DEMI and by the Swedish International Development Agency, SIDA, GFSI provided support to improve processes and institutional capacity both within the MoF's PTD and the property tax departments of municipalities. GFSI concentrated its assistance on improving the effectiveness of the annual audit process, tax enforcement, and automation, increasing staff capacities in the PTD and municipalities and providing fairer tax levels, increasing information and transparency.

#### ***3.2.12 Ensure that Annual Audits of Property Tax Offices Provide Feedback to Municipalities***

At its initiation, GFSI undertook support to improve the annual property tax audit process by conducting a comprehensive assessment of all municipal audit reports to evaluate their quality, scope, and completeness. Based on the assessment, the GFSI Team produced a new Audit Report Form, which was endorsed by the PTD management as a template for the use by Department's staff, and conducted five regional outreach training, together with the PTD, for municipalities' Property Tax Managers and Directors of Economy and Finance Departments.

In cooperation with the PTD management, GFSI established an audit plan reform starting with three pilot municipalities, Pristina, Shtime and Shterpce to improve the audit process. The plan envisaged initiation of the 2010 audit for pilot municipalities to serve as a testing sample for the introduction of improved auditing and reporting model as well as a feedback mechanism for the next steps. The pilots involved the following steps:

- Extraction and analysis of various data and the selection of cases for field inspection.
- Inspection of the Property Tax in municipality property tax offices and also in the field.
- Questionnaire Improvement
- Development of a process for archiving of documentation related to the inspection process.
- Development of inspection reports.

At the request of the MoF's Property Tax Department, GFSI supported the MoF during Project Year Two to draft a Manual for Surveyors based on a new Administrative Instruction 3/2011. The Manual provided theoretical and practical information to surveyors on procedures and taxpaying communications and has enabled the USAID DEMI and LOGOS projects to commence recording unregistered properties. GFSI also expanded the support to two additional municipalities, Partesh and Gračanica. Training was provided to the municipalities and MoF Property Tax Department on the implementation of the new improved inspection process.

GFSI advisors also supported the PTD in its consultations with SIDA to prepare a concept paper for the introduction of property tax on land in Kosovo that involved organizing and participation in several important meetings with the Deputy Minister of MoF, USAID, the Kosovo Cadastral Agency, World Bank, International Monetary Fund, Cadastral office of Ferizaj Municipality. SIDA has submitted a proposal to the Government to provide technical support to expand the property tax base by including land, to boost property tax revenues.

In Project Year Three GFSI expanded audit reform support to 34 municipalities across seven inspection areas. Through the PTD, GFSI property tax advisor also provided support to a number of municipalities by training property tax officers in order to implement inspection recommendations for each area of inspection. Training covered understanding of the law and administrative instructions and knowledge of the functions of the Property Tax Program.

In cooperation with SIDA, GFSI also assisted the MoF in Project Year Three to prepare a project plan for taxation of land property in Kosovo (ProTax2—Property Tax on Land). The project plan proposes extending the current property taxation in Kosovo to include also land. This will increase the tax base and, as a result, the municipalities' Own Source Revenues from property tax. The land taxation reform is intended to provide municipalities with an effective means to introduce better incentives for the productive use of land. At the same time, the land tax reform is expected to support improvement of Kosovo's business climate by providing municipalities with appropriate revenue source alignment, allowing for reduction and abolishment of inappropriate fees and taxes that adversely impact business growth. Based on initial estimate, the yearly impact from introducing property tax on land could be up to €20 million.

The GFSI team assisted in preparation of two instructions for the PTD—one on the use of a simulation tool for calculation of assessments and one on separation of debts by period before and after privatization of former Socially Owned Enterprises (SOE) between the Privatization Agency of Kosovo and new taxpayers (owners). The second instruction enables municipalities to better manage the data of former SOEs that have been privatized through advice on how to calculate and separate debts and payments (taxes, penalties and interest) in the Property Tax System by periods before and after privatization.

Finally, in cooperation with SIDA, GFSI assisted the PTD to plan and manage the public campaigns through TV and billboards and prepare copies of the property tax publication containing the amended property tax.

#### ***Task order tasks completed during year one***

- A comprehensive review of the 2009 annual audit reports
- A new Audit Report Model, including implementation strategy
- Capacity building initiatives for practitioners from the PTD and municipalities

#### ***Task order tasks completed during year two***

- Annual inspection report updated
- Developed new list of questions for each area of inspection
- Documentation of annual inspection for each municipality
- Improvement property tax administration in the Property Tax Department and Municipalities

#### ***Task order tasks completed during year three***

- Reviewed the 2011 inspection reports, made recommendations to PTD
- Developed instruction -- Use of simulation tool for calculation of assessments
- Developed instruction – Separation of debts for SOE by period before and after privatization
- Improvement property tax administration in the Property Tax Department and Municipalities

### ***3.2.13 Calibrate New Mass Appraisals***

The GFSI Team assisted in the development and implementation of quality control procedures in the property resurvey process. Improvements – introduced in cooperation with SIDA - included an update of the Resurvey Quality Control System, focusing on enhancements in control efficiency. Implementation of changes in the process and system were supported by training provided to the PTD staff. GFSI supported marked

improvement with the development of a new appraisal model. The GFSI Team, jointly with the Swedish advisors, assisted two municipalities - Fushe Kosove and Shtime. The new appraisal model was introduced in both municipalities and informed the 2011 mass taxation and mass bill production resulting in a fairer distribution of the tax burden. The GFSI Team also assisted in preparing information leaflets, which were distributed with the annual tax bills to all taxpayers in pilot municipalities in order to educate taxpayers on the benefits of the new appraisal model.

In preparation for the implementation of the new appraisal model the GFSI team, in cooperation with the SIDA advisors, developed a spreadsheet model, which enabled municipalities to simulate new appraisal approach and associated revenue impact. GFSI provided training of Directors of Economy and Finance and Property Tax Managers address use of the new model for analysis and use of the property tax system for planning revenues and changing tax rates accordingly. In Project Years Two and Three, the appraisal model was progressively rolled out to 21 and the 34 municipalities, respectively, allowing for better understanding of the impact of the new appraisal model in the tax value, monitoring / control of the new evaluation model, and sustainable property tax planning.

GFSI advisors also assisted in the tax billing production processes for 2011 - 2013, participating in mass preparation (monitoring of production of bills, testing and verification of results such as list of bills and invoices in PDF, and approval of test results and verification of invoices sent for printing and distribution). In 2011 the bill production, with over 411,000 bills produced, produced a total tax assessment of 15.7 million euro. By 2013, GFSI assistance covered the property tax business policies and process as well as support for further PTS program developments. For business support, significant efforts were focused on the completion of all municipal regulations, follow-up of inspection results, registration of property parameters (values and tax rates), and verification and analysis of the property tax results. Accordingly, in 2013 the number of bills issued for properties subject to property tax had grown to approximately 451,000, and a value of approximately 22 million euro. This significant increase on the amount of issued tax bills is mainly as a result of the increase in tax rates from 0.05% to 0.15% and registration of nearly 40,000 unregistered properties. This effort included coordinated assistance by GFSI, DEMI (USAID) and LOGOS projects.

#### ***Task order tasks completed during year one***

- Assistance in the property resurvey quality control processes
- Implementation of a new appraisal model in two pilot municipalities, including the 2011 mass taxation and bill production
- Capacity building supporting the roll out of a new appraisal model and property tax impact analysis

#### ***Task order tasks completed during year two***

- Impact of the new valuation model in the property tax amount documented for 21 municipalities.

#### ***Task order tasks completed during year three***

- Documentation of new tax evaluation model impact for 34 municipalities
- Presentation of the strategy / plan for the implementation of new evaluation model
- Property tax value planning opportunity for municipalities – providing data; developing tools and increasing capacities.

### ***3.2.14 Train in the Use of the Property Tax IT Solution an Administrative Best Practices***

GFSI initially coordinated the stabilization of existing functions of the Property Tax system and gradually supported enhancements to its facilities, reporting, and security. New functions and abilities were added, including: viewing property photography, adding notes to property and taxpayer information, adding new fields to the tax and collection reports, increased accuracy, and calculating fixed tax based on the new law. In cooperation with SIDA advisors the GFSI advisors documented the property resurvey process, which by the end of Project Year One was fully supported by the Property Tax system. The Swedish advisors donated a new server for the Property Tax system, and the GFSI advisors assisted in planning and implementation of major infrastructure changes. In coordination with the counterparts from the PTD, the MoF IT Department, and SIDA,

GFSI facilitated a smooth transfer of competencies from SIDA staff to MoF IT and transition of some SIDA-employed staff to MoF financing. Further, GFSI advisors, in coordination with TAK, started integration efforts between the TAK and Property Tax Systems, enabling TAK to identify taxpayers who own property and enforce collection from the delinquent taxpayers.

In Project Year Two, GFSI assisted the migration the Property Tax System into the new server infrastructure and assisted the Property Tax Department in drafting a yearly activity plan for the further development of the Property Tax System. GFSI also initiated trainings and capacity building of the PTD and municipalities' finance directors, property tax managers, surveyors and users of property tax system on:

- Planning and simulation of property tax collection
- Implementation of recommendations from the annual inspection reports
- Preparation of plans to conduct verification of registered properties
- New process for registering properties and taxpayers
- The use of new PTS functions, based on new processes

In Project Year Three GFSI consultants supported PTD program developers in different business requests (defining/ explaining requests for existing or new functions, planning versions) and support in maintenance and infrastructure (IT support). The property tax program supports its new property registration with GPS equipment—data of resurvey (photography, coordinates, property condition) are entered in the property tax database for all municipalities. Existing functions have been improved and new functions developed supporting the law and administrative instructions, which also improve taxpayer services in property tax.

GFSI's development assistance included building two tools—one for simulation / planning and tax assessment with the old model and the new model of tax assessment, and one for production of summary reports, textures and graphics. These two tools were developed for support and management and for better property tax planning for PTD and municipalities. GFSI consultants have also helped PTD and IT Department to prepare the plan for transferring property tax servers to the new servers' room.

To support the future sustainability of the maintenance and upgrades of the PTS, GFSI coordinated efforts with SIDA counterparts to fund training for five MoF IT Infrastructure staff at American University of Kosovo (AUK) on Linux. After the completion of this basic training a tailored on the job training program on current Linux infrastructure has been provided by the GFSI IT Advisor to the PTS IT staff.

***Task order tasks completed during year one***

- Enhancements to the Property Tax System
- Coordinated strategy for sustainable maintenance and development of the Property Tax System needs

***Task order tasks completed during year two***

- Municipalities enabled to plan revenues for property tax based on the data available from PTS.
- Migration of the PTS System to the new server infrastructure

***Task order tasks completed during year three***

- Increased property tax capacity building in the municipalities
- Developed tool for simulation / planning and tax assessment for all municipalities
- Developed tool for production of summary reports, textures and graphics for all municipalities
- Impact of the new valuation model in the property tax amount documented for all municipalities
- Developed the plan for transfer of the property tax program to the new server room
- Property tax program has improved the property tax data administration and taxpayer services.

### 3.3 OBJECTIVE 3 – ECONOMIC POLICY ASSISTANCE

GFSI helped Kosovo in building a robust economic policy framework and contributing to a more stable fiscal environment. Starting with momentum gained at the GoK Bansko retreat in early 2011 and development of the Economic Development Vision Action Plan 2011 – 2014 (EDVAP), GFSI gained MoF commitment for a Strategic Expenditure Review (SER) that created a path for critical reforms. As a result of the SER and GoK commitment with the Stand-By Arrangement with IMF, GFSI was able to support Kosovo in establishing a rules-based fiscal framework and developing a system for prioritizing policies in light of revenue constraints, as well as supporting the establishment of the National Council for Economic Development (NCED) and establishment of an Economic and Public Policy Department at the MoF. Concurrently, GFSI provided key ongoing assistance and advice to the Government in its negotiations with the IMF on its Stand-By Arrangement.

#### *3.3.1 Development and implementation of an action-oriented Government strategy for profitable private sector growth and the attraction of foreign direct investment through technical assistance provided to the relevant counterpart institutions and closely coordinated with Other USG-funded development initiatives*

##### **Development of Economic Vision and Action Plan**

Upon the formation of the new government at the beginning of 2011, the GFSI project worked extensively with the new economic Ministers to assist them in designing and developing an Economic Development Vision and Action Plan for Kosovo for the period 2011-2014. The Ministers, with the support of USAID organized a retreat to facilitate the development of their economic vision and the outcome of this extensive exercise was a clear statement of economic vision, accompanied by an action plan that was adopted by the Government and is now in various stages of implementation.

At the beginning of 2012 the first annual review of EDVAP was conducted to remove completed activities, reprogram the timing of some existing activities and to include new initiatives that further contribute to the achievement of the EDVAP goals. The annual review resulted in the preparation of new EDVAP document for the period 2012-2014 that was used as the main government policy document for preparing the MTEF and latter the Medium-Term Policy Priority Statement. To ensure timely implementation of policy reforms from EDVAP, the GoK, with the support of GFSI, established the National Council on Economic Development with the responsibility for monitoring of the implementation of EDVAP and developing policy measures that promote economic growth.

##### **National Council for Economic Development**

In March, 2012 the GoK, with support of GFSI, established the National Council on Economic Development with the responsibility for monitoring of the implementation of EDVAP and developing policy measures that promote economic growth. Members of this Council include all economic ministers and other ministers that cover economic priority areas of the GoK<sup>1</sup>. The three Kosovo chambers of commerce also participate in the meetings. The NCED has organized regular monthly meetings, and GFSI advisors assisted in organizing these meetings as well as in preparing the materials for specific policy initiatives. Starting from last quarter of 2012, the Prime Minister participates regularly at NCED meetings, reflecting the commitment of the GoK for economic policy reforms.

To date, the NCED has produced the GoK Economic Policy Priority Platform, and good progress has been achieved on simplifying and reducing the number of licenses for and discussions on fiscal reforms and legislative agenda of the GoK have taken place. Issues discussed since its establishment include the progress made on reforming the system of licenses and permits, inspection, the fiscal reforms, sector strategies, such as mining and agriculture sectors, court system and access to finance. This Council is increasingly serving as a

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<sup>1</sup> The following Ministries are members of the NCED: Ministry of Trade and Industry, Ministry of Finance, Ministry of Economic Development, Ministry of Agriculture and Rural Development, Ministry of Infrastructure, Ministry of Science and Technology, Ministry of Justice, Ministry of Labor and Social Welfare, Ministry of Health, and Ministry of European Integration.

good forum for policy dialogue between Government and businesses and as a result, more informative and inclusive decisions on economic policy reforms are being taken.

### **Medium Term Policy Priorities Statement**

In Project Year Two, GFSI assisted with the organization of an inter-ministerial meeting on EDVAP. Apart from the five economic ministries, Ministry of Justice, Ministry of Labor and Social Welfare, Ministry of Health, Ministry of European Integration were also invited to participate since numerous EDVAP activities fall within their responsibility. GFSI prepared for the inter-ministerial meeting a concept note on EDVAP that resulted in the development of Medium Term Policy Priority Statement as a new planning process. In April, 2013, Government approved the Medium-Term Policy Priority Statement. This strategic policy document contains a number of costed new policy initiatives and is a significant step toward more policy based budgeting. Flowing from the recommendations on the SER, it will operate as key input to the Medium-Term Expenditure Framework and annual budgets and serve to provide a budget-based reality check on new policies. GFSI provided significant assistance in its contribution in preparing this document.

### **Stand-By Arrangement**

Starting in 2012, the GoK commenced a formal program, the Stand-By Arrangement (SBA), with the IMF valued at approximately 106 million EUR. Prior to entering into the program, the GoK, with the assistance of GFSI advisers had implemented a number of measures to improve the fiscal position, and fiscal discipline and strengthen the financial system's resilience. After the approval of this program, there have been four IMF Mission visits to review the program and all the four reviews were completed successfully, with conclusions that the authorities are making good progress on a number of reforms and that the Government is continuing with prudent approach toward maintaining fiscal discipline. Throughout each IMF Mission visit, GFSI advisers were active in providing constant advice and briefings to the Minister and Ministry staff.

The key objective of the SBA is to continue on the path to fiscal sustainability that was embarked on in 2011 and anchor fiscal policy in the long-term, complemented by structural fiscal reforms and steps to further strengthen the financial system's stress resilience. To measure the Government's progress in achieving the programs' objective, quantitative and structural benchmarks were established for the Government institutions, with specific deadlines for completion. As a result of the progress made on implementing all the performance criteria and structural benchmarks, IMF disbursed three tranches of program support, amounting to around 94 million euros. A portion of this money is transferred to a special reserves fund at the Central Bank of Kosovo (CBK), enabling the CBK to provide Emergency Liquidity Assistance to the banking sector if needed.

GFSI has provided assistance to the MoF in conducting all the reforms related to the SBA as well as on discussions and negotiations with IMF missions. Support was also provided to coordinate and prepare the regular monthly SBA monitoring committee meetings, where all Government institutions, relevant to the SBA, report on the progress made on specific areas. There remains only one more review to be conducted in October and the program will graduate by the end of 2013.

### **Rules-Based Fiscal Framework**

With Kosovo's Stand-by Arrangement with IMF, it was agreed that the authorities will adopt a legally binding fiscal rule that would provide guidance to policy makers and the public on prudent spending and debt levels to achieve sustainable public finances. In addition, Ministry of Finance, in particular after the eurozone crisis, consider the adoption of a fiscal rule as key to future sustainability of a budget, capable of absorbing most economic shocks and supporting long-term growth and development. In addition, both, the GoK and the IMF consider the adoption of the legally binding fiscal rule as a significant step toward anchoring future fiscal policy of the country.

GFSI provided significant assistance to the MoF and the Minister in discussing and negotiating with the IMF possible options for adopting the rule. Those discussions had started in June 2012 when the first visit of the IMF Fiscal Affairs Department Technical Assistance Mission visited Kosovo, to work with the authorities on options for the rules based fiscal framework. After this mission, discussions and negotiations continued with IMF Mission team (in September and October 2012 and March 2013) and IMF Technical Mission in February, 2013.

In addition to assisting the MoF in negotiating the policy options, GFSI supported drafting the legislation of this rule, which was agreed to be incorporated into the Law on Public Financial Management and Accountability. In summary, it was agreed that the rules-based fiscal framework should be composed of two main components:

- a ceiling on the outstanding debt-to-GDP of 40%, and
- a mechanism that controls the speed of reaching the maximum debt limit, which is the overall deficit-to-GDP ratio of 2%.

On top of the overall deficit limit of 2%, some spending flexibility is allowed to account for the under-execution of budget expenditures and over-performance of revenues which may be added to the following year's budget expenditures. In addition, proceeds from privatization may be used as additional funding for capital investments, provided that the level of usable government bank balance amounts to at least 4.5% of GDP. This fiscal rule also foresees events when the deficit ceiling may temporarily increase and the criteria to return back to the deficit limit.

The legislative amendments related to fiscal rule were incorporated into the LPFMA and in March, 2013, Government approved those amendments and preceded the law to the Assembly. After the first reading at the Assembly, GFSI provided assistance also to the Budget and Finance Committee during the review of the amendments. The second reading of the Assembly took place in July, 2013, and the rule-based fiscal framework was approved.

### **Debt sustainability Analysis**

GFSI advisors built a comprehensive model for analyzing the debt sustainability for Kosovo. A baseline scenario that shows the level of outstanding debt for the next 20-30 years was produced. In addition, alternative scenarios were prepared to show the sensitivity to different assumptions. While building the model and conducting the analysis, all relevant units within the MoF and in particular the Economic Public Policy Department and Debt Unit of the Treasury were constantly involved. The model has been handed over to the EPPD and several staff economist trained to use and maintain it.

Preparation of this Debt Sustainability Analysis had two main roles: First, to show to the Ministry and Government what level of future debt is sustainable and what is the level of deficit that leads to that sustainable debt, and second to use this analysis for discussions and negotiations with the IMF missions, in particular when deciding on the level of the overall budget deficit. A short presentation of the output of this analysis was also presented to the IMF team.

### **Economic Public Policy Department**

With the assistance of GFSI, the MoF established the Economic and Public Policy Department that combines the macroeconomic, tax policy, public policy and legislative analysis sections. The EPPD now operates at close to its full staffing levels. This department and the main of its units are being headed by women, and together with a relatively large number of women working in this department (in total 50% of this Department employees are female), they are all part of the discussions and decisions for major economic policies, including their key role in assisting the Government to design the program with IMF and the implementation of this program.

### **Membership at the European Bank for Reconstruction and Development**

In November 2012 the Board of Governors of the European Bank for Reconstruction and Development approved a resolution agreeing on Kosovo's membership. After the approval of this resolution, the MoF, with the support of other GoK institutions prepared all documentation required for the completion of the membership process. This included a law for the ratification of the Agreement for establishing the European Bank for Reconstruction and Development, which was approved by the Assembly on December 13, 2012. All political parties represented at the Assembly voted in favor of the Law. With the payment of an around 1 million EUR of share capital, approval of the membership law and submission of all legal forms to EBRD, Kosovo became the 66<sup>th</sup> EBRD member on December 17, 2012, with equal rights and responsibilities with all other members. GFSI assisted the MoF throughout the process to complete the necessary documents and legislation on time.

**Task order tasks completed during year one**

- Economic Ministers of the Government develop an Economic Vision and Action Plan
- Strategic Expenditure Review initiated
- Policy paper on implementing a Policy Development Unit developed and agreed with Minister.

**Task order tasks completed during year two**

- Strategic Expenditure Review Completed
- Support GoK entry into Stand-by Arrangement with IMF
- Development of rules-based fiscal framework
- National Council for Economic Development established with GFSI support

**Task order tasks completed during year three**

- Fiscal Rule Framework legislation passed
- Development of Debt Sustainability Model
- First Medium Term Policy Priorities Statement completed in coordination with PM's Office of Strategic Planning and MoF Budget Department.
- The process of Kosovo's membership at EBRD completed

**3.3.2. Prepare articles, presentations, and speeches on relevant economic policy issues and promote development economic studies to stimulate policy debate**

In Project Year One, GFSI's Economic Policy Advisor performed an analysis of the Kosovo economy and developed a Concept Paper on the economy and several policy briefs on the following topics:

- The Role of Agriculture
- Lending rates
- Corruption
- Foreign Direct Investments (FDI)
- Growth and Exports
- Productivity Improvements
- Role of Government

In Project Year Three, GFSI prepared a short tax policy report with specific proposals for the Ministry of Finance. These proposals include the recommendation to amend all the three main tax laws; VAT, Customs and Corporate Laws, with the objectives to:

- Increase the number of goods exempted from customs duty for goods that contribute positively to domestic production;
- Remove all VAT exemptions;
- Consider a slight increase in the VAT rate (offsetting losses from additional customs duty exemptions; and
- Provide businesses with additional flexibility on depreciation of fixed assets.

This report was presented to the Minister of Finance and who welcomed the proposals. It was agreed that during 2013, when Tax laws are amended, recommendations from the GFSI report will be taken into account.

**Task order tasks completed during year one**

- Concept Paper on the Kosovo Economy
- Seven (7) policy briefs developed on various sectors

**Task order tasks completed during year three**

- Tax policy report with specific proposals for the Ministry of Finance on amendment of tax laws—VAT, Customs and Corporate Laws

### **3.3.3. Identify Legislation Needed to Enhance Environment for Private Sector Growth**

GFSI worked closely with the USAID BEEP project in Project Year One on identifying and revising legislation such as the Business Organization Law, Law on Solid Waste and associated Law on the Regulation of Solid Waste. Within the project, the focus has been on revising the existing PPP law to better conform to EU standards and to substantially revise the three laws related to the socially owned enterprise sector; namely, the Law on the Special Chamber, Law on the Privatization Agency and the Law on the Reorganization of Enterprises.

During Project Year Three, assistance was provided to the MoF in drafting the amendments to the Law on Goods Exempted from Customs Duties and Goods with Zero Tariffs. Several changes to the draft law were suggested in order to increase the competitiveness of the domestic producers. Other economic policy assistance provided to authorities includes:

- Assisted the Economic Public Policy Department propose policy options for introducing a rules based Minimum wage levels for Kosovo and negotiate with IMF
- Provided support to Treasury, EPPD and Budget draft an Administrative Instruction to define clearly the process for debt financing projects
- Assisted MoF in discussions and negotiations with Government of the Federal Republic of Germany for the 2012 Development Cooperation program, resulting in some 28 million euros, mostly grants, being committed from the Government of Germany to support a number of important projects in the area of energy, water and education
- Coordinated activities among stakeholders (CBK, IMF, MoF, KfW) in relation to the revision of the Law on the Deposit Insurance scheme.

#### ***Task order tasks completed during year one***

- Law on Public-Private-Partnerships revised in accordance with the European Union legislation and submitted to the Assembly
- Law on Special Chamber
- Law on Privatization Agency of Kosovo
- Law on Reorganization of Enterprises

#### ***Task order tasks completed during year three***

- Approval of the Law on goods exempted from Customs Duties and goods with Zero Tariff of the Customs Duty
- Draft Administrative Instruction for debt financing projects

## **3.4 TASK ORDER MODIFICATION 4 – SUPPORT FOR ROUTE 6 MOTORWAY AND BREZOVICA**

On September 28, 2011, partway through Project Year Two, the Task Order was modified to incorporate two additional activity areas, support for the development of Kosovo's Motorway System and support for revitalization of Kosovo's Brezovica Resort Area through attraction of a private investor.

### **3.4.1. Route 6 Motorway support**

#### **Task Order Modification 4, Objective 1: Analytical and technical support for (1) financing and transaction options and (2) a possible private sector role in the construction and/or operation, maintenance, and tolling of major new public transportation infrastructure**

Kosovo committed to the development of two highway axes, the Route 6 and Route 7 motorways. This posed a high burden on the Kosovo budget and therefore GFSI project undertook to conduct assessments of financing and procurement methods for Route 6 motorway.

GFSI prepared a financing study for Route 6 construction in December 2011. The Project looked at the financing options for the Route 6 project including private financing (Public-Private-Partnership) budget financing, public debt (Euro or Yankee bonds or short term T-Bills). The report covered each of the options and the likely costs and issues associated with each.

In early January 2012, and at the request of the MoF, the Project initiated a study of procurement options for the construction of Route 6. The Procurement Options Analysis recommended the most optimal identified solution – as declared by the Minister of Finance and (verbally) endorsed by the Prime Minister – was to ‘market test’ a Public-Private-Partnership for the financing, construction, operation, maintenance, and tolling of Route 6. To improve the marketability of this recommendation, the market test was expected to include the operation, maintenance, and tolling of Route 7, ‘bundled’ with the Route 6 project so that near term cash flow can be achieved for the Route 6 investor. For ease of administration and to accommodate public budget constraints, the preferred project structure would include a one-time ‘construction subsidy’ to be paid by Kosovo on the date that the entire road (north and south sections) was formally accepted as complete and available for traffic. These recommendations were very well received by the Minister of Finance.

At the end of Project Year Two, the Government announced that Route 6 would be financed from public sources. This effectively ended GFSI support for a PPP option. However, to get IMF approval for using public funds for construction of Route 6, Kosovo needed World Bank to confirm the economic viability of the motorway. After discussion with USAID, GFSI agreed to support this process by assisting a GoK inter-ministerial working group with the preparation of an economic assessment, which confirmed that the motorway was economically viable. GFSI also successfully supported the GoK’s negotiations with World Bank and IMF about the economic assessment with a result that Kosovo can go ahead with its plans to initiate the procurement of the construction of Route 6 Motorway in the near future.

### **3.4.2. Brezovica Resort Development Project**

#### **Task Order Modification 4, Objective 2: Support the Municipality of Strpce and the Ministry of Finance in investigating transaction options for the Brezovica Ski Resort or other high-priority tourist infrastructure, possibly through Public-Private-Partnership (PPP) arrangements**

In 2011, the GoK issued a decision to revitalize the Brezovica ski resort area, located in southern Kosovo (in Shterpce municipality, a Serb-majority municipality) through attraction of a private investor. Under Task Order Modification Number 4, GFSI was tasked to assist the GoK in this project—the Brezovica Resort Development Project. To carry out the transaction, the Government had established, in 2011, an Inter-ministerial Steering Committee to oversee the transaction. GFSI supported the creation of a Project Implementation Unit at the MTI for the project. Prior to the completion of Project Year Two, GFSI was engaged in significant transaction preparation due diligence, assisting the PIU to develop a business case for the transaction.

From the commencement of its assistance, GFSI provided significant assistance in building and coordinating the relationships and communications among ISC members and providing regular briefings of ISC leadership and organizing ISC meetings. During Project Year Three, GFSI continued support to the PIU, based on the business case, by assisting in developing rules of decision of the ISC and rules of operation for the PIU. GFSI supported the PIU to draft a communications strategy, develop marketing materials, and prepare for engagement of a transaction advisor.

Early in Project Year Three GFSI engaged a senior PPP specialist to develop a TOR for an international tender for the MTI to engage transaction advisor to market, design, and conduct the transaction. After no bids were received following extension of the tender deadline, GFSI's senior PPP specialist assisted the GoK and USAID to examine options for accelerating the transaction. Concluding that the project remains a priority for the country, the assessment recommended that potential investors be consulted, that the baseline transaction concepts be refined with a more detailed delineation of the development footprint and a moratorium imposed on construction, and that the government measure investor interest through issuing a Request for Expressions of Interest in the transaction.

The ISC approved moving forward with the revised approach, and in January 2013, the GoK launched a tender for Expressions of Interest and pre-qualification of potential bidders for BRDP. The GoK, together with GFSI advisors and PIU members, engaged in four investor roadshow events in March 2013 to promote the BRDP in four cities—Denver, Dubai, Vienna, and Brussels. As a result of the tender for Expressions of Interest, in May 2013 four potential investors were approved by the ISC as qualified to participate in the transaction.

GFSI continued support for preparing the BRDP transaction helping the PIU work with the Ministry of Environment and Spatial Planning to approve a spatial plan allowing development in the BRDP footprint area, coordinating with the Privatization Agency of Kosovo for transfer to GoK of properties within the footprint, and preparing for expropriation of third party properties within the footprint.

## 4. PROBLEMS ENCOUNTERED AND LESSONS LEARNED

### 1. PPP

The most significant challenges faced in this Objective were in support of transactions where services were supplied by Publicly Owned Enterprises and in collection of data to support development of transaction analyses and feasibility studies. Even though in a number of cases the municipalities had requested GFSI support, it has proven difficult to implement PPP projects in cases where a POE is active, likely due to inability or unwillingness of municipalities to dismantle existing POEs.

**Lessons learned:** GFSI responded to the POE issue by focusing strategic projects in fields where no public service is yet available, and this has proven to have much more impact in transaction development and progress. To overcome the data collection challenge, GFSI responded by increasingly carrying out its own surveys and interviews and developing expert assumptions input for transaction studies and assessments.

### 2. PFM

The PEFA Self-Assessment process at the municipality level required political commitment and active engagement of municipal staff members while completing this task. Participation in this program was voluntarily decided by all approached municipalities. As municipality staff were generally fully engaged in their routine tasks and duties at the same time as having to conduct the PEFA self-assessment exercise, GFSI initially experienced delays in performance by local counterparts.

**Lesson learned:** GFSI identified and responded to this issue by seeking and obtaining high-level political support and ensuring full managerial-level engagement in the process. High level political support and full management engagement reduced risk of distraction, improved the ease and efficiency of the PEFA process, and heightened levels of interest and engagement among municipal personnel.

### 3. Budget and Treasury

On the quality of financial statements, the basic concepts of reporting under the cash basis are well understood among the municipalities. A further step would be to remove the “emphasis of matter” from the audit opinion, requiring municipalities to improve their internal controls, quality and availability of accounting records during the audit process. Annual financial reporting and audit of financial statements is often seen among the municipalities as the job of the Finance Office/Finance Director. However, good quality supporting documentation that provides assurance that financial statements represent “true and fair view” require coordination among all multiple municipality departments, including revenue collecting departments, legal office, and other municipality departments.

**Lesson learned:** GFSI learned that assistance in improving the quality of financial statements required strengthening coordination between departments and working with internal audit in municipalities to improve areas of weaknesses in internal controls.

There was some resistance among MoF Budget Department staff on introducing a new costing instruction with additional forms to be filled by line ministries with costing information on each new initiative. Budget Department analysts are already overworked with handling budget submissions, resubmissions and following on with the budget preparation cycle, and this was seen as additional burden on the budget analysts. However, the costing instruction was intended to be implemented by line ministries rather than the MoF Budget Department, and actually move the process of costing policies to be included in the budget back to line ministries.

**Lesson learned:** GFSI included MoF Budget Department personnel in drafting of the Costing Instructions with their comments/additions included in the final Instruction. GFSI learned that advance

communications with the MoF Budget Department are necessary on planned initiatives in order to help better prepare the Budget Department for these new initiatives.

#### 4. Information Technology

IT support within the MoF was challenging at the outset, due to a disconnected approach to IT among the IT offices of the various departments, and no centralization of management.

**Lesson Learned:** GFSI's capacity building in the MoF IT area addressed these difficulties by supporting appointment of a CIO in Project Year Three to provide assistance and consistently urging development of the IT governance committees. As the committees were ultimately formed, GFSI ensured the engagement of the Minister as leader of the Steering Committee.

#### 5. Property Tax

GFSI faced some important challenges in conducting its Property Tax assistance program:

- Unrealistic tax basis (most properties are underestimated), lack of real sale/purchase contracts, and lack of sufficient staffing in municipalities.
- Unsatisfactory collection levels – insufficient engagement of municipal officials
- Non-implementation of the new evaluation model in all municipalities
- Problems with the resurvey data quality.
- Lack of conditions for extension of tax base and land tax (parcels) – Kosovo Cadastral agency charges a certain fee for cadastral property data.

**Lesson Learned:** GFSI supported MoF and municipalities to overcome these issue areas by providing training for municipal staff and developing tools and data for simulation or different analysis. To resolve the issue with Kosovo's Cadastral Agency charging inappropriate fees, GFSI provided support for an amendment to the LPFMA (together with fiscal rule amendments) to permit efficient data exchange between institutions.

#### 6. Economic Policy

Providing private sector economic advice to the government was interrupted during the first year of the project with the general elections.

**Lesson Learned:** Following the appointment of new Ministers post election, the GFSI project was very active in supporting the development of the governments first Economic Vision and Action Plan and facilitated the implementation of the policy initiative derived from this document.

While exploring options for introducing the legally binding fiscal rule, reaching an agreement with IMF on the level of overall deficit was the most difficult issue. IMF had initially proposed a 1.5% cap, while the MoF argued that for the rule to be workable and contribute to the growth and development of the country, the deficit limit should be at around 3% of Gross Domestic Product.

**Lesson Learned:** GFSI constructed a model for the Kosovo Debt Sustainability and assisted the EPPD to run a number of alternative scenarios through the Model to present a case to the IMF to negotiate a higher overall deficit ratio. After intensive discussions and negotiations, the Ministry of Finance agreed with IMF for a limit of 2% deficit to GDP.

# 5. RECOMMENDATIONS FOR FOLLOW-ON ACTIVITIES

This section provides a summary of areas which USAID may consider for further assistance, consistent with its strategic objectives for Kosovo. These recommendations reflect GFSI's extensive experience with local and central level institutions over the past three years, their capacities to conduct further reforms, and the environment in which they operate.

## 1. PPP

- Focus support on new public services to avoid delays due to unwillingness to dismantle established POE's;
- Focus assistance on "leader" municipalities that are ready to engage – select a number of partner municipalities that are committed to implement their PPP projects and to accumulate learning effect, as well as to create a number of clear success stories;
- Support these partner municipalities during contract management where needed;
- To offset the time and resources needed to develop transactions, support the development of a project development technical assistance facility to assist in engaging transaction advisors for key transactions;
- Direct assistance and capacity building to the domestic private sector to prepare them for PPPs and how to prepare their bids; and
- Adapt the legal framework to allow for availability payment based PPP (PFI) to open opportunities for schools, hospitals and other important public services.

## 2. PFM

- Align on-going budget process reforms at national level and roll out in all municipalities, as characterized by: i) budget presentation that seeks to link funding inputs to identifiable and potentially measurable program outputs; and ii) providing access to performance information, including results of monitoring and evaluation to assist budget decision making at all levels;
- Strengthen further municipal PFM – centered at municipal mid-term budget planning framework while rolling out hands-on assistance provided to several additional municipalities following GFSI methodology and lessons learned;
- On a sample basis, conduct a PEFA Self-Assessment to further monitor progress against municipal PFM action plan reform implementation and update further activities; and
- Further support to Grants Commission in fulfilling legal tasks and duties as given with LLGF while fiscal decentralization progresses.

## 3. Budget and Treasury

- Establish a forum or provide a forum for municipalities to assist each other in improving quality of financial statements, as they would benefit from common experiences;
- Ensure discussion and sustained implementation by the Budget Department of the Budget Cycle document;
- Monitor implementation of Costing Instruction by line ministries and provide assistance/modifications where problems arise;
- Provide assistance to line ministries on defining key performance indicators, and reporting on key performance indicators; and

- Introduce performance-based budgeting, working with Budget Department and line ministries.

#### **4. Property Tax**

- Support legal environment changes to stimulate municipalities to increase revenues from property tax; and
- As municipalities need continued support implementing property tax and deal with challenges that arise, support should continue to build professional appraisal capacity and improvement of collections.

#### **5. Economic Policy**

- Focus on maintain fiscal discipline and stability, as the pressure for more spending is increasing and the capacity for additional budget revenues is limited
- Provide assistance to the Ministry of Finance to start implementing the rules-based fiscal framework. There is a need to assist MoF communicate clearly to all Government institutions what this rule means and how it converts into measurable limits when it comes to annual budget deficits.
- Further assistance to improve the content and quality of the Medium-Term Policy Priority statement and the link between this and other strategic documents with MTEF and annual budget cycle
- As the GoK has entered into Free Trade negotiations with Turkey and is expected to start negotiations with EU, there is a need for a review of the tax policy in general and ensure that the eventual losses from customs duties are compensated from other sources of revenues.
- As the country is about to start negotiations with EC for an economic program, the Economic Public Policy Department and other relevant units within the MoF will need assistance on this.

# ANNEX 1: PERFORMANCE BASED MANAGEMENT SYSTEM

At the start of the project, GFSI project established a Performance Based Management System (PBMS) that measures GFSI program contribution towards meeting the project goals. The PBMS methodology applied builds upon a causal framework that directly links GFSI program tasks to output indicators that reflect the completion of program deliverables. These output indicators are expected to generate project outcomes although these outcomes may not be fully attributable to GFSI program implementation. The outcome indicators that measure the achievement of desired project outcomes include actionable, capacity-building, policy and enabling environment indicators. This is GFSI's final report against the PBMS.

## ***DATA COLLECTION AND REPORTING***

While GFSI recognizes that USAID annually reports performance indicator data subsequent to the end of the US Government's fiscal year on September 30, the data presented in this PBMS is based on the Kosovo tax/fiscal year which ends on December 31 and which allowing for time lags in confirmation of end of year performance indicator information more neatly falls into line with the GFSI reporting year.

## ***HIGH-LEVEL INDICATORS***

A group of quantitative high-level performance indicators, such as the overall budget deficit, the increase in investment in the Private Sector as a share to GDP, and GDP growth were selected. Given the presence of many variables that impact improvement in indicators of high-level economic and financial sector performance, the limited resources allocated to GFSI program implementation, and the lag factor in the collection and reporting of impact indicators, there are certain limitations in employing impact indicators as attributable measures of project activities. Nevertheless, we find that these impact indicators, taken in tandem with outcome indicators, can provide indications that project activities contribute to economic growth.

## ***OVERALL RESULTS***

GFSI's PBMS contains 21 key performance indicators; detailed progress on each is presented below. In summary:

- On average for the 3 years of the project life, targets were met/exceeded in 18 cases;
- In 3 cases (indicators related to GDP growth, level of Investments and Property tax collection) targets have not been met, mainly due to the effects of the Eurozone crises in Kosovo's economy (for the first two indicators) and due to delays in applying new higher tax rates on Property Tax.

## 1. GROWTH IN GDP

Element: High-Level Indicators							
Indicator Title: Growth in GDP							
<i>Definition/Rationale:</i>							
GDP growth indicates real growth of economy of Kosovo							
<i>Calculation:</i>							
Each year GDP growth over previous year							
<i>Unit:</i>				<i>Disaggregate by:</i>			
Percentage				Sector			
<i>Type: Output/Outcome</i>				<i>Direction of Change:</i>			
Impact				Higher = Better			
<i>Source of Data/Responsibility for Data Reporting:</i>				<i>Timing and Availability of Data:</i>			
MoF and ASK data				Annually			
<i>Frequency of Data Availability/Collection:</i>				<i>Timing of Data Collection, Consolidation and Reporting:</i>			
Annually				GoK Fiscal Year-End			
<i>Frequency of Data Reporting:</i>				<i>Reporting and Target-Setting Deadline:</i>			
Annually				15-Oct			
<i>Frequency of Target Setting:</i>				<i>Responsibility for Target-Setting:</i>			
Annually				USAID			
Targets and Baselines							
Baseline Year	Baseline Value	2010 Target	2010 Actual	2011 Target	2011 Actual	2012 Target	2012 Actual
2009	4.4%	4.8%	3.2%	6.1%	4.5%	5.7%	2.4%
Notes:							
Source: MTEF 2014-16							
Target not met. Lower than anticipated growth mainly due to the Eurozone crisis, which has indirectly affected Kosovo's economy.							

## 2. VALUE OF PRIVATE INVESTMENT

Element: High-Level Indicators							
Indicator Title: Value of private investment							
<i>Definition/Rationale:</i>							
Total value of private investment in Kosovo economy							
<i>Calculation:</i>							
Amount in Euro that represents a sum of all private sector investment in the economy							
<i>Unit:</i>				<i>Disaggregate by:</i>			
Amount, Euro				Sector			
<i>Type: Output/Outcome</i>				<i>Direction of Change:</i>			
Impact				Higher = Better			
<i>Source of Data/Responsibility for Data Reporting:</i>				<i>Timing and Availability of Data:</i>			
MoF and ASK data				Annually			
<i>Frequency of Data Availability/Collection:</i>				<i>Timing of Data Collection, Consolidation and Reporting:</i>			
Annually				GoK Fiscal Year-End			
<i>Frequency of Data Reporting:</i>				<i>Reporting and Target-Setting Deadline:</i>			
Annually				15-Oct			
<i>Frequency of Target Setting:</i>				<i>Responsibility for Target-Setting:</i>			
Annually				USAID			
Targets and Baselines							
Baseline Year	Baseline Value	2010 Target	2010 Actual	2011 Target	2011 Actual	2012 Target	2012 Actual
2009	844	934	887	1068	1003	1203	1046
<i>Notes:</i>							
<i>Source: MTEF 2014-16</i>							
<i>Target not met: Lower than anticipated investments due to the Eurozone crisis, which has indirectly affected Kosovo's economy.</i>							

### 3. OVERALL BUDGET DEFICIT

Element: High-Level Indicators							
Indicator Title: Overall Budget Deficit							
<i>Definition/Rationale:</i>							
Percent of GDP. 2009 Baseline from the 2011-13 MTEF. Analyses of GFSI impacts will take into account changes in expenditure programs, the economy, tax law, other exogenous factors.							
<i>Calculation:</i>							
Calculated as a percentage of overall budget deficit to nominal GDP.							
<i>Unit:</i>				<i>Disaggregate by:</i>			
Percentage							
<i>Type: Output/Outcome</i>				<i>Direction of Change:</i>			
Impact				Lower = Better			
<i>Source of Data/Responsibility for Data Reporting:</i>				<i>Timing and Availability of Data:</i>			
MoF				Annually			
<i>Frequency of Data Availability/Collection:</i>				<i>Timing of Data Collection, Consolidation and Reporting:</i>			
Annually				GoK Fiscal Year-End			
<i>Frequency of Data Reporting:</i>				<i>Reporting and Target-Setting Deadline:</i>			
Annually				15-Oct			
<i>Frequency of Target Setting:</i>				<i>Responsibility for Target-Setting:</i>			
Annually				USAID			
Targets and Baselines							
Baseline Year	Baseline Value	2010 Target	2010 Actual	2011 Target	2011 Actual	2012 Target	2012 Actual
2009	-1.1%	-5.1%	-2.8%	-7.1%	-1.6%	-5.4%	-2.6%
<i>Notes:</i>							
Source: MTEF 2014-16							
Target met/exceeded: A much lower than expected deficit mainly due to the better performance of revenues as well as due to the under-execution in expenditures							

#### 4. BUDGET RESERVES AS % OF GDP

Element: High-Level Indicators							
Indicator Title: Budget reserves as % of GDP							
<i>Definition/Rationale:</i>							
Budget reserve is achieving a balance between economic investment and managing fiscal risk. Hence a relatively stable budget reserve as a % of GDP is a measure of fiscal discipline							
<i>Calculation:</i>							
Percentage of GDP							
<i>Unit:</i>				<i>Disaggregate by:</i>			
Percentage							
<i>Type: Output/Outcome</i>				<i>Direction of Change:</i>			
Impact				Stable = Better			
<i>Source of Data/Responsibility for Data Reporting:</i>				<i>Timing and Availability of Data:</i>			
MoF data				Annually			
<i>Frequency of Data Availability/Collection:</i>				<i>Timing of Data Collection, Consolidation and Reporting:</i>			
Annually				GoK Fiscal Year-End			
<i>Frequency of Data Reporting:</i>				<i>Reporting and Target-Setting Deadline:</i>			
Annually				15-Oct			
<i>Frequency of Target Setting:</i>				<i>Responsibility for Target-Setting:</i>			
Annually				USAID			
Targets and Baselines							
Baseline Year	Baseline Value	2010 Target	2010 Actual	2011 Target	2011 Actual	2012 Target	2012 Actual
2009	8.7%	5.7%	6.7%	7.7%	4.3%	5.1%	5.63%
<i>Notes:</i>							
<i>Source: Treasury and MTEF 2014-16</i>							
<i>Target met:</i>							

## 5. TOTAL ANNUAL GOVERNMENT REVENUES

Element: High-Level Indicators							
Indicator Total Annual Government Revenues							
<i>Definition/Rationale:</i> All revenues collected by central and local government (tax, customs, municipal own- source revenues etc.)							
<i>Calculation:</i> Amount of collected revenue							
<i>Unit:</i> Euro				<i>Disaggregate by:</i> Central / Municipal			
<i>Type: Output/Outcome</i> Impact				<i>Direction of Change:</i> Higher = Better			
<i>Source of Data/Responsibility for Data Reporting:</i> MoF data				<i>Timing and Availability of Data:</i> Annually			
<i>Frequency of Data Availability/Collection:</i> Annually				<i>Timing of Data Collection, Consolidation and Reporting:</i> GoK Fiscal Year-End			
<i>Frequency of Data Reporting:</i> Annually				<i>Reporting and Target-Setting Deadline:</i> 15-Oct			
<i>Frequency of Target Setting:</i> Annually				<i>Responsibility for Target-Setting:</i> USAID			
Targets and Baselines							
Baseline Year	Baseline Value	2010 Target	2010 Actual	2011 Target	2011 Actual	2012 Target	2012 Actual
2009	1146	1106	1126	1068	1308	1203	1322
<i>Notes:</i> <i>Source: MTEF 2014-16</i>  <i>Target met/exceeded (on 3 year average), mainly due to higher tax revenues.</i>							

## 6. EXPORTS AS % OF GDP

Element: 1.3 Economic Policy Assistance							
Indicator Title: Exports as % of GDP							
<i>Definition/Rationale:</i>							
Exports include the export of goods only, as percent of GDP. 2009 Baseline from the 2011-13 MTEF.							
<i>Calculation:</i>							
Percent of GDP.							
<i>Unit:</i>				<i>Disaggregate by:</i>			
Percentage							
<i>Type: Output/Outcome</i>				<i>Direction of Change:</i>			
Impact				Higher = Better			
<i>Source of Data/Responsibility for Data Reporting:</i>				<i>Timing and Availability of Data:</i>			
National Accounts				Annually			
<i>Frequency of Data Availability/Collection:</i>				<i>Timing of Data Collection, Consolidation and Reporting:</i>			
Annually				GoK Fiscal Year-End (Dec 31)			
<i>Frequency of Data Reporting:</i>				<i>Reporting and Target-Setting Deadline:</i>			
Annually				15-Oct			
<i>Frequency of Target Setting:</i>				<i>Responsibility for Target-Setting:</i>			
Annually				USAID			
Targets and Baselines							
Baseline Year	Baseline Value	2010 Target	2010 Actual	2011 Target	2011 Actual	2012 Target	2012 Actual
2009	4.2%	4%	7.3%	5%	6.8%	8%	5.8%
<i>Notes:</i>							
Source: MTEF 2014-2016							
Target met (on 3 year average)							
.							

## 7. FISCAL IMPACT ASSESSMENT OF LAWS

Element: High-Level Indicators							
Indicator Title: <b>Fiscal impact assessment</b>							
<i>Definition/Rationale:</i>							
The ratio of the fiscal assessment of new/revised laws							
<i>Calculation:</i>							
Yearly ratio of the fiscal assessment of new/revised laws to the total number of laws drafted/revised and sent to Government for approval							
<i>Unit:</i>				<i>Disaggregate by:</i>			
Percentage							
<i>Type: Output/Outcome</i>				<i>Direction of Change:</i>			
Impact				Higher = Better			
<i>Source of Data/Responsibility for Data Reporting:</i>				<i>Timing and Availability of Data:</i>			
MoF data				Annually			
<i>Frequency of Data Availability/Collection:</i>				<i>Timing of Data Collection, Consolidation and Reporting:</i>			
Annually				GoK Fiscal Year-End			
<i>Frequency of Data Reporting:</i>				<i>Reporting and Target-Setting Deadline:</i>			
Annually				15-Oct			
<i>Frequency of Target Setting:</i>				<i>Responsibility for Target-Setting:</i>			
Annually				USAID			
Targets and Baselines							
	Baseline	2010	2010	2011	2011	2012	2012
Baseline	Value	Target	Actual	Target	Actual	Target	Actual
Year							
2011	100%				100%	100%	100%
<i>Notes:</i>							
Target met							

**8. NUMBER OF KEY PERSONNEL IN FISCAL POLICY AND ADMINISTRATION TRAINED WITH GFSI ASSISTANCE**

Element: High-Level Indicators							
Indicator Title: Number of Key Personnel in Fiscal Policy and Administration Trained With GFSI Assistance							
<i>Definition/Rationale:</i>							
Number of key personnel engaged in fiscal policy and administration work who received training with involvement of GFSI project.							
<i>Calculation:</i>							
Number of people who participated in training programs organized by GFSI project.							
<i>Unit:</i>				<i>Disaggregate by:</i>			
Headcount				Gender			
<i>Type: Output/Outcome</i>				<i>Direction of Change:</i>			
Outcome				Higher = Better			
<i>Source of Data/Responsibility for Data Reporting:</i>				<i>Timing and Availability of Data:</i>			
Project Reports				Annually			
<i>Frequency of Data Availability/Collection:</i>				<i>Timing of Data Collection, Consolidation and Reporting:</i>			
Annually				USAID Fiscal Year-End (Sep 30)			
<i>Frequency of Data Reporting:</i>				<i>Reporting and Target-Setting Deadline:</i>			
Annually				15-Oct			
<i>Frequency of Target Setting:</i>				<i>Responsibility for Target-Setting:</i>			
Annually				USAID			
Targets and Baselines							
Baseline Year	Baseline Value	2010 Target	2010 Actual	2011 Target	2011 Actual	2012 Target	2012 Actual
2001	No	125 (F30%-M70%)	337 (F28%-M72%)	280 (F35% - M65%)	381 (F26.5%-M73.5%)	350 (F35% - M65%)	616 (F23%-M77%)
<i>Notes:</i>							
Target met/exceeded: The numbers includes officers trained on using different functions of the FreeBalance system.							

**9. PRIVATE INVESTMENT BECOMES A VIABLE OPTION FOR FUNDING PUBLIC INFRASTRUCTURE**

<b>Element: 1.1.1 – Public Private Partnerships</b>							
<b>Indicator Title: Private Investment becomes a viable option for funding public infrastructure</b>							
<i>Definition/Rationale:</i> Tracked number of PPP/privatization transactions completed with USAID support.							
<i>Calculation:</i> Number of transactions completed							
<i>Unit:</i> Number				<i>Disaggregate by:</i> Central / Municipal			
<i>Type: Output/Outcome</i> Outcome				<i>Direction of Change:</i> Higher = Better			
<i>Source of Data/Responsibility for Data Reporting:</i> Project Data				<i>Timing and Availability of Data:</i> Quarterly			
<i>Frequency of Data Availability/Collection:</i> Quarterly				<i>Timing of Data Collection, Consolidation and Reporting:</i> USAID Fiscal Year-End (Sept 30)			
<i>Frequency of Data Reporting:</i> Annually				<i>Reporting and Target-Setting Deadline:</i> 15-Oct			
<i>Frequency of Target Setting:</i> Annually				<i>Responsibility for Target-Setting:</i> USAID			
<b>Targets and Baselines</b>							
Baseline Year	Baseline Value	2010 Target	2010 Actual	2011 Target	2011 Actual	2012 Target	2012 Actual
2009	N/A	1	1	4	2	7	8*
<i>Notes:</i> Target met (on 3 year average): USAID strategic support ends at PPP-C approval stage. Large PPP projects will generally take more than one reporting cycle to be completed.  * Of which: 6 projects have been approved by PPP-C before reporting date July 8 2013 and 2 more projects pending to be approved by mid- July 2013.							

## 10. VALUE OF PRIVATE INVESTMENT FROM COMPLETED PPP/PRIVATIZATION SUPPORT

Element: 1.1.1 – Public Private Partnerships							
Indicator Title: Value of private investment from completed PPP/privatization transactions with USAID/GFSI support							
<i>Definition/Rationale:</i> Monetary value of private investment to be generated in public sector from completed GFSI support to PPP and privatization deals							
<i>Calculation:</i>  Progress measured annually against PPP program work plan							
<i>Unit:</i> Million Euros				<i>Disaggregate by:</i> Central / Municipal			
<i>Type: Output/Outcome</i> Outcome				<i>Direction of Change:</i> Higher = Better			
<i>Source of Data/Responsibility for Data Reporting:</i> MoF data				<i>Timing and Availability of Data:</i> Annually			
<i>Frequency of Data Availability/Collection:</i> Annually				<i>Timing of Data Collection, Consolidation and Reporting:</i> USAID Fiscal Year-End (Sept 30)			
<i>Frequency of Data Reporting:</i> Annually				<i>Reporting and Target-Setting Deadline:</i> 15-Oct			
<i>Frequency of Target Setting:</i> Annually				<i>Responsibility for Target-Setting:</i> USAID			
Targets and Baselines							
Baseline Year	Baseline Value	2010 Target	2010 Actual	2011 Target	2011 Actual	2012 Target	2012 Actual
2009	n/a	€0	€106	€120	€107	€180	€130
<i>Notes:</i>  Target met (on 3 year average)							

**11. NUMBER OF STAFF TRAINED IN PPP ADMINISTRATION (DISAGG. BY CENTRAL/MUNICIPAL, INDIVIDUAL MUNICIPALITIES AND GENDER)**

Element: 1.1.1 – Public Private Partnerships							
Indicator Title: Number of public and private sector Kosovars trained in PPP							
<i>Definition/Rationale:</i> Number of staff trained on PPP with assistance of GFSI project							
<i>Calculation:</i> Number of staff who participated in training organized by GFSI project							
<i>Unit:</i> Headcount				<i>Disaggregate by:</i> Central/municipal/private sector, individuals and gender			
<i>Type: Output/Outcome</i> Outcome				<i>Direction of Change:</i> Higher = Better			
<i>Source of Data/Responsibility for Data Reporting:</i> Training Logs				<i>Timing and Availability of Data:</i> Quarterly			
<i>Frequency of Data Availability/Collection:</i> Quarterly				<i>Timing of Data Collection, Consolidation and Reporting:</i> USAID Fiscal Year-End (Sept 30)			
<i>Frequency of Data Reporting:</i> Annually				<i>Reporting and Target-Setting Deadline:</i> 15-Oct			
<i>Frequency of Target Setting:</i> Annually				<i>Responsibility for Target-Setting:</i> USAID + GFSI			
Targets and Baselines							
Baseline Year	Baseline Value	2010 Target	2010 Actual	2011 Target	2011 Actual	2012 Target	2012 Actual
2009	0	50	376	200	593	300	584
<i>Notes:</i> Target met/exceeded: Variance of Actuals from Targets, due to significant training needs and high level of demand experienced for training.							

## 12. NUMBER OF PEFA ASSESSMENTS CONDUCTED AT THE MUNICIPALITIES

Element: 1.2.1.1 Public Financial Management							
Indicator Title: Number of PEFA assessments – number of municipalities capable of conducting PEFA assessment							
<i>Definition/Rationale:</i>							
Self Assessment completed for each municipality utilizing PEFA methodology							
<i>Calculation:</i>							
Report issued by municipality							
<i>Unit:</i>				<i>Disaggregate by:</i>			
Number				Municipality			
<i>Type: Output/Outcome</i>				<i>Direction of Change:</i>			
Outcome				Higher = Better			
<i>Source of Data/Responsibility for Data Reporting:</i>				<i>Timing and Availability of Data:</i>			
Project / Municipal PEFA Reports				Annually			
<i>Frequency of Data Availability/Collection:</i>				<i>Timing of Data Collection, Consolidation and Reporting:</i>			
Annually				USAID Fiscal Year-End (Sept 30)			
<i>Frequency of Data Reporting:</i>				<i>Reporting and Target-Setting Deadline:</i>			
Annually				15-Oct			
<i>Frequency of Target Setting:</i>				<i>Responsibility for Target-Setting:</i>			
Annually				USAID			
Targets and Baselines							
Baseline Year	Baseline Value	2010/11 Target	2010/11 Actual	2011/12 Target	2011/12 Actual	2012/13 Target	2012/13 Actual
2009	0	5	5	10	11	13	12
<i>Notes: assessments are completed prior to end of project</i>							
Target met (on 3 year average): Reported actuals do not include Central level PEFA, which was conducted in 2013							

### 13. MUNICIPAL PEFA ASSESSORS TRAINED

Element: 1.2.1.1 Public Financial Management							
Indicator Title: Municipal PEFA assessors trained							
<i>Definition/Rationale:</i> A cadre of PEFA Assessors will be trained through a dedicated training in PEFA methodology with monitoring by GFSI advisors during PEFA Self Assessment exercises. Training of PEFA assessors will increase capacity of municipalities.							
<i>Calculation:</i>  Number of trained municipalities PEFA assessors							
<i>Unit:</i> Number				<i>Disaggregate by:</i> Gender, Municipalities			
<i>Type: Output/Outcome</i> Outcome				<i>Direction of Change:</i> Higher = Better			
<i>Source of Data/Responsibility for Data Reporting:</i> Project reports				<i>Timing and Availability of Data:</i> Annually			
<i>Frequency of Data Availability/Collection:</i> Annually				<i>Timing of Data Collection, Consolidation and Reporting:</i> USAID Fiscal Year-End (Sept 30)			
<i>Frequency of Data Reporting:</i> Annually				<i>Reporting and Target-Setting Deadline:</i> 15-Oct			
<i>Frequency of Target Setting:</i> Annually				<i>Responsibility for Target-Setting:</i> USAID			
Targets and Baselines							
Baseline Year	Baseline Value	2010 Target	2010 Actual	2011 Target	2011 Actual	2012 Target	2012 Actual
2009	No	15	17 (F 3 or 18% - M 14 or 82%)	40	42 (F 7 or 17% - M 35 or 83%)	45	44 (F 8 or 18% - M 36 or 82%)
<i>Notes:</i>  Target met (on 3 year average)							

#### 14. NUMBER OF MUNICIPALITIES WITH LOCAL ASSEMBLY APPROVED MTEF'S

Element: 1.2.1.2 Municipal Medium-Term Expenditure Framework (M-MTEF)							
Indicator Title: Number of Municipalities that produce MTEF-s							
<i>Definition/Rationale:</i>							
Local Assembly has approved MTEF and hence it is a public document at the beginning of municipal budget process							
<i>Calculation:</i>							
Number of municipalities that publish MTEF-s on their website and submit a copy to MoF							
<i>Unit:</i> Number				<i>Disaggregate by:</i>			
<i>Type: Output/Outcome</i> Outcome				<i>Direction of Change:</i> Higher = Better			
<i>Source of Data/Responsibility for Data Reporting:</i> Municipal Assembly records				<i>Timing and Availability of Data:</i> Annually			
<i>Frequency of Data Availability/Collection:</i> Annually				<i>Timing of Data Collection, Consolidation and Reporting:</i> USAID Fiscal Year-End (Sept 30)			
<i>Frequency of Data Reporting:</i> Annually				<i>Reporting and Target-Setting Deadline:</i> 15-Oct			
<i>Frequency of Target Setting:</i> Annually				<i>Responsibility for Target-Setting:</i> USAID			
Targets and Baselines							
Baseline Year	Baseline Value	2010/11 Target	2010/11 Actual	2011/12 Target	2011/12 Actual	2012/13 Target	2012/13 Actual
2009	0	n/a*	n/a	25	32	30	30
<i>Notes:</i>							
Target met (on 3 year average): Actual numbers reflect the number of municipalities approving MTEF's document in the Municipal Assembly.							

**15. NUMBER OF NEW MUNICIPALITIES CERTIFIED AS INDEPENDENT BUDGET ORGANIZATIONS FOR THE DELEGATION OF EXPENDITURE MANAGEMENT**

<b>Element: 1.2.1.3 Public financial Management in New Municipalities</b>							
<b>Indicator Title: Number of New Municipalities certified as independent budget organizations for the delegation of expenditure management</b>							
<i>Definition/Rationale:</i>							
Budget organization certification conducted within 9 months following certification of financial officers. Targets subject to establishing new municipalities.							
<i>Calculation:</i>							
Number certified by Treasury / MoF							
<i>Unit:</i>				<i>Disaggregate by:</i>			
Number				Municipality			
<i>Type: Output/Outcome</i>				<i>Direction of Change:</i>			
Outcome				Higher = Better			
<i>Source of Data/Responsibility for Data Reporting:</i>				<i>Timing and Availability of Data:</i>			
MoF data				Annually			
<i>Frequency of Data Availability/Collection:</i>				<i>Timing of Data Collection, Consolidation and Reporting:</i>			
Annually				USAID Fiscal Year-End (Sept 30)			
<i>Frequency of Data Reporting:</i>				<i>Reporting and Target-Setting Deadline:</i>			
Annually				15-Oct			
<i>Frequency of Target Setting:</i>				<i>Responsibility for Target-Setting:</i>			
Annually				USAID			
<b>Targets and Baselines</b>							
<b>Baseline Year</b>	<b>Baseline Value</b>	<b>2010 Target</b>	<b>2010 Actual</b>	<b>2011 Target</b>	<b>2011 Actual</b>	<b>2012 Target</b>	<b>2012 Actual</b>
2009	0	n/a	3	4	4	5	5
Notes: cumulative Target met: 3 new municipalities were formed in 2010 (Kilokot, Ranillug and Gracanice) and 1 in 2011 (Partesh). Data expressed in cumulative. The North Mitrovica Administrative Office was formed, with staff trained and certified, equipped with KFMS access in 2012.							

## 16. NUMBER OF MUNICIPALITIES WITH UNQUALIFIED AUDITS OF THEIR FINANCIAL STATEMENTS

Element: 1.2.1.4 Enabling Municipal Borrowing							
Indicator Title: Number of municipalities with unqualified audits of their financial statements							
<i>Definition/Rationale:</i> Unqualified audit reports demonstrate a certain level of financial management maturity within each municipality							
<i>Calculation:</i> Review of audit reports							
<i>Unit:</i> Number				<i>Disaggregate by:</i> Municipality			
<i>Type: Output/Outcome</i> Outcome				<i>Direction of Change:</i> Higher = Better			
<i>Source of Data/Responsibility for Data Reporting:</i> OAG Annual report				<i>Timing and Availability of Data:</i> Annually			
<i>Frequency of Data Availability/Collection:</i> Annually				<i>Timing of Data Collection, Consolidation and Reporting:</i> USAID Fiscal Year-End (Sept 30)			
<i>Frequency of Data Reporting:</i> Annually				<i>Reporting and Target-Setting Deadline:</i> 15-Oct			
<i>Frequency of Target Setting:</i> Annually				<i>Responsibility for Target-Setting:</i> USAID			
Targets and Baselines							
Baseline Year	Baseline Value	2010 Target	2010 Actual	2011 Target	2011 Actual	2012 Target	2012 Actual
2009	2	2	12	10	16	15	30
<i>Notes:</i> Target met/exceeded: Year relates to the year for which the municipal financial statements apply. Audit process occurs in subsequent year. E.g. target for 2012 is for 2012 financial statements that are audited in 2013.							

## 17. ANNUAL MUNICIPAL FINANCIAL STATEMENTS

Element: 1.2.2 Treasury Functions and Accounting							
Indicator Title: Annual municipal financial statements							
<i>Definition/Rationale:</i>							
Preparation of financial statements is a legal requirement. Number of municipalities preparing annual financial statements within 1 month of end of Fiscal year.							
<i>Calculation:</i>							
Treasury data							
<i>Unit:</i>				<i>Disaggregate by:</i>			
Number of municipalities				Municipality			
<i>Type: Output/Outcome</i>				<i>Direction of Change:</i>			
Outcome				Higher = Better			
<i>Source of Data/Responsibility for Data Reporting:</i>				<i>Timing and Availability of Data:</i>			
Auditor General, MoF Treasury				Annually			
<i>Frequency of Data Availability/Collection:</i>				<i>Timing of Data Collection, Consolidation and Reporting:</i>			
Annually				USAID Fiscal Year-End (Sept 30)			
<i>Frequency of Data Reporting:</i>				<i>Reporting and Target-Setting Deadline:</i>			
Annually				15-Oct			
<i>Frequency of Target Setting:</i>				<i>Responsibility for Target-Setting:</i>			
Annually				USAID			
Targets and Baselines							
Baseline Year	Baseline Value	2010 Target	2010 Actual	2011 Target	2011 Actual	2012 Target	2012 Actual
2009			37	34	31	34	35
Notes: dependent on all municipalities being fully established							
Target met.							

## 18. BUDGET SPENDING COMPARED TO BUDGET ALLOCATION

Element: 1.2.3.2 Budget and Treasury							
Indicator Title: Budget spending compared to budget allocation							
<i>Definition/Rationale:</i>							
Increase in budget spending compared to budget allocation indicates increased fiscal efficiency.							
<i>Calculation:</i>							
Percentage of budget spending compared to budget allocation.							
<i>Unit:</i>				<i>Disaggregate by:</i>			
Percentage				Capital vs. recurrent exp.			
<i>Type: Output/Outcome</i>				<i>Direction of Change:</i>			
Outcome				Higher = Better			
<i>Source of Data/Responsibility for Data Reporting:</i>				<i>Timing and Availability of Data:</i>			
Treasury Financial Statements				Annually			
<i>Frequency of Data Availability/Collection:</i>				<i>Timing of Data Collection, Consolidation and Reporting:</i>			
Annually				Kosovo Government Fiscal Year (Jan-Dec)			
<i>Frequency of Data Reporting:</i>				<i>Reporting and Target-Setting Deadline:</i>			
Annually				15-Oct			
<i>Frequency of Target Setting:</i>				<i>Responsibility for Target-Setting:</i>			
Annually				USAID			
Targets and Baselines							
Baseline Year	Baseline Value	2010 Target	2010 Actual	2011 Target	2011 Actual	2012 Target	2012 Actual
2009	85%	>89%	94%	>90%	92%	>92%	93%
Notes: Target met							

## 19. BUDGET SPENDING COMPARED TO INITIAL BUDGET

Element: 1.2.3.2 Budget and Treasury							
Indicator Title: Budget spending compared to initial budget							
<i>Definition/Rationale: Comparisons are made with the original budget, approved at the end of previous year.</i>							
<i>Calculation:</i>							
Percentage of budget spending compared to original budget.							
<i>Unit:</i> Percentage				<i>Disaggregate by:</i> Capital vs. recurrent exp.			
<i>Type: Output/Outcome</i> Outcome				<i>Direction of Change:</i> Higher = Better			
<i>Source of Data/Responsibility for Data Reporting:</i> Treasury Financial Statements				<i>Timing and Availability of Data:</i> Annually			
<i>Frequency of Data Availability/Collection:</i> Annually				<i>Timing of Data Collection, Consolidation and Reporting:</i> Kosovo Government Fiscal Year (Jan-Dec)			
<i>Frequency of Data Reporting:</i> Annually				<i>Reporting and Target-Setting Deadline:</i> 15-Oct			
<i>Frequency of Target Setting:</i> Annually				<i>Responsibility for Target-Setting:</i> USAID			
Targets and Baselines							
Baseline Year	Baseline Value	2010 Target	2010 Actual	2011 Target	2011 Actual	2012 Target	2012 Actual
2009	101%	>89%	105%	>90%	94%	>92%	95%
<i>Notes:</i>							
Target met:							

## 20. AMOUNT OF PROPERTY TAX COLLECTED

Element: 1.2.3.3 Property Tax							
Indicator Title: Amount of Property Tax collected							
<i>Definition/Rationale:</i>							
All property taxes collected by municipalities							
<i>Calculation:</i>							
With monthly collection of tax revenue statistics, calculation of tax revenue collected is reported annually as per Kosovo Government Fiscal Year-31 Dec							
<i>Unit:</i>				<i>Disaggregate by:</i>			
Value in Millions of Euros				Municipality			
<i>Type: Output/Outcome</i>				<i>Direction of Change:</i>			
Outcome				Higher = Better			
<i>Source of Data/Responsibility for Data Reporting:</i>				<i>Timing and Availability of Data:</i>			
Property Tax Department data				Quarterly			
<i>Frequency of Data Availability/Collection:</i>				<i>Timing of Data Collection, Consolidation and Reporting:</i>			
Quarterly				GoK fiscal year (Dec 31)			
<i>Frequency of Data Reporting:</i>				<i>Reporting and Target-Setting Deadline:</i>			
Annually				15-Oct			
<i>Frequency of Target Setting:</i>				<i>Responsibility for Target-Setting:</i>			
Annually				USAID			
Targets and Baselines							
Baseline Year	Baseline Value	2010 Target	2010 Actual	2011 Target	2011 Actual	2012 Target	2012 Actual
2009	€ 11.3	€ 12.4	€ 13.44	€ 14.0	€ 14.55	€15	€14.6
<i>Notes:</i>							
Target met (on 3 year average)							

## 21. PERCENTAGE OF PROPERTY TAX IN OSR

Element: 1.2.3.3 Property Tax							
Indicator Title: <b>Percentage of Property Tax in OSR</b>							
<i>Definition/Rationale:</i> Share of property tax in OSR							
<i>Calculation:</i>  Percent of property tax amount in OSR - estimated based on MTEF projection of MOSR							
<i>Unit:</i> Percentage				<i>Disaggregate by:</i> Municipality			
<i>Type: Output/Outcome</i> Outcome				<i>Direction of Change:</i> Higher = Better			
<i>Source of Data/Responsibility for Data Reporting:</i> MoF Property Tax Dept				<i>Timing and Availability of Data:</i> Quarterly			
<i>Frequency of Data Availability/Collection:</i> Quarterly				<i>Timing of Data Collection, Consolidation and Reporting:</i> GoK fiscal year (Dec 31)			
<i>Frequency of Data Reporting:</i> Annually				<i>Reporting and Target-Setting Deadline:</i> 15-Oct			
<i>Frequency of Target Setting:</i> Annually				<i>Responsibility for Target-Setting:</i> USAID			
Targets and Baselines							
Baseline Year	Baseline Value	2010 Target	2010 Actual	2011 Target	2011 Actual	2012 Target	2012 Actual
2009	23.4%	24.6%	25.8%	27.0%	27.7%	29.5%	26%
Notes: Target not met While in 2010 and 2011 the target was met, in 2012 target was missed, mainly due to delays in applying new tax rates.							

## ANNEX 2 – GFSI TASK ORDER TABLE

Task	Description	Status/comments
<b>Objective 1 - Public Private Partnerships</b>		
Support counterparts to extract and analyze information about potential PPP projects and undertake evaluations of potential projects	Supported procuring authorities throughout project identification, project preparation (feasibility study, tender documentation) and PPPC approval processes.	Completed
Building capacity of Project Implementation Unites (PIU) for specific PPP projects to ensure their transparency and professionalism	Trained the PIUs for all procuring authorities with whom we worked on PPP project development; this included classroom training and workshops as well as on-the-job training. Trained selected qualified trainers that are currently rolling out a PPP training program, organized study trips.	Completed
Enhance capacity within the PPP unit to assess the viability of potential projects and develop a work plan for each project	Provided PPP training, value for money assessment training, guidelines and directives	Completed
Train counterparts in the preparation of terms of reference to hire transaction advisors and/or other expert to ensure that the projects are prepared in accordance with international best practices	On-the-job training for projects that needed a transaction advisor, assisted in the preparation of tender documents, prepared standard tender documentation	Completed
Providing assistance to the PPP unit and project proponents so that they can create a PPP project pipeline and work plan	Prepared PPP project pipeline and work plan and supported capacity to develop public pipeline through assistance to develop multi-year PPP Strategy for Central PPP Department (formerly PPP Unit)	Completed

Task	Description	Status/comments
Assisting the PPP unit and PPP Inter-ministerial Steering Committee (PPP-ISC) in developing review and approval procedures for PPP Projects	Developed laws and administrative instructions that prescribe the review procedures, and drafted guidelines. Assisted MoF PPP Department in the role of secretariat to the PPPC(formerly PPP-ISC)	Completed
Developing a monitoring and management capability with our PPP counterparts so that awarded concession achieve contractually agreed upon aims.	Developed guiding documents. Specific support was provided to MoF PPP Department in their monitoring role for the airport contract implementation.	Completed
Developing and delivering comprehensive training programs on PPP procedures and processes	Assisted, through Instructional System Design methodology, MoF PPP Department to develop and deliver sustainable PPP Training Curriculum, resulting in training programs to procuring authorities by the MoF PPP Department through Kosovo Institute for Public Administration (KIPA). Curriculum is sustainable and is regularly being delivered and updated by MoF PPP Department to public authorities	Completed
Developing and delivering training programs on environmental issues that are related to PPPs in infrastructure	Developed and delivered training program on environmental impact assessment, drafted guidelines for environmental impact assessment.	Completed
<b>Objective 2 Fiscal Stewardship</b>		
<b>a. Public Financial Management</b>		
i. Public Expenditure and Financial Accountability Assessment		
Lead a PEFA assessment at a sample of municipalities, using the methodology recommended by the PEFA program. Note: Future assessments to assess reform	GFSI assisted 12 municipalities on their PEFA self-assessments.	Completed

Task	Description	Status/comments
progress will be performed by the municipalities themselves		
Use the PEFA results to shape a PFM reform action plan and use lessons learned to inform outreach and training	Local Government PFM reform action plan produced from which individual municipality customized action plans were drafted and approved with each municipality Board of Directors	Completed
<b>ii. Municipal Medium -Term Expenditure Framework (M-MTEF)</b>		
Using methodologies developed for the successful introduction of MTEF at the central level of government, train municipalities to develop M-MTEFs	Municipal mid-term budget framework manual and municipal medium term budget framework template developed and provided to all municipalities as strengthened approach to budgeting	Completed
Building Capacities of municipalities to develop annual budgets using their M-MTEFs	GFSI assisted all municipalities with a number of trainings, workshops on MTEF approach application to budgeting. In addition GFSI assisted selected number of municipalities (7) to provide hands-on assistance on their preparation of MTEF document	Completed
<b>iii. Public Financial Management in New Municipalities</b>		
Train budget and treasury personnel in the new municipalities in the key areas of PFM, bringing them to a level of sophistication comparable with existing municipalities	Budget and treasury personnel in five new municipalities were trained in functions of commitments, purchasing, assets, revenues, expenditures and reporting. Above municipalities are now at the level of financial management as existing municipalities.	Completed
Assist with the establishment of new municipalities' fiscal and financial systems required to successfully fulfill MOF requirements	Financial systems in new municipalities have been established, including trained and certified staff, and technical access of municipality staff to KFMIS.	Completed

Task	Description	Status/comments
<b>Enabling Municipal Borrowing</b>		
Assist the OAG in designing an apprenticeship/mentoring program whereby OAG staff can be seconded to the international audit firm teams performing outsourced municipal audits	OAG performs most of the audits of municipalities, resulting in an improved audit process and higher number of unqualified audit opinions, due to their better understanding of the public finance environment.	Completed
Assist the OAG in preparing budget submissions that are adequate to fund the annual municipal audits	OAG declined assistance regarding its budgeting. At OAG request GFSI acted as a conduit between Treasury, the municipalities and the Office of the Auditor General	Cancelled
<b>b. Treasury Functions and Accounting</b>		
Refine the chart of accounts to enhance its utility in financial management	Chart of Accounts was updated with GFSI assistance in terms of the economic classification, providing more categories of classification and better grouping into higher level categories.	Completed
Roll-out KFMIS access terminals to primary spending unites (e.g., schools) to enhance their financial information knowledge	KFMIS access terminals are rolled out to municipality department level, however no terminals were provided to schools. This was not possible due to additional cost involved for computers, VPN terminal, etc.	Completed
Strengthen the reconciliation process	Bank Reconciliations performed by Treasury are largely automated due to implementation of a Reconciliations Module in KFMIS. GFSI provided assistance in the form of input to Treasury reconciliation procedures and guidelines. The module is fully implemented at Treasury Department.	Completed

Task	Description	Status/comments
Expand the use of KFMIS (e.g., create reports tailored to municipal needs) so that municipal leaders use it as a primary management information system	Currently municipalities are limited in their ability to manipulate data electronically to fit into different formats, because they are not able to download reports into their computers. The new enhanced web based KFMIS will enable them to download data.	Partially Completed / Pending MoF implementation of web-based KFMIS
<b>c. Assistance to the MOF in support of municipalities and improvement in data sharing</b>		
<b>i. Information technology</b>		
Assist the MOF in developing a work plan to consolidate basic IT services within a single network. To facilitate consolidation of services, MOF will need to require its organizations to join a single, shared physical network	GFSI assisted MoF in procuring the construction of a new server room that will accommodate all of MoF and its Department and Agencies. The new server room will enable all organizations to join a single physical network.	Completed
Provide technical assistance to MOF in procuring IT support services to be shared among MOF organizations on an 'as-needed' basis, directly addressing the long-standing inability of the MOF and its organizations to attract and retain expert IT personnel	GFSI drafted an ICT Plan and Strategy which includes a staffing strategy. The proposed way forward under the ICT Plan and in agreement with the IT Steering and Technical Committee is a hybrid combination of fostering collaboration amongst different IT teams within MoF Departments and Agencies while at the same time growing expertise from within.	Completed
<b>ii. Budget and Treasury</b>		
Develop an action plan for improving budget execution performance so that the gap between budget and actual expenditures will be narrowed	GFSI assisted MoF in conducting Strategic Expenditure Review for the Kosovo Government hence provided necessary recommendations for the MoF to implement as part of action plan to improve budget/actual expenditures	Completed

Task	Description	Status/comments
Assist counterpart in developing reliable central and municipal revenue and cash flow forecasting	<p>Upon GFSI recommendation and assistance, Kosovo Treasury established Monitoring Unit on monitoring Budget Organization expenditures and alignment with cash flow plan.</p> <p>For OSR, GFSI assisted in developing a revenue forecasting tool (covering property tax) at municipality level.</p>	Completed
Assist in developing modern classification and coding so the MOF reports on budget and expenditures provide sufficient detail for budget use and MOF management review and action	The current chart of accounts is based on GFS structure, with the exception of functional classification, which is partially linked with functional programs to ensure adequate reporting on functions.	Partially completed / Review of functional classification of Chart of Accounts is needed
Address weaknesses in the operation of the (municipal) Grants Commission, making the system more timely, reliable and predictable	GFSI supported Grants Commission Secretariat in the application of state formulae for grants allocations to municipalities.	Completed
Introduce, in close cooperation with the U.S. Treasury Debt Advisor, concepts for central and municipal debt administration	GFSI, in close cooperation with US Treasury Advisor, assisted MoF Treasury and other relevant departments introduced an Administrative Instruction on the process of negotiating debt financing projects, which would allow the Treasury and Budget Departments to better administer debt levels. GFSI also provided assistance to MoF introduce the Fiscal Rule providing clear guidance on how to manage central and local Government's medium-to-long term debt levels.	Completed

Task	Description	Status/comments
Assist counterparts in strengthening the budget process by improving budget circular timeliness, involvement of the cabinet in budget making, and other actions which will improve current practices	GFSI produced a budget cycle document and submitted to the Budget Department for review and approval. Recommendations from SER included the functionalization of a Budget and Fiscal Committee, included in the Budget Cycle Document, which would improve involvement of cabinet in budget discussions.	Completed
Work with MOF counterparts to define the proper role of the MTEF in setting Government priorities in a multi-year framework, making it- and performance monitoring- more integral to the budget making process	GFSI provided assistance in annual drafting of the MTEF, including in the Medium Term Policy Priority Framework and instruction for preparation of the MTPP.	Completed
In coordination with DEMI program and other donors, design and conduct workshops for Assembly members in order to raise their awareness of the MTEF and their role in the budget process so that they may more adequately perform their review and approval function	GFSI assisted DEMI advisors in preparing training curricula to provide to all Municipal Assemblies to strengthen their supervisory role towards local governments on finance issues. GFSI's input to DEMI came as result of PEFA assessments with 12 municipalities.	Completed
<b>iii. Property Tax</b>		
Provide support to the Property Tax Department at the MOF to address priority needs and build staff capacity	GFSI Team conducted needs assessment and as a result produced a new Audit Report Form as a template for the use by Department's staff. GFSI also supported MoF to draft a Manual for Surveyors, based on a new Administrative Instruction 3/2011, providing theoretical and practical information to surveyors on procedures and taxpaying communications.	Completed

Task	Description	Status/comments
<p>Assist the Property Tax Department to develop a plan for increasing the capacity of municipalities in the more advanced concepts of property tax administration. This would include:</p> <ul style="list-style-type: none"> <li>(i) calculating appraisal to sale ratios,</li> <li>(ii) tax impact analysis,</li> <li>(iii) identifying collection trends,</li> <li>and (iv) improving taxpayer service and compliance</li> </ul>	<p>GFSI provided audit reform support to 34 municipalities across seven inspection areas. Through the PTD, GFSI also provided support to a number of Municipalities by training property tax officers in order to implement inspection recommendations for each area of inspection. Training covered understanding of the law and administrative instructions and knowledge of the functions of the Property Tax Program.</p>	<p>Completed</p>
<p>In close cooperation with Property Tax Department staff, develop and conduct training for all municipalities in the use of the property tax system</p>	<p>GFSI delivered trainings and capacity building support of the PTD and municipalities' finance directors, property tax managers, surveyors and users of property tax system on:</p> <ul style="list-style-type: none"> <li>Planning and simulation of property tax collection</li> <li>Implementation of recommendations from the annual inspection reports</li> <li>Preparation of plans to conduct verification of registered properties</li> <li>New process for registering properties and taxpayers</li> <li>- The use of new PTS functions, based on new processes.</li> </ul>	<p>Completed</p>
<p><b>Objective 3 Economic Policy Assistance</b></p>		
<p>Build capacity within the relevant ministries and institutions to think strategically and to address cross-</p>	<p>GFSI assisted GoK to establish the National Council for Economic Development (NCED), tasked with</p>	<p>Completed</p>

Task	Description	Status/comments
cutting economic policy issues that have direct impact on private sector development	initiation and coordination of key strategic economic policy issues with direct impact on private sector development, including the implementation of measures established in the Economic Development Vision Action Plan (EDVAP)	
Assist - and be the catalyst for - the development of policies which support and promote the profitable growth of the private sector and attract foreign direct investment	GFSI supported identification of economic development opportunities for Kosovo and assisted MoF, MTI and NCED develop and implement policies that promote growth and private sector development (adoption of fiscal rule; exemption from custom duty to a list of inputting products; development and approval of the MTPPS; maintaining fiscal discipline; preparation of SER)	Completed
Assist in developing and implementing a comprehensive approach aimed at unifying GOK's support of enhanced private sector growth in Kosovo	GFSI assisted the GoK develop EDVAP, establishing a clear statement of economic vision, accompanied by an action plan that was adopted by Government, followed with the establishment of NCED tasked primarily with the implementation of EDVAP.	Completed
Work within existing inter-ministerial arrangement and/or assist in the creation of inter-ministerial working groups which address cross-cutting issues impacting the private sector economy	GFSI provided constant support to the NCED secretariat and regularly participated in the meetings of this inter-ministerial body where a number of issues impacting private sector growth have been discussed and implemented.	Completed
Prepare articles, presentations and speeches on economic policy topics	GFSI provided assistance and advice to MoF and EPPD as well as MTI/NCED in	Completed

Task	Description	Status/comments
which are compelling and build support for reform action	preparing policy papers, speeches and presentations related with economic reforms	
Identify additional legislation or amendments to legislation that prioritize the growth of a competitive private sector within a modern economic policy framework and collaborate with BEEP and SEAD programs to ensure that they are drafted	GFSI assisted MoF prepare/amend relevant legislation related to private sector development. In addition, in coordination with other USAID projects, more legislative initiatives are being presented and discussed at NCED, before sending them to Assembly. GFSI, also provided assistance to the functional committees at Assembly	Completed
Foster the creation of a USG and development partners working group that regularly meets to discuss plans, current activities, and topics of common interest. The aim of the working group is to ensure (i) an awareness of USG priorities, and (ii) a coordinated, consistent approach by USG-funded advisors. The work of this group will be appropriately coordinated, with GOK counterparts, private sector stakeholders, and members of the international community supporting economic development	GFSI supported creation of NCED, with participation of representatives from business community and provided ongoing support for regular meetings.	Completed
<b>Contract Modification 4</b>		
<b>Objective 1: Analytical and technical support for (1) financing and transaction options and (2) a possible private sector role in the construction and/or operation, maintenance, and tolling of major new public transportation infrastructure (Route 6)</b>		
Training and capacity building of the Kosovar counterparts in structuring and drafting Terms of Reference for the establishment of the Project	Supported the drafting of Terms of Reference for establishment of the PIU, supported the recruitment of qualified staff. After counterpart	Not initiated because of GoK decision not to implement Motorway construction as a PPP.

Task	Description	Status/comments
Implementation Unit (PIU)	decision not to implement the motorway as a PPP, GFSI support to this task was cancelled.	
Assistance with work plan and budgeting	Provided work plan and budget for the tender preparation.	Completed
Supporting counterparts in developing a project management system	Not Applicable because of GoK decision not to implement Motorway construction as a PPP.	Not initiated because of GoK decision not to implement Motorway construction as a PPP.
Review and verification of existing studies and assisting counterparts in the process of identification of needs	Existing studies were reviewed and support was provided to complete the information required. Scopes of work for further assessments were prepared.	Completed
Assisting and building local capacities in drafting of Terms of Reference for an international tender to hire a transaction advisor	Terms of Reference for transaction advisor drafted for Route 6 and Operations and maintenance concession on Route 7.	Completed
Procurement management assistance / negotiation assistance for the contracting of the transaction advisor	Not Applicable because of GoK decision not to implement Motorway construction as a PPP.	Not initiated because of GoK decision not to implement Motorway construction as a PPP.
Supporting local authorities in the process of identification of stakeholder priorities	Not Applicable because of GoK decision not to implement Motorway construction as a PPP.	
Assistance with drafting TORs for targeted assistance	Not Applicable because of GoK decision not to implement Motorway construction as a PPP.	
Helping Kosovo counterparts in developing decision-making criteria for the Project Steering Committee	Not Applicable because of GoK decision not to implement Motorway construction as a PPP.	
Assistance with the reviewing financial models and independently verifying PSC and Value-for-Money	Initial PSC and value for money assessment were prepared as part of	Completed

Task	Description	Status/comments
calculation	the procurement options assessment.	
Assistance with the review of traffic forecasts, project scope, payment options, regulatory structuring and affordability studies, etc.	Traffic forecasts were reviewed and updated with GFSI support.	Completed
Assistance in carrying out options analysis for the transaction design	Procurement options assessment was completed.	Completed
Providing advice on risk identification, allocation, and mitigation strategies (including credit enhancement strategies)	Risks were identified and summarized in a risk matrix showing mitigation measures.	Completed
In close coordination with the transaction advisor, provide advice on all aspects of the transaction design, including minimum qualifications and bid evaluation criteria	Not Applicable because of GoK decision not to implement Motorway construction as a PPP.	Not initiated because of GoK decision not to implement Motorway construction as a PPP.
Support with market testing, roadshows, and stakeholder consultations	Not Applicable because of GoK decision not to implement Motorway construction as a PPP.	
Technical advisory in drafting and approval of tender documents Support in appeals management	Not Applicable because of GoK decision not to implement Motorway construction as a PPP.	
Providing support to the government and concessionaire to facilitate financial close	Not Applicable because of GoK decision not to implement Motorway construction as a PPP.	
Transition assistance and oversight of compliance with conditions precedent to the Effective Date	Not Applicable because of GoK decision not to implement Motorway construction as a PPP.	
Building capacity for effective	Not Applicable because of GoK decision not to implement Motorway construction	

Task	Description	Status/comments
Project Management Unit	as a PPP.	
<b>Objective 2: Support the Municipality of Strpce and the Ministry of Finance in investigating transaction options for the Brezovica Ski Resort or other high-priority tourist infrastructure, possibly through Public-Private-Partnership (PPP) arrangements</b>		
Training and capacity building of the Kosovar counterparts in structuring and drafting Terms of Reference for the establishment of the Project Implementation Unit (PIU)	GFSI supported formation of PIU, development of Rules of Procedure for PIU, and delivery of PPP Department training on PPPs.	Completed
Supporting counterparts in developing a project management system	GFSI supported PIU to develop and periodically revise project management plan and timelines.	Completed
Review and verification of existing studies and designs (e.g., the <i>Ecosign</i> report) and assisting counterparts in the process of identification of needs	GFSI reviewed Ecosign reports and supported the PIU in developing a business case taking into account data presented in Ecosign reports as well as data independently collected.	Completed
Assistance in drafting TORs for an international tender to hire a design engineer for the preparation of a preliminary project design that would include engineering options and costing -building upon previous ECLO-funded efforts as necessary	GFSI supported PIU in developing TORs for legal and transaction advisor. Tenders for these advisors were cancelled. GFSI supported detailed specification / coordinates of transaction footprint area subject to tender.	Completed
Supporting the PIU in identifying and contracting a design engineer	GFSI assisted PIU in developing transaction footprint from data compiled in Ecosign reports and from data independently collected and assembled. Based on recommendation of senior PPP Advisor, the ultimate design of resort complex was deferred to bidders / potential investors for resort.	Completed

Task	Description	Status/comments
Based on the preliminary design report, prepare an option analysis that includes but is not limited to market study (needs assessment), capital and operating & maintenance cost plan, risk assessment	GFSI supported the PIU in developing a business case which included vision, development footprint, market analysis and assessment of risks and costs.	Completed
Developing decision-making criteria for the PIU	GFSI supported development of Rules of Procedure for PIU	Completed
Supporting the PIU in understanding the implications of different project variables	GFSI supported PIU in assessing risk of project variables	Completed/ongoing
Providing advice on risk identification, allocation, and mitigation strategies (including credit enhancement strategies)	GFSI conducted an option analysis on how to accelerate the transaction and recommended that potential investors be consulted, that the baseline transaction concepts be refined with a more detailed delineation of the development footprint and a moratorium imposed on construction, and that the government measure investor interest through a procurement seeking expressions of interest in the transaction.	Completed / GFSI continues to support PIU in conducting final selection stage from among pre-qualified potential investors
In close coordination with the transaction advisor and counterparts, provide advice on all aspects of the transaction design, including minimum qualifications and bid evaluation criteria	GFSI supported PIU in developing tender dossier establishing minimum qualifications and seeking expressions of interest from potential investors. Pending zoning of resort footprint area, GFSI has drafted a tender dossier for investor selection, including bid evaluation criteria.	Partially completed / Ongoing pending issuance of RFP for investor selection
Support local counterparts in reviewing deliverables and other	Transaction advisor engagement approach cancelled by counterpart.	Partially completed / Ongoing pending issuance

Task	Description	Status/comments
documents prepared by the Transaction Adviser	GFSI continues assisting PIU in developing tender dossier for investor selection, establishment of data room, draft transaction documents.	of RFP for investor selection
Support with market testing, preparing the data room, stakeholder consultations, and other related activities	GFSI supported PIU in marketing activities through development of project website, brochure materials, road show for GoK officials in four cities - Denver, Dubai, Vienna, and Brussels, to stimulate investor awareness and test interest in transaction. GFSI also supports PIU in establishing data room for investor selection tender	Partially completed / Ongoing pending issuance of RFP for investor selection
Technical advisory services in the drafting and approval of tender documents	GFSI supported PIU in development of Tender Dossiers for investor expressions of interest and for selection of investor	Partially completed / Ongoing pending issuance of RFP for investor selection
Independent analysis of proposals and of evaluation reports	GFSI has assisted ISC in analyzing and evaluating expressions of interest in qualification of four potential bidders. Plan to assist ISC in investor selection bid evaluation upon commencement of final selection procedure	Partially completed / Ongoing pending issuance of RFP for investor selection
Providing support to the government, private investor and/or concessionaire to facilitate financial close	GFSI to assist PIU and ISC in facilitating financial close upon selection and contracting of investor	In progress / Pending tender for selection and contracting of investor
Building capacity for contract management	GFSI provided training to PIU on PPP including training module on contract management. Additional training will be delivered upon selection of	Partially completed / Ongoing pending selection of investor

Task	Description	Status/comments
	investor	

# ANNEX 3 – GFSI DETAILED WORK PLAN ACTIVITIES AND THEIR COMPLETION STATUS

## OBJECTIVE 1 – Support Private Sector Participation through Public-Private-Partnerships and through Support to the Privatization Agency of Kosovo

### Central and Municipal PPP Activities

Tracker ID	Activities	Input Department	Target audience	Project Coordination	Outcome Results
	<b>PPP Activity 1: Consolidate the legal, institutional, &amp; strategic framework for PPP</b>				
PPP 1	Draft and support approval/promulgation of primary and secondary legal framework for PPP, including related legislation (the process for determining tax treatment, contingent liabilities and debt implications, in accordance with international practices. etc.)	PPP COMMITTEE	PPP COMMITTEE, Assembly, Line Ministries, Municipalities Debt unit, EPP Department, Budget Department	BEEP	<p><b>Completed:</b> Improved legal framework for PPP and private investment as well as the process for determining tax treatments, contingent liabilities and debt implications, in accordance with legal requirements</p> <p><b>Activity concluded:</b>  <b>PPP Law (Nov 2011)</b>  <b>Law on State Debt (Jul 2011)</b>  <b>PPP Directives:</b>  <b>1/2011 (Oct 2011)</b>  <b>2/2011 (Oct 2011)</b>  <b>3/2011 (Oct 2011)</b>  <b>4/2012 (March 2012)</b></p>

Tracker ID	Activities	Input Department	Target audience	Project Coordination	Outcome Results
PPP 2	Develop and formalize institutional coordination procedures between municipalities and PPP-ISC.	PPP Unit and Satellite Units	PPP-ISC / Municipalities		<b>Completed:</b> Improved institutional framework through formal procedures and better coordination. Directive on formal procedure for submitting PPP Projects adopted by PPP-ISC ( <b>Oct 2011</b> ) Strengthened PPP Department by admission in to EPEC ( <b>Oct 2012</b> )
PPP 3	Develop PPP Guidelines (Manual) based on PPP project pipeline and new directives	Municipal PPP Departments / PIUs	Line Ministries, POEs and/or municipalities	PPP Dept/selected Municipalities & Ministries	<b>Completed:</b> PPP Guidelines developed <b>Activity concluded July 2012</b>
PPP 4	Consolidate municipal PPP institutional framework	Municipal PPP Departments / PIUs	Municipalities	Kosovo Association of Municipalities (AKK)	<b>Completed</b> on a case-by case basis for the municipalities with which GFSI worked on PPP projects, projects always started with setting up a PIU with municipal staff that would deal with the whole PPP life-cycle. This was completed for: - Peja ( <b>March 2011</b> ) - Suhareka ( <b>June 2011</b> ) - Gjilan ( <b>December 2012</b> ) - Pristina public transport ( <b>Dec 2012</b> )
PPP 5	Develop TOR for municipal contract management teams	PPP Department, central and municipal governments	Central and Municipal Governments		<b>Completed:</b> TOR Developed on a case by case basis.  See above

Tracker ID	Activities	Input Department	Target audience	Project Coordination	Outcome Results
PPP 6	Ongoing program management, including the augmenting of the PPP department regulatory responsibility with a strategic advisory function	PPP COMMITTEE	Central and Municipal Governments /Public/Stakeholders	BEEP	<b>Completed:</b> PPP resource planning, prioritization, and execution, including sustainability of regulatory and strategic advisory functions, continuous activity and ongoing. <b>Activity concluded July 2013.</b>
PPP 7	Develop Multi-Year PPP Strategy and Action Plan for Government and Municipalities	PPP COMMITTEE, PPP Department	Central and Municipal Governments		<b>Completed:</b> Multi-Year Strategy and work plan – Anticipated completion - <b>Activity concluded July 2013</b>
<b>PPP Activity 2: Provide technical assistance for priority PPP transactions across multiple sectors</b>					
PPP 8	Develop and update Project Pipeline	PPP Department, municipal, POEs, line ministries	POEs Municipal & Central Governments		<b>Completed:</b> A robust pipeline of feasible projects continuous process, ongoing. <b>Activity concluded July 2013</b>
PPP 9	Provide technical support for Route 7 – fiber optic communication services	PPP Department MOI	MOI	Regulatory Authority for Electronic and Postal Communication	<b>Project was cancelled</b> due to amendment in Law on Telecommunications and there is no longer any scope for PPP in this sector <b>Activity concluded Nov 2012</b>
PPP 10	Provide technical support for Waste Management Sector	PPP Department, municipal	Municipal Governments	Waste Donor Group (EU, JICA, SDC, GIZ, etc.) Kosovo Association of Municipalities (AKK)	<b>Completed:</b> Complete or substantially complete one or more PPP transactions in sector, completed, Suhareka waste collection PPP has selected a preferred bidder and negotiated the contract. The contract is now pending approval from anti-corruption agency. <b>Completion date GFSI input May 2012</b> Toolkit on PPP in Waste sector: <b>Activity concluded July 2013</b>

Tracker ID	Activities	Input Department	Target audience	Project Coordination	Outcome Results
PPP 11	Provide technical support for Public Parking Sector	PPP Department, municipal, POEs, line ministries	Pristina municipality		<p><b>Completed:</b> Complete or substantially complete one or more PPP transactions in sector. Pristina has submitted the project documents prepared with support from GFSI to the PPP-C and approval is pending.</p> <p><b>Activity concluded April 2013</b></p>
PPP 12	Provide technical support for Market Place development sector	PPP Department, municipal	Municipal Governments		Cancelled due to lack of commitment from municipal governments
PPP 13	Provide technical support for Urban Transport sector	PPP Department, municipal	Municipal Governments	EU Transport Master Plan project	<p><b>Completed:</b></p> <p>Peja bus: <b>completed May 2012</b> (contract signature)</p> <p>Gjilan Bus (work in process <b>anticipated completion date 21 June 2013</b> (completion of tender documents and feasibility study for submission to PPP-C)</p> <p>Ongoing activity:</p> <p>Pristina public transport: public transport plan, memorandum of implementation and viability assessment and study trip,</p> <p><b>Activity concluded July 2013</b></p>
PPP 14	Provide technical support for Motorway Service Areas on Rt 7	PPP Department	MOI		<p><b>Completed:</b> Feasibility study and tender documents and draft contracts for 3 MSA PPP projects approved by PPP-C in April 2013</p> <p><b>Tender procedures started first week of July 2013</b></p>

Tracker ID	Activities	Input Department	Target audience	Project Coordination	Outcome Results
<b>PPP Activity 3: Assist to develop contract governance and oversight structures for PPP</b>					
PPP 15	Establish legal and institutional framework for contract governance of the Pristina International Airport (PIA) PPP	PPP COMMITTEE	PIA PPP/ PPP COMMITTEE		<p><b>Activity transferred</b> to the MoF PPP Department.</p> <p>The MoF PPP Department was appointed temporary Project Management Unit (PMU) for the Pristina International Airport (PIA). This is still the case. During year 2 the PPP Department prepared tender documentation for the procurement of an outside company to carry out the role and a RFP has still not been issued to date. It is understood that this is currently still on hold awaiting approval from the MoF to fund the procurement.</p>
PPP 16	Establishment of PMU Pristina International Airport – Recruitment, Funding, Training	Central government	PPP Department		
PPP 17	PMU training / capacity building	PPP COMMITTEE	PMUs (PIA, Brezovica, Motorway Areas, Peja, etc.)		
PPP 18	Recruit key PMU personnel for PIA PPP	PPP COMMITTEE	PIA PMU		
PPP 19	Ongoing performance monitoring and compliance audit support to PMU	Central and municipal government PMUs	PMUs (PIA, Brezovica, Motorway Areas, Peja, etc.)		
PPP 20	Support to PIU Pristina International Airport	Central government	PPP Department		
<b>PPP Activity 4: Implement a multi-sector PPP and project financing capacity building program</b>					
PPP 21	Institutionalized Training Course Delivery	Trainers	Public and private sector practitioners (including (Local consultants, accounting and law firms)	KIPA	<p><b>Completed:</b> certified trainers are implementing the training course base on materials provided by GFSI. The GFSI train the trainers program trained 942 government officials (central &amp; municipal), this will continue into the future.</p> <p><b>Activity concluded July 2013</b></p>

Tracker ID	Activities	Input Department	Target audience	Project Coordination	Outcome Results
PPP 22	Selection of Trainers and Learning Center	PPP COMMITTEE	n/a	KIPA	<b>Completed:</b> Qualified trainers and learning center have been selected and trained. <b>Activity concluded July 2012</b>
PPP 23	Train the Trainers	PPP COMMITTEE	Trainers		<b>Completed:</b> Sustainable training capacity was created <b>Activity concluded July 2012</b>
PPP 24	Regular delivery of targeted training and seminars	PPP Department	Public and private sector practitioners and law firms	KIPA/PPP Dept/UNDP/BEEP	Ongoing activity. As per May GFSI PPP Team and the trainers trained by the GFSI train the trainers program trained 942 government officials (central & municipal), this will continue into the future. <b>Activity concluded July 2013</b>
PPP 25	Design and Development of standardized curriculum	Trainers	Public and private sector practitioners	KIPA	<b>Completed:</b> Training adopted as part of KIPA training curriculum <b>Activity concluded July 2012</b>
PPP 26	Development of course materials and manuals	Trainers	Students		<b>Completed:</b> <b>Activity concluded July 2012</b>
PPP 27	Identify (including location) and structure study tour opportunity	PPP COMMITTEE	PPP Practitioners		<b>Completed:</b> Study tours were held to: Czech Republic (7-11 March 2011) Croatia (9,10 Oct 2012) Netherlands (26-28 June 2013) <b>Activity concluded June 2013</b>

Tracker ID	Activities	Input Department	Target audience	Project Coordination	Outcome Results
PPP 28	Institutionalized Training Course Delivery	Trainers	Public and private sector practitioners	KIPA/Chambers of Commerce/ Academic organizations	<b>Completed:</b> Increased PPP capacity ongoing activity. <b>Activity concluded July 2013</b>
PPP 29	Undertake study tour (e.g., Croatia, Netherlands)	PPP Department	Central & Municipalities Governments and POEs		<b>Completed</b> Study tours were held to: Czech Republic ( <b>7-11 March 2011</b> ) Croatia ( <b>9,10 Oct 2012</b> ) Netherlands ( <b>26-28 June 2013</b> )
PPP 30	Regular delivery of targeted training and seminars	PPP Department	Public and private sector practitioners (including Local consultants, accounting and law firms)	UNDP/BEEP/AmCham	<b>Completed:</b> Round table on PPP opportunities with AmCham for 21 representatives of business private sector in Kosovo <b>Activity concluded May 2011</b>  Round table on opportunities for private business inclusion on PPP with UNDP <b>Activity concluded June 2012</b>  Conference on PPP in transport sector in the West Balkans, Dubrovnik – made available by the project to PPP Department and Peja municipality <b>Activity concluded October 2012</b>
<b>PPP Activity 5: Promote positive environmental impact through public-private-partnerships</b>					
PPP 31	Develop targeted training module on environmental planning, mitigation, and monitoring measures in PPP projects	PPP Department	Line ministries and municipalities	Environmental Protection Agency (KEPA)/MOE&SP	<b>Completed:</b> Environmental training <b>Activity concluded May 2013</b>

Tracker ID	Activities	Input Department	Target audience	Project Coordination	Outcome Results
PPP 32	Delivery of environmental training module	PPP Department	Line ministries and municipalities		<b>Completed:</b> Environmental training on PPP delivered to local authorities in Nov/Dec 2012 and to central authorities. <b>Activity concluded May 2013</b>
<b>PPP Activity 6: Establish a Project Development Facility (PDF), if supported</b>					
PPP 33	Feasibility Study for PDF Development	PPP Department	Central & municipal governments	Donors, MOF,	<b>Completed:</b> Issues for establishment of PDF identified <b>Activity concluded July 2013</b>
PPP 34	Assistance in implementation of PDF	PPP Department	Central & municipal governments		<b>Completed:</b> Support for PDF development – drafting operation guidelines and charter <b>Activity concluded July 2013</b>

#### Motorway Support Activities

Tracker ID	Activities	Input Department	Target audience	Project Coordination	Outcome Results
<b>MSA Activity 1: R6 and R7 Transaction Preparation</b>					
MSA 1	R6 Procurement and project structure options analysis	PPP Dept	MOI		<b>Completed:</b> Options analysis completed <b>Activity concluded February 2012</b>
MSA 2	PPP project preparation of O&M concession on motorway R7	GFSI	MOI		<b>Completed:</b> Request for qualification Transaction Advisor issued <b>Activity cancelled in Sept 2012 on request of USAID</b>
MSA 3	R6 Economic viability assessment	MoF PPP Department, Macro and	MOI, IMF, WB	<b>IMF, WB</b>	<b>Completed:</b> Economic viability report approved by WB and accepted by IMF <b>Activity concluded March 2013</b>

Tracker ID	Activities	Input Department	Target audience	Project Coordination	Outcome Results
		Property Tax Department, Mol			

### Brezovica Resort Development Project Support Activities

Tracker ID	Activities	Input Department	Target audience	Project Coordination	Outcome Results
<b>Brez Activity 1: Support Formation of ISC and evaluate transaction options</b>					
Brez 1	Development of Decision Rules for Inter-ministerial Steering Committee (ISC) and formation of Project Implementation Unit (PIU); Support to organize ISC meetings and agenda; regular coordination meetings with Chairperson of ISC	PIU	MTI/ISC	GoK; PAK; Municipality of Shterpce;	<b>Completed:</b> ISC and PIU Established. <b>Activity concluded Feb 2012</b>
Brez 2	Development of business case, options analysis, legal analysis, initial footprint of Brezovica Resort Development Project (BRDP) taking into consideration existing resort development planning by ECLO project	PIU	MTI/ISC	GoK; PAK; Municipality; Ministry of Environment and Spatial Planning (MESP)	<b>Completed:</b> Business Case/options analysis/legal analysis approved by ISC <b>Activity concluded May 2012</b>
<b>Brez Activity 2: Support for Transaction Advisory</b>					
Brez 3	Development of SOW for Legal Advisor; assist MTI in tender for Legal Advisor to prepare documents for transaction and conduct transaction.	PIU	MTI/ISC		<b>Completed:</b> International Tender Conducted / Bids received but tender cancelled by MTI. <b>Activity concluded June 2012</b>
Brez 4	Development of SOW for comprehensive Transaction Advisor (TA) to design, market, prepare document for and conduct transaction; assist MTI in tender for TA.	PIU	MTI/ISC		<b>Completed:</b> International Tender conducted; no bids received. <b>Tender cancelled Nov. 2012.</b>
<b>Brez Activity 3: Develop Communications Strategy for transaction</b>					

Tracker ID	Activities	Input Department	Target audience	Project Coordination	Outcome Results
Brez 5	Develop Marketing materials, brochure, project website	PIU			<b>Completed:</b> Brochure and project website completed. <b>Activity concluded August 2012</b>
Brez 6	Focus Groups to define issue points, identify champions, identify and understand opposition, develop messaging response strategies, and understand local media	PIU	MTI/ISC/ Municipality / General Public		<b>Completed:</b> Issue points, champions, opponents, and response strategies identified. <b>Activity concluded June 2012.</b>
Brez 7	Development and adoption by ISC of Communications Strategy	PIU	MTI/ISC		<b>Completed:</b> Communications Strategy adopted <b>Activity concluded Sept. 2012</b>
<b><i>Brez Activity 4: Realignment of Transaction Support Approach</i></b>					
Brez 8	Market assessment and options analysis for ISC to accelerate implementation of BRDP	PIU	MTI/ISC		<b>Completed:</b> ISC decision to adopt revised implementation plan. <b>January 2013</b>
Brez 9	Activities to develop transaction following revised implementation plan; Coordination with PAK; MESP on transaction critical issues, asset transfer, re-zoning.	PIU	MTI/ISC/MESP/ PAK		<b>In Progress.</b> <b>Activity to continue ongoing through Aug. 2013</b>
<b><i>Brez Activity 5: Support Request for Expression of Interest for Transaction</i></b>					
Brez 10	Development of transaction documentation – Information Memorandum; detailed BRDP Footprint, develop data room, tender dossier for BRDP EOI	PIU	MTI/ISC		<b>Completed:</b> EOI tender process commenced and published <b>January 2013</b>
Brez 11	Assistance to MTI in marketing of Transaction internationally via road show conferences in Denver, USA, Dubai, Vienna, and Brussels to stimulate investor awareness and interest in transaction	PIU/MTI	Investor community		<b>Completed:</b> Investor interest in transaction confirmed; EOIs received; 4 EOIs selected for participation in RFP for transaction. <b>Activity concluded May 2013</b>
<b><i>Brez Activity 6: Final Asset Preparation</i></b>					

Tracker ID	Activities	Input Department	Target audience	Project Coordination	Outcome Results
Brez 12	<p>Site Availability: Support the ISC and Government of Kosovo in preparing and executing the transfer of ownership of assets within the Development Footprint to the Republic of Kosovo. Specific activities include:</p> <ul style="list-style-type: none"> <li>i. Assistance to the MoF on issues relating to the expropriation program</li> <li>iii. Coordination with PAK on the development and implementation of an asset transfer plan for INEX assets located within the development footprint .</li> </ul>	PIU	MTI/ISC	GoK; PAK; Municipality; MF/PTD; ISC	<p><b>In Progress:</b> Finalization and delivery to ISC of the draft Expropriation Elaborate (EE), including a copy of the ownership list.</p> <p><b>Activity to continue ongoing through Aug. 2013</b></p>
Brez 13	Zoning Plan - assistance to the ISC in ushering the spatial planning and zoning plan through legally required processes, including Government Decisions, Legislative Committee Review, and Assembly Approval.	PIU	MTI/ISC	MESP; GoK; Assembly; ISC	<p><b>In Progress:</b> Government and Assembly approval of zoning plan</p> <p><b>Activity to continue ongoing through Aug. 2013</b></p>
	Environmental Considerations - continuous review and analysis of environmental considerations relating to the project, including obtaining an independent assessment of potential environmental issues.	PIU	MTI/ISC	MESP; GoK;	<p><b>In Progress:</b> Independent assessment of potential environmental issues obtained</p> <p><b>Activity to continue ongoing through Aug. 2013</b></p>
<b>Brez Activity 7: Transaction Implementation</b>					
Brez 14	<p>Procurement Management:</p> <ul style="list-style-type: none"> <li>i. Preparation of responses to questions and requests for clarification submitted by potential bidders (ongoing)</li> <li>ii. Review and issuance of draft contracts (including baseline ground lease agreements)</li> </ul>	PIU	MTI/ISC	ISC; MTI	<p>Procurement to be initiated pending rezoning and ISC decision</p> <p><b>Activity to continue ongoing through Aug. 2013</b></p>

Tracker ID	Activities	Input Department	Target audience	Project Coordination	Outcome Results
	<ul style="list-style-type: none"> <li>iii. Management of Data room (ongoing)</li> <li>iv. Preparation and delivery of pre-bid meeting</li> <li>v. Management of public consultations regarding bidder development concept</li> <li>vi. Management of Bidders (ongoing)</li> <li>vii. Preparation for bid evaluations</li> </ul>				
Brez 15	Transaction Management <ul style="list-style-type: none"> <li>i. Project Management (including timelines, coordination of third party consultants, risk registries, etc.)</li> <li>ii. Stakeholder Management</li> <li>iii. Advise ISC and other GoK officials on all issues relating to BRDP (ongoing)</li> </ul>	PIU		GoK; ISC/MTI	Activity to continue ongoing through Aug. 2013
	<b>Brez Activity 8: Other BRDP Activities</b>				
Brez 16	Public Relations / Outreach (ongoing)	PIU	MTI/ISC	MTI/ISC; GoK	Activity to continue ongoing through Aug. 2013
Brez 17	Post Award Preparation, including assistance to the GoK relating to project related government obligations, budgets, contract governance, etc.	PIU	MTI/ISC		Activity to continue ongoing through Aug. 2013

## OBJECTIVE 2 – Fiscal Stewardship

### Public Financial Management Municipal Activities

Tracker ID	Activities	Input Department	Target audience	Project Coordination	Outcome Results
	<b>PFM Activity 1: Conduct an inventory of current PFM practices through PEFA self-assessment</b>				

Tracker ID	Activities	Input Department	Target audience	Project Coordination	Outcome Results
PFM 1	PEFA Regional Roll Out Phase, including initiation of assisted self-assessment application in six municipalities, roll out of technical trainings and lessons learned for counterpart municipal teams, and establishment of work relations with involved municipal authorities.	AKM Selected Sample Municipalities Cadre of municipal PEFA assessors	PEFA Sample Municipalities AKM/BFC		<b>Completed:</b> PEFA concept introduced to the 6 Local Government officials  PEFA Sample Municipalities selected and agreed upon [Gjakova, Peja, Ferizaj, Gjilan, Istog and Novoberdo]; Mayors committed to lead and support PEFA process  Municipal Assessment Teams established and trained in PEFA methodology  <b>Activity concluded November 2011</b>
PFM 2	Provide initial coaching to, and conduct a TOT event for, Municipal Budget Dept. MoF on the application of PEFA tool, implementation, assessment and reporting.	Cadre of trained municipal PEFA assessors (from the MoF and 12 PEFA municipalities)	Municipal Budget Department (MBD) staff		<b>Completed:</b> Municipal Budget Department staff members (four of them) were provided with technical training on the application of PEFA tool at municipal level. This is meant for the department, in the future, to serve as the reference points for municipalities which decide to commence a PEFA process.  <b>Activity concluded December 2012</b>
PFM 3	PEFA Implementation Phase, including application of methodology to evidence gathering, analysis, and evaluation supported by GFSI training and coaching for 6 Municipality PEFA Assessors in cooperation and the MoF's Municipal Budget Department.	Municipal Assessment Team	Municipal Assessment Team Municipal Administration Municipal Assembly Central Agencies; OAG		<b>Completed:</b> Implementation of PEFA tool in six municipalities with 6 municipal assessment teams included field visits, data gathering and analysis. Staff member of MBD monitored the process as part of capacity building effort for the future reference for municipalities.  <b>Activity concluded December 2012</b>

Tracker ID	Activities	Input Department	Target audience	Project Coordination	Outcome Results
PFM 4	<b>PEFA Reporting Phase</b> , including the completion of PEFA Reports supported by GFSI technical and analytical input in cooperation and the MoF's Municipal Budget Department. .	Municipal Assessment Team	Municipal Assessment Team MoF OAG		<b>Completed:</b> After implementation phase, PEFA performance reports for 6 individual municipalities were drafted from individual municipal assessment teams, with the assistance of GFSI team. Municipal Budget Department staff members were involved in monitoring the reporting phase.  <b>Activity concluded April 2013</b>
	<b><i>PFM Activity 2: Based on PEFA self-assessment, develop and implement municipal PFM Action Plan and associated training program</i></b>				
PFM 5	PFM Action Plan Inception Phase, including conceptualizing planning needs, analysis of the first PEFA Performance Reports, coordination with the national PFM Action Plan implementation, establishment of work relations with counterpart municipal authorities	PEFA Pilot Municipalities Relevant Donor Projects Kosovo PEFA Secretariat	PEFA Pilot Municipalities		<b>Completed:</b> Concept framework for Municipal PFM action planning established  <b>Activity concluded August 2012</b>
PFM 6	PFM Action Plan Development Phase, including development of actionable work plans for individual municipalities, determination of "Quick Gains" reform actions	PEFA Pilot Municipalities Relevant Donor Projects	Municipalities AKM/BFC MoF, MLGA		<b>Completed:</b> Municipalities equipped with actionable and practical tools and timetable to start improvements in PFM internal practices  PFM Quick Gains actions identified and understood by municipal administration  <b>Activity concluded November 2012</b>
PFM 7	PFM Action Plan Implementation and Monitoring Phase, including introduction of Municipal PFM Score Card, continuation of subject-specific training and hands-on assistance, incorporation of feedback from PEFA assessment into ongoing monitoring and review of PFM Action Plans	Municipalities PEFA Assessment Teams	Municipalities AKM/BFC MOF, MLGA	DEMI, BEEP	<b>Completed:</b> Combined with activities under PFM 9, PFM 10, AND PFM 11  <b>Activity concluded February 2013</b>

Tracker ID	Activities	Input Department	Target audience	Project Coordination	Outcome Results
PFM 8	PFM Action Planning roll out to the Group II of counterpart municipalities upon the completion of PEFA self-assessment	Municipalities	Municipalities	DFID, DEMI, BEEP	<b>Completed:</b> Local Government PFM reform plan developed, which served as good basis for individual municipality action plans after PEFA assessments concluded in Gjakova, Peja, Ferizaj, Gjilan, Istog and Novoberdo  <b>Activity concluded November 2012</b>
PFM 9	Concluding the development of actionable work plans for 11 municipalities which completed PEFA assessment (y1, y2)	Sample Municipal Assessment Teams	Municipalities AKM/BFC MoF, MLGA	DEMI, BEEP	<b>Completed:</b> All 11 municipalities have action plans developed and approved in PFM internal practices.  <b>Activity concluded November 2012</b>
PFM 10	<b>PFM Action Plan Implementation Phase</b> , including development of <b>GFSI training program</b> to support actionable work plans, delivery of subject-specific workshops, roll out of lessons learned and feedback from ongoing PEFA assessments, cooperation and coaching provided to BFC forums, liaison with Central agencies on adapted processes and procedures. This will be developed with in cooperation with relevant donors.	PEFA Municipalities	First and Second group PEFA Municipalities AKM/BFC. MoF, MLGA	DEMI, BEEP; EU Twinning Project European Cooperation for Stronger Municipalities support to MLGA; SWISS Logos project support to municipalities; OSCE	<b>Completed:</b> Subject specific trainings organized by GFSI on: property tax, strengthened approach towards mid-term budgeting, improving annual financial reporting for municipalities.  Subject specific trainings as agreed with other relevant projects such as: DEMI on improving oversight role of the municipal assembly towards local government finances; EU Twinning training for municipalities in improving internal financial reporting; and development of integrated plan as part of municipality M-MTEF work  <b>Activity concluded March 2013</b>
PFM 11	<b>PFM Action Plan Monitoring Phase</b> , including introduction of Municipal PFM Score Card, continuation of subject-specific training and	First and Second group of PEFA	First and Second group of PEFA	DEMI, BEEP	<b>Completed:</b> 11 PEFA municipalities assigned a coordinator who coordinated the monitoring and reporting effort on

Tracker ID	Activities	Input Department	Target audience	Project Coordination	Outcome Results
	hands-on assistance, incorporation of feedback from PEFA assessment into ongoing monitoring and review of PFM Action Plan and trainings	Municipalities PEFA Assessment Teams	Municipalities AKM/BFC MoF, MLGA		progress against approved action plans. A comprehensive progress report on implementation of municipality action plans for the first 6 months was completed in February 2013. This process set the stage for municipalities to continue further monitoring and reporting on the progress achieved in the second half of the year, after the implementation of the action plans <b>Activity concluded February 2013</b>
<b><i>PFM Activity 3: Phase in a Municipal MTEF approach into municipal budget process</i></b>					
<b>PFM 12</b>	M-MTEF Initial Application Phase, including technical assistance in preparation of the 2012-2014 MTEF drafts, general training and coaching guidance	Municipal executive and legislative branches Municipal administration	Municipalities AKM/BFC Relevant Donor Projects		<b>Completed:</b> Municipalities provided with MTEF Model solution. Municipalities utilized and embodied M-MTEF approach in their annual budget process <b>Activity concluded May 2011</b>
<b>PFM 13</b>	<b>Concluding M-MTEF 2013-2015</b> GFSI support to selected number of municipalities in a hands-on process in cooperation with DEMI/USAID and DFID.	Six selected Municipalities Municipal Budget Department, MoF	Six selected municipalities Municipal Budget Department Committee for Policy and Finance of six selected Municipal Assemblies	DFID, DEMI, BEEP	<b>Completed:</b> Gjilan, Peja, Vushtrri, Novberdo, Istog and Gracanica were part of hands-on assistance process during their mid-term budget preparation. All six produced a mid-term budget framework based on suggested solution as provided by the USAID/GFSI. All of them approved by respective municipal assemblies. <b>Activity concluded July 2012</b>

Tracker ID	Activities	Input Department	Target audience	Project Coordination	Outcome Results
PFM 14	<b>Review and Amend Municipal Budget Circular I &amp; II 2013-2015</b> , present findings, lessons learned and recommendations for 2014-2016. Utilize and embody this approach in to next budget cycle, provide input to Grants Commission.	Municipalities Municipal Budget Department, MoF	Grants Commission Municipalities Municipal Budget Department AKM/BFC Committee for Policy and Finance of six selected Municipal Assemblies	BEEP; DEMI; EC, UST, IMF	<b>Completed:</b> Municipal Budget Circular was reviewed and merged with activity PFM 15 as a part of comprehensive assessment of M-MTEF. Review was followed with issuance of a number of recommendations some of which were incorporated in the amended Municipal Budget Circular 2014-2016.  <b>Activity concluded May 2013</b>
<b>PFM Activity 4: Strengthen the capacity of municipalities to integrate an M-MTEF approach into municipal budget processes</b>					
PFM 15	Review Phase of M-MTEFs submitted by municipalities in y2, including development and publication of lessons learned and further guidance and recommendation, including the application of gender issues in policy development, assessment of initial application experience and hands-on process provided in Y1 - Y2.	AKM/BFC MoF	Municipalities AKM/BFC MoF, MLGA	DEMI, BEEP	<b>Completed:</b> Municipalities provided with a comprehensive assessment of how M-MTEF approach to budgeting was utilized in the prior budget cycle. Conclusions and recommendations were provided as an input to new budget cycle  <b>Activity concluded May 2013</b>
PFM 16	M-MTEF Implementation Phase GFSI technical assistance in the preparation of the 2014-2016 MTEF drafts , training and coaching guidance, hands-on assistance to one municipality.	Municipal executive and legislative branches  MoF	Municipalities, AKM/BFC MoF, MLGA	DEMI, BEEP	<b>Ongoing:</b> Shterpce municipality is selected to receive hands-on assistance during their preparation of MTEF 2014. A first version of document has been approved by the Local Assembly, however adjustments will be made based on the second budget circular,

Tracker ID	Activities	Input Department	Target audience	Project Coordination	Outcome Results
					once released by the MoF <b>Activity to be concluded August 2013</b>
<b><i>PFM Activity 5: Ensure sustainability of major activities related to municipal PFM area</i></b>					
PFM 17	Identify and implement a workable solution with relevant institution who will sustain PEFA, Municipal PFM Action Planning and Implementation as well as M-MTEF work, after project leaves	AKM and its sectorial Committees, Kosovo PEFA Secretariat Municipal Budget Department	AKM and its sectorial Committees, Kosovo PEFA Secretariat Municipal Budget Department		<b>Ongoing:</b> Workshop with Municipal Budget Department staff members will be delivered in August to refresh PEFA application tool and monitoring of municipal action plan implementation. Lessons learned with M-MTEF assistance and its utilization during next cycle of budget formulation <b>Activity to be concluded August 2013</b>
<b><i>PFM Activity 6: Strengthen the system of fiscal intergovernmental relations</i></b>					
PFM 18	Periodical training and workshops for the Grants' Commission Secretariat and AKM in advocacy and policy setting	Municipalities AKM	Grants Commission	DEMI,	<b>Canceled</b> Both activities under PFM 18 and PFM 19 were incorporated with Municipal Budget Department original request; however there was a lack of commitment towards these two activities from MBD which made impossible its implementation.
PFM 19	Assist the Grants' commission Secretariat to improve the quality of reporting in relation with the assessment of the appropriateness of the Municipal financing system	Grants Commission Secretariat/Municipalities	Grants Commission Secretariat/Municipalities		

## Assistance to Property Tax Department

TRACKER ID	ACTIVITIES	INPUT DEPARTMENT	TARGET AUDIENCE	PROJECT COORDINATION	OUTCOME RESULTS
<b>Prop Tax 1: Ensure that annual audits of property tax offices provide feedback to municipalities.</b>					
PT 1	Conduct the review of audit model 2011, formulate lessons learned, and feed back into assistance in annual Audit Process and municipal action planning.	MoF Property Tax Department	MoF Property Tax Department (PTD)	SIDA, BEEP, DEMI	<b>Completed:</b> Audit Reports are comprehensive in the scope and quality of recommendations underpinning improvements in property tax administration practices. <b>Activity concluded March 2013</b>
PT 2	Training of implementation PEFA recommendation related of property tax- example: Preparation plan to conduct verification of 1/3 of registered properties.				<b>Completed:</b> Municipalities are prepared to implement their obligations that are in the law and administrative guidance. <b>Activity concluded June 2013</b>
PT 3	Preparation two guidelines:  How it works simulation tool for assessment and taxation properties.  How can division debt and tax in the pts between privatized social enterprise that is privatized and new taxpayer who has purchased.				<b>Completed:</b> Municipalities can simulation and planning the amount of property tax in the municipal budget. More efficient management of data and identification debts of social enterprise. <b>Activity concluded September, 2012</b>
PT 4	Continue delivery of tailored training initiatives in support to the implementation of recommendations from the 2011 Audit Reports				<b>Completed:</b> Municipal Offices capable to address gaps identified in Audit Reports <b>Activity concluded March 2013</b>
PT 5	Assist the MoF's PTD to coordinate efforts with STA/SIDA for drafting the detailed work plan (Inception Report) for the Project to expand the current property tax to include land tax.	MoF PTD, Municipalities, KCA	MoF	SIDA, BEEP, DEMI	<b>Completed:</b> Approved plan and budget for starting the new LAND TAXATION PROJECT (Protax Land). <b>Activity to be concluded August 2012</b>

TRACKER ID	ACTIVITIES	INPUT DEPARTMENT	TARGET AUDIENCE	PROJECT COORDINATION	OUTCOME RESULTS
PT 6	Subject to Government approval, assist in starting preparatory works to expand property tax to include taxation of land:  ProTax Land Elaboration Phase			SIDA, PTD	<b>Partially Completed: ProTax 2</b> Project on Land Tax is currently pending official funding approval from SIDA. Assistance has been provided to PTD to meet the conditions set by SIDA (LFPM and cadastral data).  <b>Activity concluded July 2013</b>
<b>Activity 2: Calibrate new mass appraisal models</b>					
PT 7	Implement training outreach and initiatives targeted to surveyors, property tax users, and property tax managers on business planning— <i>ongoing onwards</i>	MoF Property Tax Department Municipalities	MoF Property Tax Department Municipalities	SIDA	<b>Completed:</b> Understanding of property tax system improved among the key stakeholders  <b>Activity concluded June, 2013</b>
PT 8	Develop documentation and guidance for new appraisal models for each municipality				<b>Partially Completed:</b> New appraisal models implemented in three municipalities (Gjakova, Shtime and F. Kosovo) and training and documentation provided for the rest.  <b>Activity concluded May 2013</b>
PT 9	Assist in the preparation of the 2013 mass taxation				<b>Completed:</b> The 2013 mass taxation completed  <b>Activity concluded January, 2013</b>
PT 10	Support develop and maintenance of the PTS including defining new requirements, planning, testing, training, analysis etc.				<b>Completed:</b> PTS is documented, developed and supported in accordance with the Property Tax Law and administrative directives.  <b>Activity concluded June, 2013</b>

TRACKER ID	ACTIVITIES	INPUT DEPARTMENT	TARGET AUDIENCE	PROJECT COORDINATION	OUTCOME RESULTS
<b>Activity 3: Train in the use of the property tax IT solution and administrative best practices.</b>					
PT 11	Assist in developing a plan for Collection and Enforcement for delinquent taxpayers, roll out to individual municipalities/preparation request for final notice	MoF Property Tax Department, Municipalities	MoF Property Tax Department Municipalities	SIDA, BEEP, DEMI	<b>Completed:</b> Municipalities capable to address enforcement issues <b>Activity concluded November, 2012</b>
PT12	Assist and coordinate IT development, maintenance, and know-how transfer to MoF IT	IT Municipalities	IT Municipalities	SIDA	<b>Completed:</b> Development and maintenance needs of Property Tax Department effectively supported IT system integrated and communicating with systems in other institutions to support collections <b>Activity concluded March, 2013</b>
PT 13	Promote openness and transparency of property tax data to public, including system development and training initiatives on reporting			SIDA, BEEP, DEMI	<b>Completed:</b> Improved communication with taxpayers. Tools facilitating openness of data developed. <b>Activity concluded December, 2012</b>
PT 14	Develop and support the implementation of quarterly workshops for municipalities on advanced tax administration techniques and implementation of new IT solutions, including such aspects as training in the use of IT solution to simulate impact of rate changes on municipal budgets, transparency and access to information, property tax public information campaigns	MoF Property Tax Department Municipalities	MoF Property Tax Department Municipalities	SIDA, BEEP, DEMI	<b>Completed:</b> Municipalities capable to utilize functions of the new IT solution Property tax policies and administration is strategically linked to and feeds into Municipal MTEF and budget processes, taxpayers' acceptance of property taxation increased. <b>Activity concluded May, 2013</b>
<b>Activity 6: Training on the use of the Property Tax IT solution</b>					
PT 15	Prepare training materials		Municipalities, PTD	SIDA Property Tax project	<b>Completed:</b> Training on the use of the Property Tax IT Solution has happened in stages throughout the project. A

TRACKER ID	ACTIVITIES	INPUT DEPARTMENT	TARGET AUDIENCE	PROJECT COORDINATION	OUTCOME RESULTS
					broad training has been provided initially with additional training as new functionality was added to the system. <b>Activity concluded May 2013</b>
PT 16	Prepare training plan for each municipality		Municipalities, PTD	SIDA Property Tax project	Completed: Training on the use of the Property Tax IT Solution has happened in stages throughout the project. A broad training has been provided initially with additional training as new functionality was added to the system. <b>Activity concluded May 2013</b>
PT 17	Provide training		Municipalities, PTD	SIDA Property Tax project	<b>Completed:</b> Training on the use of the Property Tax IT Solution has happened in stages throughout the project. A broad training has been provided initially with additional training as new functionality was added to the system. <b>Activity concluded May 2013</b>

## Budget

TRACKER ID	ACTIVITIES	INPUT DEPARTMENT	TARGET AUDIENCE	PROJECT COORDINATION	OUTCOME RESULTS
	<b>Activity 1: Continue Implementation of PFM Action Plan</b>				
B 1	Support the MoF and OPM in revising procedures, to improve links between strategic planning, policy making and budget through the development of a RoK's Policy Priority Statement.	MoF &, OPM	Director Budget Department, Director Strategic Planning in	DFID, WB	<b>Completed:</b> Improved budget procedures that promote greater consideration of fiscal impacts in policy decisions. A Strategic Expenditure Review was

TRACKER ID	ACTIVITIES	INPUT DEPARTMENT	TARGET AUDIENCE	PROJECT COORDINATION	OUTCOME RESULTS
			OPM; Budget and Fiscal commission		<p>conducted with line ministries, through cooperation between GFSI, DFID, Budget Department and PMO. The review highlighted areas for improvement in the budget process and a set of recommendations were produced which would generally improve budgeting and enable better performance of public expenditures. The SER Report was finalized in Year 2 (February 2012).</p> <p>A budget cycle document was produced in Year 3 (May 2013) to give an overall picture of the budget cycle and include recommendations highlighted in the SER Report.</p> <p><b>Activity concluded May 2013</b></p>
B 2	Initiate review of the FMIS Chart of Accounts, having regard to the outcomes sought in the PFMAP and for decentralization.	MOF, municipalities	Deputy Director Treasury, Director of Budget, Municipal Finance Officers		<p><b>Completed:</b> Chart of Accounts that includes enhanced functional classification and is expended to promote use of FMIS for sub-units in municipalities.</p> <p><b>Completed in Year 1</b></p>
B 3	In conjunction with DFID assist the MoF's Budget Department to prepare methodology for costing new policy initiatives (NPIs).	MoF Budget Department	Minister, Director of Budget & Director of Strategic Planning (OPM), Line Ministries	DFID,	<p><b>Completed:</b> Preparation of costing manual and instruction issued on requirements for costing NPIs.</p> <p>A costing manual was produced by DFID with GFSI contribution in April 2012 and updated by GFSI in April 2013 to reflect requirements of the Budget</p>

TRACKER ID	ACTIVITIES	INPUT DEPARTMENT	TARGET AUDIENCE	PROJECT COORDINATION	OUTCOME RESULTS
					Department/MF. <b>Activity concluded April 2013.</b>
B 4	In conjunction with DFID assist the MoF's Budget Department to deliver training on the application of costing methodology for NPIs.	MoF Budget Department	Director of Budget & Director of Strategic Planning (OPM), Line Ministries KIPA	DFID	<b>Completed:</b> All line ministries trained on costing NPIs All line ministries were trained by DFID on program budgeting generally and on costing NPI's, during May 2012. Another round of training line ministries was completed in May 2013, after passing of an Administrative Instruction which enforces use of the costing methodology by line ministries. <b>Activity concluded May 2013.</b>
B 5	Introduce Performance management in the budget process	MoF Budget Department	Budget Director Line Ministries	WB	<b>Completed:</b> The costing manual includes some parts that are related to defining and costing key performance indicators (KPIs). Training of line ministries has also included key performance indicators. <b>Activity concluded May 2013</b>
B 6	In conjunction with DFID assist the MoF to harmonize the planning cycle and budget cycle leading into the 2014 Budget Process.	MoF, OPM & DFID (PAI)	Deputy Minister, Director of Budget & Director of Strategic Planning (OPM).	DFID	<b>Completed:</b> An enhanced set of government priorities for the next MTEF, informed by strategic planning activities in line ministries. A Medium Term Policy Priority document was prepared as part of assistance to PMO and the Budget Department/MF to improve planning cycle and serve as input to budget documents. The MTPP was completed

TRACKER ID	ACTIVITIES	INPUT DEPARTMENT	TARGET AUDIENCE	PROJECT COORDINATION	OUTCOME RESULTS
					and the budget cycle document was prepared and submitted to the Budget Department <b>Activity concluded April 2013.</b>
B 7	Support the MoF to design and implement a fiscal rule	MoF		IMF, UTS	<b>Completed:</b> Improved fiscal sustainability through an approved legislated fiscal rule for the 2014 Budget.  GFSI advisors worked intensively with the MoF and the Minister to discuss and negotiate possible options for adopting a fiscal rule with the IMF. The fiscal rule is incorporated in amendments to the Law on Public Financial Management and Accountability which is to be passed in July 2013 <b>Activity concluded July 2013.</b>
B 8	Assist in coordinating update and review of progress against PFM Action Plan.	MoF	Minister, Directors of MoF Departments.	DFID, WB	<b>Completed:</b> Implementation of Government's PFM Action Plan.  Last progress report on the implementation of PFM Action Plan was produced late 2011. Since then secretariat lead by the MoF has not met to measure progress. <b>Activity concluded December 2011</b>
B 9	Assist MoF in undertaking an updated PEFA self-assessment to track progress in implementing PFMAP and revise as required.	MoF	Minister, Directors of MoF Departments.	DFID WB	<b>Completed:</b> PEFA self-assessment completed in July including comments and discussions from all relevant stakeholders, ready to be send to PEFA Secretariat for final review.

TRACKER ID	ACTIVITIES	INPUT DEPARTMENT	TARGET AUDIENCE	PROJECT COORDINATION	OUTCOME RESULTS
					<p>The Ministry of Finance will be updating PFM reform action plan produced in 2009, and respective progress reports, based on PEFA 2013 findings starting September 2013.</p> <p><b>Activity concluded July 2013</b></p>

#### Treasury Activities at the Central and Municipal Level

Tracker ID	Activities	Input Department	Target audience	Project Coordination	Outcome Results
	<b>Activity 1: Ensure that KFMIS meets the needs of municipalities for accounting, financial control and reporting</b>				
T 1	Identify the scope of work and establish working group for review of FMIS in the decentralized environment.	Treasury, Municipalities	Deputy Director of Treasury, Municipal Finance Officers, Director Budget Department		<p><b>Completed:</b> A formal scope of work and working group to review FMIS was not established. However, the issue of KFMIS use as the only accounting tool was raised during visits to municipalities as part of the audit results review process (year 2011 and 2012), as well as during training and seminars with municipalities.</p> <p>There is no common approach among municipalities in terms of using other software for accounting in addition to FreeBalance (KFMIS). Municipalities that can afford such systems (larger in size and in budget) generally have implemented them. Treasury and GFSI have shared the common opinion that KFMIS should be used as an only system</p>

Tracker ID	Activities	Input Department	Target audience	Project Coordination	Outcome Results
					to eliminate duplication of entries, however there are some transactions that KFMIS does not capture (such as invoicing for small revenues, small value assets etc.). <b>Activity concluded October 2012</b>
T 2	Undertake review of FMIS for decentralization and report findings, including a review of the structure of the Chart of Accounts.	Treasury, Municipalities			<b>Partially completed:</b> A review of the Chart of Accounts was undertaken at Treasury with GFSI assistance in year 2010. It mainly consisted in grouping and systematizing economic codes, since the rest of the classification categories are set at Budget level. <b>Activity concluded in 2010</b>
T 3	Incorporate action items for enhancing FMIS decentralization in PFM Action plan. Implement change in chart of accounts for next budget cycle.	Treasury, Municipalities			<b>Completed:</b> FMIS was fully decentralized, with municipalities and budget organizations being responsible for entering all transactions and maintaining records for audit purposes. There was no need for major changes to the Chart of Accounts. Decentralization (or delegation of expenditures) was completed in year 2010. <b>Activity concluded 2010</b>
<b>Activity 2: Raise the standard of accounting professionals at municipal level</b>					
T 4	Assist the MOF to develop a comprehensive training plan to raise the standard of accounting practice. This plan should consolidate all existing and proposed training activities offered by the MOF, SCAAK, GFSI & other technical assistance to	Treasury, Budget Department, Training Unit of MOF	Deputy Director Treasury & Training Coordinator MOF.	WB UST	<b>Completed:</b> Enhanced skills in the accounting profession of the Government.  GFSI was involved in training activities organized by the Treasury internally as

Tracker ID	Activities	Input Department	Target audience	Project Coordination	Outcome Results
	the MOF.				<p>part of certification for FMIS use, as well as in the SCAAK Finance Officers Certification program.</p> <p>A training and certification program for finance officers in budget organizations was organized by SCAAK, MOF and GFSI and continued throughout 2010, 2011 and 2012. Finance officers in municipalities were trained in areas of budget, revenues, expenditures, systems, financial reporting and audit.</p> <p><b>Activity concluded December 2012</b></p>
T 5	Assist Treasury in designing and coordinating providing training on preparation of financial statements.	Treasury, Budget Department, Training Unit of MOF		UST	<p><b>Completed:</b> Continuous improvement in quality of annual financial statements.</p> <p>GFSI has planned and carried out training on preparation of financial statements for municipalities in years 2011, 2012 and 2013, each relating to previous year financial statements. In year 2011 only a sample of municipalities was included in order to test whether this would be beneficial. The training was well received and thus continued, including all municipalities, in years 2012 and 2013.</p> <p><b>Activity concluded January 2013</b></p>
T 6	Systematic retraining on revenue, purchasing and assets modules.	Treasury, Budget Department, Training Unit of MOF			<p><b>Completed:</b> Improved quality of data in FMIS, particularly non-cash items such as payables and assets.</p> <p>GFSI provided a full time trainer to the Treasury systems support team, to provide training for officers requesting</p>

Tracker ID	Activities	Input Department	Target audience	Project Coordination	Outcome Results
					<p>access to Freebalance. Training is tailored according to specific functions of officers and is followed by a test and certification process. Training was provided throughout 2010, 2011, 2012 and 2013, and is driven by budget organization requests to the Treasury. It covered all finance officer functions that enter data and/or extract reports from Freebalance (KFMIS).</p> <p><b>Activity concluded July 2013</b></p>
T 7	Assist MOF in designing template for reporting on annual training activities and in preparing first annual report on training.	Training Unit of MOF	Training Coordinator MOF.		<p><b>Completed:</b> Transparency in reporting on training activities.</p> <p>SCAAK, in cooperation with GFSI has worked with the Training Unit of MOF on reporting training activities. In addition, two seminars (media events) were organized by SCAAK with all parties involved to mark the certification of finance officers that passed through the training process.</p> <p><b>Activity concluded December 2011</b></p>
T 8	Training on preparation of financial statements.	Treasury	Deputy Director of Treasury	UST	<p><b>Completed:</b> Continuous improvement in quality of annual financial statements.</p> <p>GFSI has planned and carried out training on preparation of financial statements for municipalities in years 2011, 2012 and 2013, each relating to previous year financial statements. In year 2011 only a sample of municipalities was included in order to test whether this would be beneficial. The training was well received and thus</p>

Tracker ID	Activities	Input Department	Target audience	Project Coordination	Outcome Results
					continued, including all municipalities, in years 2012 and 2013. <b>Activity concluded January 2013</b>
<b>Activity 3: Enhance Accounting and Reconciliation through Automation of transactions</b>					
T 9	Assist Treasury to finalize financial Rule on revenues. Examine practice at central level for managing small revenue types, including systems, and options to replicate at municipal level.	Treasury	Central Harmonization Unit for PFM.	UST	<b>Completed:</b> Enhanced use of electronic recording and reconciliation of revenues.  Financial Rule on Revenues was finalized with GFSI assistance in October 2010. <b>Activity concluded October 2010</b>
T 10	Revenue database – commence pilot in selected Municipality.	Treasury, municipality	Treasury Director, Mayor and CFO of municipality		<b>Cancelled:</b> This activity was deferred and eventually removed because it required purchase of integrated revenue software for municipalities. The issue was capture of data on invoicing for municipality revenues and reconciliation between such invoices and received payments. It was found that the majority of revenues that require reconciliation between invoices and payments come from Property Tax, and there already was one Property Tax system in place. The rest of the revenues are either fees and charges in small amounts, collection of rental payments or business licenses.  Municipalities were required to report accounts receivable in their Financial Statements, in order to encourage them to collect such data in any form they can. They report accounts receivable
T 11	Monitor pilot implementation of municipal revenue database. Establish help-desk function in Treasury.	Treasury, municipality	Treasury Director, Mayor and CFO of municipality		
T 12	Rollout municipal revenue database.	Treasury, all municipalities.	Treasury Director, Mayor and CFO of municipalities		

Tracker ID	Activities	Input Department	Target audience	Project Coordination	Outcome Results
					since year 2010.
<b>Activity 4: Assist new municipalities in the certification of treasury functions and provide continued professional development</b>					
T 13	Advanced training in treasury and budget related matters, including regular initiatives and participation in SCAAK program	New Municipalities SCAAK	Financial Officers		<p><b>Completed:</b> Financial Officers from New Municipalities completed SCAAK Public Finance program.</p> <p>New municipalities were not included in the SCAAK Public Finance program. This program was closed at the end of 2012.</p> <p>New municipalities were however trained and certified by the trainer provided by GFSI on all functions of Freebalance use, and they currently use the KFMIS system (Freebalance) at the same level as all other municipalities.</p> <p><b>Activity concluded December 2011</b></p>
T 14	Advanced training in Treasury procedures and KFMIS use	Treasury Municipalities Ministries	Financial Officers		<p><b>Completed :</b> Training provided by GFSI trainer in fields below:</p> <ul style="list-style-type: none"> <li>- Commitments</li> <li>- Purchase Orders</li> <li>- Assets</li> <li>- Revenues</li> <li>- Goods Received Notes</li> <li>- Expenditures</li> <li>- Certification/Approval of Payments</li> <li>- Financial Reporting</li> <li>- Internal Control</li> </ul> <p>210 officers were trained in total, as of 14 June 2013. Training will continue on</p>

Tracker ID	Activities	Input Department	Target audience	Project Coordination	Outcome Results
					basis of requests provided by budget organizations to Treasury, until end of project (July 15, 2013). The target is to include 30 more officers in training until July 15, 2013. <b>Activity concluded July 2013</b>
<b>Activity 5: Raise the standard of accounting professionals at municipal level</b>					
T 15	Training on preparation of financial statements.	Treasury	Deputy Director of Treasury		<b>Completed:</b> Continuous improvement in quality of annual financial statements. Training has been completed in January 2013 (21-24 January) covered half by Treasury Reporting Unit with GFSI assistance and half by GFSI. We believe Treasury Unit is able to continue to hold this training, but whether they do will depend on Treasury Director work plans. <b>Activity concluded January 2013</b>
<b>Activity 6: Advance cash flow and asset management</b>					
T 16	Implement FreeBalance upgrade for recording of "obligations" and support the action plan to reduce payment arrears	MOF	Treasury Director	UST	<b>Partially Completed:</b> Reporting of obligations and arrears has been in place since 2012, through a simple excel spreadsheet database prepared by GFSI, but not through Freebalance. This development was linked to implementation of new version of Freebalance which is still in process. It is still not certain when the new version

Tracker ID	Activities	Input Department	Target audience	Project Coordination	Outcome Results
					will go live. <b>Activity concluded January 2012</b>
<b>Activity 7: Improve financial reporting for Municipalities</b>					
T 17	Assist those municipalities with qualified audit reports to prepare action plans to address the non-compliance with the financial reporting compliance	General Auditor, Municipalities, MF			<p><b>Partially Completed:</b> Regarding 2011 audit reports, GFSI conducted visits to those municipalities with qualified audit reports and provided a template for action plans to address audit findings. Municipalities have prepared such action plans and submitted to Treasury. A significant improvement in audit results for year 2012 indicates that there has been improvement in addressing audit recommendations.</p> <p>Action plans for the 2012 audit, depend on 2012 audit reports for municipalities which are to be completed and published before end of June 2013. It is unlikely that there will be time for GFSI to assist municipalities with action plans that address 2012 audit reports. Therefore this activity is to be cancelled as regards 2012 audit.</p> <p><b>Activity concluded October 2012.</b></p>

## OBJECTIVE 3 – Economic Policy

### Economic Policy

TRACKER ID	ACTIVITIES	INPUT DEPARTMENT	Target audience	Project Coordination	Outcome Results
	<b>Activity 1: Serve as the catalyst for economic policies</b>				
EP 1	Conduct an initial assessment of the state of affairs in economic development in general and of private sector development in particular	MOF, Min. of Trade & Industry, Agriculture, Labor and Social Welfare, Transport & Telecoms, Energy & Mining, Education, Sc. & Techn.	MOF, MTI, Chamber of Economy and donor community		<b>Completed:</b> Perspective study/concept paper on development opportunities for Kosovo produced <b>Activity concluded Dec 2012</b>
EP 2	Assist the Government/National Council for Economic Development to better coordinate the way how the economic policy dialogue is developed.	MoF; PMO; Line Ministries	MoF; MED; MTI; PMO; Business community	BEEP	<b>Completed:</b> GFSI provided assistance in preparing NCED meeting agendas through MTI and MoF to improve the way economic policy dialogue is developed. <b>Activity concluded July 2013</b>
EP 3	<b>Activity 2: Assist MF and MTI to monitor and implement EDVAP measures, including:</b>				
EP 3.1	Promoting fiscal discipline through: <ul style="list-style-type: none"> <li>o maintaining bank balance at the sufficient level to ensure budget sustainability</li> <li>o restricting increase of the current spending; and</li> <li>o presenting real estimates of primary budget revenues</li> </ul>	MF EPPD Department, Budget and Treasury Department	MF	BEEP	<b>Completed:</b> So far, all three components of this task (1.2.1) are within the acceptable parameters, as agreed with IMF under the SBA program. GFSI will continue providing assistance to Government through to the end of the project to ensure that the fiscal discipline is preserved.

TRACKER ID	ACTIVITIES	INPUT DEPARTMENT	Target audience	Project Coordination	Outcome Results
					<b>Activity concluded June, 2013</b>
EP 3.2	Adopting the most appropriate fiscal rule which contributes in controlled planning of expenditures within the fiscal framework (see above Objective 2 Budget Activity 1.7 for targeted assistance to the MOF)	MF EPPD Department, Budget and Treasury Department	MF		<b>Completed:</b> Legislation on fiscal rule (1.2.2) has been approved by Government in March. The Assembly has approved the first reading and the second/final reading is expected to take place by July 15. <b>Activity concluded July, 2013</b>
EP 3.3	Custom exemption for a certain group of products which are used as raw materials for production (identification, and determination of the final list of products used as raw materials)	MF EPPD Department	MF		<b>Completed:</b> Supported draft legislation on goods exempted from customs duties and goods with zero rate of the customs duties on February 14, 2013, the President returned the Law back to the Assembly. Draft law is currently being reviewed within in parliamentary committee and is expected to be approved to be approved by early July. <b>Activity concluded July, 2013</b>
EP 3.4	Reduction and prevention of the informal economy	MF EPPD Department,	MF		<b>Completed:</b> Continuous advice is being provided to MoF/EPPD. An example is the extensive discussion on removing VAT for RAW milk, which is expected to integrated farmers into the system <b>Activity concluded May, 2013</b>
EP 3.5	Advancing the medium term planning process (MTEF) with the aim of linking medium term policy planning with annual budgeting policies (see above Objective 2 Budget Activity 1.5 for targeted assistance to the MOF)	MF EPPD Department, TAK	MF		<b>Completed:</b> Medium-term Priority Statement approved (April, 2013); Fiscal rule adopted (July, 2013). Training on the application of costing methodology conducted (during first and second quarter, 2013).

TRACKER ID	ACTIVITIES	INPUT DEPARTMENT	Target audience	Project Coordination	Outcome Results
					<b>Activity concluded July 2013</b>
EP 3.6	Help Government institutions implement the Action Plan for public financial management (PEFA) in order to maintain public expenditure efficiency and new PEFA Assessment (see above Objective 2 Budget Activity 1.5 for targeted assistance to the MOF)	MF Budget, Treasury and EPPD Department	MF		<b>Completed:</b> PEFA assessment report completed. Further assistance to set the dialogue and agree on necessary measures for PFM reform and respective Action Plan needed. <b>Activity concluded July, 2013</b>
EP 3.7	Assist Government negotiate and sign Signing of double tax treaties with other countries	EPP Department	MF		<b>Canceled:</b> It was concluded that the MoF has the resources to handle those negotiations on their own. Also ESTAK has been supporting TAK, which is part of those negotiations
EP 3.8	Improved property tax municipal administration (see above Objective 2 Property Tax for targeted assistance to the MOF and municipality)	MF Property Department	MF		<b>Completed:</b> Increased capacity staff of MoF and Municipalities for the better administration and more effective property tax as well as for better services for taxpayers. <b>Activity concluded July 2013</b>
EP 4	Assist Government institutions to better understand the link between major policy goals, as set in key policy documents of the Government, and structural economic and fiscal measures and their fiscal/budget impact in accordance with annual budget cycle (see above Objective 2 Budget Activity for targeted assistance to the MOF).	PMO; MoF and other Ministries	MoF; MTI; ME	DFID, WB, EC, IMF	<b>Completed:</b> Strategic expenditure review produced (Feb 2012); Medium term Policy Priority statement adopted (April 2013); Fiscal rule approved (July, 2013); Fiscal impact assessment produced for every initiative (continues); Draft budget cycle prepared. <b>Activity concluded July 2013</b>
EP 5	Assist Economic Public Policy Department in MoF in improving economic intelligence, in particular the database on Government tax revenues and	MoF, CBK; Statistical Office	MoF, MTI, economic community		<b>Completed:</b> Time series data available within the Economic Public Policy Department (2012). Not published yet

TRACKER ID	ACTIVITIES	INPUT DEPARTMENT	Target audience	Project Coordination	Outcome Results
	expenditures				<b>Activity concluded 2012</b>
EP 6	Built a comprehensive model for analyzing the debt sustainability for Kosovo.	EPPD; MoF cabinet	MF, GoK	IMF	<b>Completed:</b> Preparation of the model on Debt Sustainability Analysis has two main roles: First, to show to the Ministry and Government what level of future debt is sustainable and what is the level of deficit that leads to that sustainable debt, and second to use this analysis for discussions and negotiations with the IMF missions, in particular when deciding on the level of the overall budget deficit. <b>Activity concluded October, 2012</b>
EP 7	Assist Treasury and other relevant departments within the Ministry of Finance to design a clear process for project-based borrowing	Treasury, Budget, EPPD, MoF cabinet	MoF; Line Ministries; Municipalities		<b>In Progress:</b> A draft has been prepared (May, 2013). Expected to be completed during July, 2013. <b>Activity concluded July 2013</b>
	<b>Activity 3: Work within inter-ministerial arrangements to address policies and build capacity of relevant ministries and institutions to develop appropriate economic policies</b>				
EP 8	Organize an annual training course/workshop on policy design	MoF, MTI, Chamber of Economy	Economic ministries, Central Bank, members of the Assembly (economic committees)	BEEP	<b>Completed:</b> Economic Ministers, with assistance of GFSI conducted a conference in Bankso, Bulgaria to discuss the development of their economic vision. The outcome was a clear statement of economic vision, accompanied by an action plan adopted by the Government. <b>Activity concluded April, 2011</b>
EP 9	Participate in the activities of advisory councils of Government (such as the National Council for Economic Development) where economic policies are discussed and provide the necessary advice to those bodies, with the focus on economic growth, fiscal policies, trade promotion, investment	PMO; Ministry of Trade and Industry; MoF	MTI, Prime Minister, business community	BEEP, KPEP	<b>Completed:</b> Regular participation on NCED meetings and continues advice provided on relevant economic and fiscal issues. <b>Activity concluded July 2013</b>

TRACKER ID	ACTIVITIES	INPUT DEPARTMENT	Target audience	Project Coordination	Outcome Results
	promotion and gender issues.				
EP 10	Provide advice to Government institutions on how best to integrate their policy decisions into the existing or new legislation, through a more structured budget calendar (see above Objective 2 Budget Activity for targeted assistance to the MOF)	MTI; MoF; ME	MTI; MoF; ME	BEEP	<b>Completed:</b> Medium term policy priority statement approved 9 April, 2013); Fiscal rule adopted (July, 2013); SER produced (Feb 2012); Training on the application of costing methodology conducted; Draft budget cycle produced. <b>Activity concluded July 2013</b>
EP 11	As required, provide support to conducting complex analysis on economic policy impacts of specific initiatives, such reforms on different social areas and private sector development, as specified in Government plans.			IMF	<b>Completed:</b> An example is the analysis and proposal to introduce rules based Minimum wage levels. <b>Activity concluded May, 2013</b>
<b>Activity 4: Prepare articles, presentations, and speeches on relevant economic policy issues and promote development economic studies to stimulate policy debate</b>					
EP 12	Produce articles on a) best practices in economic policy, b) comparative economic performance (Kosovo versus direct competitors)	MOF, MTI, Chamber of Economy	Senior officers in Gov, business environment, media, university and think tanks		<b>Completed:</b> Supply officers of research/strategy/policy units with challenging data and economic intelligence <b>Activity concluded 2011</b>

TRACKER ID	ACTIVITIES	INPUT DEPARTMENT	Target audience	Project Coordination	Outcome Results
EP 13	Assist the MoF, in particular the EPPU to produce analysis papers and articles on areas with particular interest for the economy of Kosovo.	MOF, MTI, Chamber of Economy	Senior officers in Government, business environment, media, university and think tanks		<p><b>Completed:</b> Assistance and advice was provided to MoF and EPPD on different occasions, in particular preparing speeches related with economic and financial sector. Also assistance was provided to EPPD on producing the rule based Minimum wage levels.</p> <p>This was provided during the life of the project</p> <p><b>Activity concluded July 2013</b></p>
EP 14	Help relevant Ministries/Institutions develop a series of seminars to improve the understanding of the media in the area of economic policy and the business environment	MOF, MTI, Chamber of Economy, University	Kosovo media	BEEP, KPEP	<p><b>Completed:</b> Instead of seminars, targeted meetings with journalists were conducted by the MoF, aiming at equipping them with better understanding of economic policy issues. GFSI provided its advice to the Minister's advisor in charge of relations with media.</p> <p><b>Activity concluded July 2013</b></p>
<b>Activity 5: Identify legislation needed to enhance environment for private sector growth</b>					
EP 15	Participate in recording evidence coming from the private sector on dysfunctions/weaknesses in the legal and regulatory framework, collaboratively analyze their impact and recommend changes to relevant institutions	Business associations, foreign investors,	MOF, MTI, Prime Minister Office, Assembly	BEEP, SEAD, KPEP	<p><b>Completed:</b> After consultations with other relevant agencies/institutions, the MoF has prepared the legislative strategy for 2013 to revise a number of Laws, some of which relate directly with private sector development (mainly tax related legislation).</p> <p><b>Activity concluded December, 2012</b></p>
EP 16	Help Government, through the NCED, to improve the dialogue between Government and Assembly to make sure that the approved legislation is well based and supportive to private sector growth	MoF	Assembly	BEEP	<p><b>Completed:</b> More legislative initiatives, in particular those related to private sector growth, are being presented and discussed at NCED, before sending them</p>

TRACKER ID	ACTIVITIES	INPUT DEPARTMENT	Target audience	Project Coordination	Outcome Results
					to Assembly. GFSI, through its advisor has constantly provided its assistance to the functional committees at Assembly, to ensure those laws are well understood. Also, with the assistance of GFSI, MTI Minister/Chairman of NCED has appointed an adviser who will serve as a liaison person with the Assembly of Kosovo, making sure that all the laws sponsored by the Government are properly defended in the Assembly and they reflect the objective of the Government to reform the business environment in Kosovo and boost economic growth. <b>Activity concluded July 2013</b>
EP 17	Assist Government/Ministry of Finance become member of the European Bank for Reconstruction and Development	EPPD; MoF Cabinet, Ministry of Foreign Affairs			<b>Completed:</b> Kosovo became member of EBRD in December, 2012. <b>Activity concluded November, 2012</b>
<b>Activity 6: Improve donor coordination activities on the area of economic policies and private sector development</b>					
EP 18	Conduct an initial assessment of the parameters of donor coordination in Kosovo with regards to private sector development; propose an institutional arrangement	OPM; MTI	Bilateral donors, IFIs, main NGOs	USAID mission	<b>Completed:</b> Supported initiation of NCED and provided ongoing planning support for regular meetings. <b>Activity concluded July 2013</b>

## ANNEX 4: FINANCIAL STATUS

The table below summarizes financial status of the GFSI program, and includes: 1) budgeted amounts by line item; 2) amounts committed, disbursed and expended (with disbursements plus accrued amounts shown separately); and 3) estimated costs to complete the contract)

<b>Contract Line Items</b>	<b>Current Contract Funded</b>	<b>Expended through June 30, 2013</b>	<b>Expenditures July 1 – August 31, 2013</b>	<b>Anticipated balance</b>
<b>Total</b>	<b>\$ 13,496,264.02</b>	<b>\$ 13,141,633.86</b>	<b>\$ 354,630.16</b>	<b>\$ (0.00)</b>
Labor	\$ 9,235,760.30	\$ 9,101,658.25	\$ 134,102.05	\$ (0.00)
ODC	\$ 3,551,385.13	\$ 3,384,687.48	\$ 174,577.56	\$ (7,879.91)
General & Administrative	\$ 709,118.59	\$ 655,288.13	\$ 45,950.55	\$ 7,879.91

# ANNEX 5: GFSI BIBLIOGRAPHY

## *GFSI Project Deliverables:*

GFSI Annual Report Year 1 2011

GFSI Annual Report Year 2 2012

GFSI Annual Report Year 3 2013

GFSI Year 1 Q1 Report

GFSI Year 1 Q2 Report

GFSI Year 1 Q3 Report

GFSI Year 2 Q1 Report

GFSI Year 2 Q2 Report

GFSI Year 2 Q3 Report

GFSI Year 3 Q1 Report

GFSI Year 3 Q2 Report

GFSI Year 3 Q3 Report

GFSI Year 1 Work Plan

GFSI Year 2 Work Plan

GFSI Year 3 Work Plan

GFSI Final Report

## *Other GFSI Documents:*

### **PPP**

Law on PPP No. 04/L-045
Law on State Aide No. 04/L-024
PPPC Directive NO. 1/2011 - Procedures for Review and Approval of PPP Projects
PPPC Directive No.2/2011 on Project Management Teams
PPPC Directive No.3/2011 on the Review and Approval of Municipal PPP
The project also supported the PPP Department in drafting PPPC Directive No.4/2012 on Publication of PPP Notices
Standard Request for Qualification document
Standard Request for Proposal document
Standard Contract
Sector specific legal frameworks - roads
Sector specific legal frameworks - MSA
Sector specific legal frameworks -Waste
Sector specific legal frameworks - Bus transport
Sector specific legal frameworks underground parking
PPP Guidelines
PPP Development Strategy
Motorway Route Six Economic assessment
Paper on contract management
Motorway Route Six Scope of work PMU

Gjilan Urban Bus Workshop and Presentations - Kickoff Meeting
Peja Waste Management Scenarios analysis and conclusions
Peja Waste Management Technical Analysis
Peja Waste Management Waste treatment options Pro and Cons (Technological solutions)
Peja Waste Management Key Performance Indicators
Peja Waste Management Workshop and Presentations
Pristina Bus Presentation on quick wins and infrastructure requirements
Pristina Bus Report of study tour (pending)
Pristina bus workshop on infrastructure measures
Pristina Bus Memorandum of Implementation / public transport plan
Motorway Route Six Brief on Procurement options analysis
Motorway Route Six Procurement options analysis
PPP Training PEJA Parking project
Proposal study tour - Czech Centrum, Prague, Czech Republic
Train the trainer materials
Toolkit for Solid Waste Management PPP (in process)
Guidelines to Environmental Impact Assessment
Environmental Training to local authorities
Environmental Training to central authorities
Mission report by Andrew Popelka
Mission report by Andrew Popelka
Value for Money Training to MoF PPP Department (ToT)
PDF Concept paper
PDF Viability study and operations manual
PDF charter document

### **Municipal PFM**

PEFA Performance Assessment Report for 5 SN Governments
PEFA SN Manual for Application and Technical Guidelines – updated version
PEFA Performance Assessment Report for 6 SN Governments
PEFA Performance Assessment Report for 1 (Fushe Kosova) SN Government
Local Government action plan on PFM reform and 5 associated workable individual plans for 5 SN governments which completed PEFA
Local Government action plan on PFM reform and 6 associated workable individual plans for 6 SN governments which completed PEFA
Local Government action plan on PFM reform – Prishtina action plan on PFM reform
Municipal MTEF Manual
Municipal MTEF assessment report 2011-2013
Municipal MTEF qualitative and quantitative assessment report 2013-2015
Six months progress report in implementation of municipal PFM reform action plans
PEFA Performance Assessment Report 2013 for Kosovo Government
M-MTEF framework developed as a suggested format for municipalities to use during their M-MTEF draft preparations
M-MTEF Document following suggested format produced for Vushtrri
M-MTEF Document following suggested format produced for Novoberda

M-MTEF Document following suggested format produced for Gjilan
M-MTEF Document following suggested format produced for Peja
M-MTEF Document following suggested format produced for Gracanica
M-MTEF Document following suggested format produced for Istog
M-MTEF Document following suggested format produced for Sterpce

### Treasury and Budget

Guidelines for preparation of Financial Statements for Municipalities in year 2011, updated in 2012 and 2013 in Albanian and Serbian language
Prepared training manual and procedure for recording Kosovo Property Agency Rent Scheme Payments into KFMIS (Kosovo Financial Management System)
Prepared draft and consolidated comments on Treasury Administrative Instruction on Three-Quarters Reporting for Budget Organizations
Prepared draft and consolidated comments on Treasury Administrative Instruction on Performance Reporting for Budget Organizations (line ministries)
Preparation of slides on project achievement presentations (to USAID, municipalities, etc.)
List of PFM systems, legislation and procedures as per USAID request
Strategic Expenditure Review report
Presentation to Auditor General on PFM Reform
Report 1 (Gary Smith) on 2010 Municipality Annual Financial Statements
Report 2 (Gary Smith) on 2011 Municipality Annual Financial Statements
Report 3 (Gary Smith) on 2011 Municipality Annual Financial Statements
Contribution to Manual of Costing New Policy Initiatives
Administrative Instruction on Costing New Policy Initiatives
Presentation slides on Costing New Policy Initiatives
Budget Cycle Calendar Document

### MoF IT

ICT Plan Final Document - English
ICT Schedule - Part of ICT Plan
A complete Methodology and Roadmap to Support Ministry Applications, including Visioning, Strategies, Management Functions and Technical Functions
Overall Graphic Describing the IT Framework Recommended for the Ministry - Information Technology Infrastructure (ITIL)
Strategy Overview
Overall Assessment of Current-State of Ministry IT, ICT Plan Overview addressing assessment Issues, Current IT Skill Levels within Ministry and ways to improve them

### Property Tax

USAID-GFSI Presentation on Property Tax in Kosovo
USAID-GFSI Presentation for BEEP - Property Tax in Kosovo
Instructions for Completion of Decision on Manual Improving
Municipality Regulation Change in Property Valuation or Taxation 2011-2012

## **Economic Policy**

Economic Vision and Action Plan
Law on the Privatization Agency of Kosovo
Law on Business Organisations
Standby Agreement with IMF Valued at approx. 106 million Euros - Letter of Intent
First Review of SBA - Letter of Intent
Second Review of SBA - Letter of Intent
Third Review of SBA - Letter of Intent
Fourth Review of SBA Letter of Intent
Law on Kosovo's Membership in EBRD
Amendment to LPFMA to include legislation on Fiscal rule
Medium Term Policy Priority Statement 2014-16

## **Brezovica Resort Development Project**

Approval of the Development of Footprint
Approval of the Construction Moratorium
Decision on Expropriation
Decision on Expropriation - "INEX SHARR PLANINA-Brezovica"
Decision on Declaring BRDP as a project of General Public Interest
Decision on Establishment of ISC
ISC - Rules of Procedures
PIU - Rules of Procedures
DBFOT Tender RFQ/EOI
BRDP EOI Tender Dossier Document
BRDP EOI Information Memorandum
BRDP Roadshow Presentation
Brezovica Video
BRDP Website
Brezovica Brochure
Brezovica Communications Strategy
Transaction Advisor - Tender Dossier

# ANNEX 6: TRAINING ACTIVITIES

15 July 2010 to 15 July 2013

**Objective 1 – Support private sector participation through PPP and through support to the Privatization Agency of Kosovo**

Training Title/Topic	Presenter	Instruction Dates	Participants	Males	Females
Introduction to PPP		November 2010 – January 2011	Municipalities Peja, Ferizaj, Fushe Kosovo, Shterpce, Gjilane, Mitrovica, Podujevo, Pristina, Prizren, Suha Reka, Istog	147	35
Introduction to PPP		February 2011	Municipality Gjakova	22	5
Study Visit – Czech Republic		March 2011	Municipalities/Central Government	16	1
Internal Capacity Building		March 2011 – June 2011	PPP Unit, GFSI PPP	5	2
Introduction to PPP		April 2011 – May 2011	UBT University, Municipality Ferizaj, AmCham, Water Co., Municipality Obiliq	101	45
PPP Implementation	PPP Team Muni	Jul - Dec 2011	Central Gov and Muni	21	105
Introduction to PPP	PPP Team Muni	Various	Muni, Private Sector, Ministries, Chamber of Commerce	54	24
Training of trainers	PPP Team Muni	Various	Central Gov and Muni	10	3
Introduction to PPP	KIPA Certified PPP trainers	6 1-day trainings between Jul 2012 and Jun 2013	Central Gov and Municipalities	206	60

Training Title/Topic	Presenter	Instruction Dates	Participants	Males	Females
New Methodologies on Improving Public Services	Gazmend Ahmeti Kreshnik Kurtishi (as a contribution to USAID DEMI project)	February 2013	Central Gov and Municipalities	75	15
Training of trainers	Ned White Edon Kurtishi Gazmend Ahmeti	Aug 2012 and October 20-12	MoF PPP Department staff KIPA	26	12
Environmental Impact Assessment for local authorities	Andrew Popelka	5 days between 12 November 2012 and 5 Dec 2012	Representatives from 30 municipalities, MESP, UN Habitat and GFSI-DEMI	25	88
Environmental Impact Assessment for central authorities	Andrew Popelka	3 days between 29 Apr and 17 May 2013	Representatives from 13 Ministries	34	17

## Objective 2 – Fiscal stewardship

Training Title/Topic	Presenter	Instruction Dates	Participants	Males	Females
PEFA Official Launch	Magdalena Tomczynska Fortuna Haxhikadrija Ramadan Matarova	October 22, 2010	Municipal Mayors	5	0
PEFA Introductory Technical Workshop	Magdalena Tomczynska Kris Kauffmann Fortuna Haxhikadrija Ramadan Matarova	November 3-5, 2010	Municipal PEFA Teams Head of Kosovo PEFA Secretariat Head of Budget and Finance Collegium	16	4
PEFA Progress Workshop	Magdalena Tomczynska Fortuna Haxhikadrija Ramadan Matarova	December 2010	Municipal PEFA Teams	15	3

Training Title/Topic	Presenter	Instruction Dates	Participants	Males	Females
Municipal Finance and Budgeting Workshop (in cooperation with DEMI)	Magdalena Tomczynska	March 23	Policy and Finance Committee Members from Junik and Mamusha Municipalities	25	?
Municipal Budgeting Practices - Conference	Magdalena Tomczynska Besa Zogaj	April 26, 2011	Municipal Mayors Municipal Budget Practitioners	41	6
PEFA Concluding Retreat	Magdalena Tomczynska John Short (DFID) Fortuna Haxhikadrija Ramadan Matarova	May 4-6, 2011	Municipal PEFA Teams Head of Kosovo PEFA Secretariat Head of Budget and Finance Collegium	16	4
Introduction to Municipal MTEF Manual Seminar	Magdalena Tomczynska Besa Zogaj	June 14, 2011	Municipal Budget Practitioners MoF	37	2
Draft PEFA Report Workshop	Magdalena Tomczynska Fortuna Haxhikadrija Ramadan Matarova	June 17, 2011	Municipal PEFA Teams	15	3
PEFA 2 Official Launch	Magdalena Tomczynska Fortuna Haxhikadrija Ramadan Matarova	June 16, 2011	Municipal Mayors	8	1
PEFA 2 Technical Workshop	Magdalena Tomczynska Fortuna Haxhikadrija Ramadan Matarova	June 29 – July 1, 2011	Municipal PEFA Teams	25	3
Municipal PFM Reform Action Plan I workshop	Fortuna Haxhikadrija Ramadan Matarova Besa Gashi	Sept 6, 2011	Reps from Municipality of: Pristina, Podujeva, Vushtrri, Shteprece and Mamusha	13	1

Training Title/Topic	Presenter	Instruction Dates	Participants	Males	Females
Kick-off event for municipality technical staff on PEFA methodology application for round II	Fortuna Haxhikadrija Ramadan Matarova Besa Gashi	Sept 6, 2011	Reps from Municipality of: Gjilan, Gjakova, Peja, Ferizaj, Istog and Novoberda	22	3
Municipal PFM Reform Action Plan II workshop	Besa Gashi, Ramadan Matarova Fortuna Haxhikadrija	May 4, 2012	Reps from Municipality of: Gjilan, Gjakova, Peja, Ferizaj, Istog and Novoberda	75	10
Mid-Term Budget Planning and the importance of sectorial strategies	Ramadan Matarova Fortuna Haxhikadrija Magdalena Tomczynska	March 14, 2012	All municipality reps, line ministries, AKK, donor	61	15
Mid-Term Budget Planning MTEF	Ramadan Matarova Fortuna Haxhikadrija	May-June 2012	Board of Directors from municipality of: Vushtrri, Gjilan, Novoberda, Gracanica, Istog and Peja	92	15
Vushtrri PFM Reform action plan presentation	Fortuna Haxhikadrija Besa Gashi	August 16, 2012	Municipal Board of Directors, from Municipality of: Vushtrri	12	1
Technical workshop on application of PEFA Framework to Fushe Kosova Municipality and four staff members of Municipal Budget Department (MoF)	Fortuna Haxhikadrija Ramadan Matarova Besa Gashi	Dec 6 & 7 2012	Reps from Municipality of: Fushe Kosova and four staff members of Municipal Budget Department (MoF)	3	3

Training Title/Topic	Presenter	Instruction Dates	Participants	Males	Females
Introduction to PEFA framework and its application as part of strengthened approach to support local government PFM reform”	Fortuna Haxhikadrija Ramadan Matarova Besa Gashi	Nov 14, 2012	MoF staff members from Municipal Budget Department, AKM chairwoman of Budget and Finance Committee, municipalities (including 4 reps from northern part municipalities of Leposavic and Zvecan), BEEP and DEMI representatives	37	15
Conference on Municipal PFM Reform achievements (progress report)	Ramadan Matarova Fortuna Haxhikadrija Besa Zogaj	February 5, 2013	Mayor of Lipjan, Mitrovica and Gjakova were present, 10 deputy mayors and the rest were chief financial officers. Of the total number, 8 participants were from minority communities.	69	17
PEFA technical workshop for application of methodology for upcoming PEFA assessment of Kosovo Government	Ramadan Matarova Fortuna Haxhikadrija	March 8, 2013	Members of government PEFA Secretariat	5	1
The conference on the application of medium term budget framework as strengthened approach to budgeting	Fortuna Haxhikadrija Besa Zogaj Alban Kaciu	April 25, 2013	All municipalities, sector ministries, OAG and other projects in related field such as EU Twinning, OSCE	74	21

#### Objective 2 – Assistance to the Office of Auditor General and to the Ministry of Finance

Training Title/Topic	Presenter	Instruction Dates	Participants	Males	Females
Budget Preparation (line ministries)	Kris Kauffmann	January 2011	43	30	13

Performance Budgeting (MoF)	Kris Kauffmann	March 2011	19	12	7
Performance Measures in Budget (MoF)	Kris Kauffmann	June 2011	10	7	3
Performance Budgeting (line ministries)	Kris Kauffmann	June 2011	118	-	-
Financial Statements	Mirjeta Hysa	Jan-Mar 2011	52	37	15
Commitments	Sevdije Mehaj	Various	51	17	34
Purchase Orders	Sevdije Mehaj	Various	42	28	14
Sub- Allocations	Sevdije Mehaj	Various	47	36	11
PFIC Public Accounting	Sevdije Mehaj	Various	32	22	10
Goods Received	Sevdije Mehaj	Various	14	7	7
Expenditure Officers	Sevdije Mehaj	Various	95	69	26
Approving Officers	Sevdije Mehaj	Various	105	58	47
Revenue Officers	Sevdije Mehaj	Various	91	50	41
Financial Statements	Mirjeta Hysa / Treasury	21 – 24 January 2013	42	32	10
Costing of New Policy Initiatives	Alban Kaciu / Mirjeta Hysa / Budget	20 – 24 May 2013	70	39	31
Commitments	Sevdije Mehaj	various	39	14	25
Procurement Officers	Sevdije Mehaj	various	28	15	13
Income Officers	Sevdije Mehaj	various	8	3	5
Property Officers	Sevdije Mehaj	various	36	21	15
Internal Controllers of	Sevdije Mehaj	various	71	33	38

Public Finance					
Acceptance of Goods	Sevdije Mehaj	various	50	38	12
Expenditure Officers	Sevdije Mehaj	various	47	20	27
Certification Officials	Sevdije Mehaj	various	50	27	23
Internal Auditors	Sevdije Mehaj	various	130	92	38
Chief Financial Officers	Sevdije Mehaj	various	6	2	4

#### Objective 2 – Assistance to the Property Tax

Training Title/Topic	Presenter	Instruction Dates	Participants	Males	Females
General Training on PTS	Agron Cerchini	July 2010	Municipalities Suha Reka, Pristina, Ferizaj, Obiliq, Lipjan, Shtime,	3	4
Valuation Training for resurvey process	Agron Cerchini Burim Mehulli	July 2010	Resurvey Company Staff	39	13
Field Training for Valuation and Resurvey	Agron Cerchini Burim Mehulli	July 2010	Resurvey Company Staff	39	13
Field Training for Using Resurvey Devise	Agron Cerchini Burim Mehulli	July 2010	Resurvey Company Staff	39	13
Review of the 2009 Inspection Reports: Performance, Interpretation, and Responsibilities	Agron Cerchini	November – December 2010	All Municipalities, except Gračanica and Partesh	69	7
Planning of revenues from PT after implementing new appraisal model	Agron Cerchini	December, 2010	Municipalities Fushe Kosovo and Shtime	6	0

Training Title/Topic	Presenter	Instruction Dates	Participants	Males	Females
Study Tour: Swedish Tax Administration (Sweden)	Swedish Tax Agency	January 2011	MoF Deputy Minister, President AKM, TAK Director, Property Tax Director, Pristina Finance and Property Director, Regional Auditor, GFSI Advisers	8	0
Study Tour: Market Value-Based Taxation of Real Property (Slovenia)	Lincoln Institute of Land Police in collaboration with the center of Excellence in Finance	April 11-15, 2011	Property Tax Department staff	0	3
Reforms on Property Tax Inspection Process	Agron Cerkini	June 2011	Municipalities Pristina, Shtime, Sterpce	4	0
Planning of revenues from PT after implementing new appraisal model	Agron Cerkini	July 2011	Municipalities Ferizaj, Skenderaj, Obiliq, Glogovc, Malishevo, Kline, Lipjan, Mitrovica	16	3
Training Title/Topic	Presenter	Instruction Dates	Participants	Males	Females
Simulation and planning property tax amount	Agron Cerkini and MoF	Oct 2011	Gjilan, Deqan	2	0
Simulation and planning property tax amount	Agron Cerkini and MoF	Oct. 2011	Kamenic, N. Berd	1	1
Training for users to use new functions in the PTS	Agron Cerkini and MoF	Oct 2011	Deqan, Gjakov, Istog, Klinë, Kamenic, Pej, Prizren, Suharek, Vushtrri, Junik	5	4
Training for users to use new functions in the PTS	Agron Cerkini and MoF	Oct 2011	F. Kosov, Mitrovic, N. Berd, Lipjan, obiliq, Prishtin, Podujev, Shtpce, Skenderaj, H. Elezit	6	5
Training for users to use new functions in the PTS	Agron Cerkini and MoF	Oct.2011	Glogovc, Gjilan, Dragash, Ferizaj, Viti, Malishev, Mamush, Shtime	6	2
Training for users to use new functions in the PTS	Agron Cerkini and MoF	Oct. 2011	Graqanic, Partesh, Ranillug, Rahovec	4	0
Training of new inspection process	Agron Cerkini	Mar.2012	Staff of property tax department	3	3

Training Title/Topic	Presenter	Instruction Dates	Participants	Males	Females
Presentation survey manual and new survey process	Agron Cerkini and MoF	Apr. 2012	Staff of property tax department	6	1
Surveyor training+New survey process	Agron Cerkini and MoF	Apr. 2012	Prizren, Suharek	17	1
Simulation and planning property tax amount	Agron Cerkini and MoF	May 2012	Prishtin, Ferizaj, Prizren, Gjilan, Pej, Mitrovica, Gjakova, Suharek, Istog	17	0
Simulation and planning property tax amount	Agron Cerkini and MoF	May 2012	Lipjan, N. berd, Obiliq, Rahovec, Podujev, skenderaj, Shtime, Vushtrri, Malishev	14	2
New property registration process in property tax system	Agron Cerkini and MoF	Jul. 2012	All 34 municipalities	25	14
Issuance of the certificate of payment from pts	Agron Cerkini and MoF	Jul. 2012	PTS Users of Prishtina Municipality	0	5
Presentation for BEEP-Property tax in Kosovo	Agron Cerkini	Sep. 2012	BEEP-Coordinator of Municipalities	24	9
Prishtina Property tax users	Agron Cerkini and MoF	Oct. 2012	New process of registration properties in pts	0	6
Training for DEMI project		Nov. 2012	Using report of collection progress in pts	2	0
Prizren property tax officers	Agron Cerkini and MoF	Dec. 2012	Preparation property tax regulation for 2013	2	0
Istog property tax officers	Agron Cerkini and MoF	Dec. 2012	Correct street name	0	2
Prishtina property tax manager	Agron Cerkini and MoF	Dec. 2012	Implementing the recommendations on the annual inspection report 2011	1	0
Training on PT IT Infrastructure	Burim Mehulli	Dec. 2013	MoF IT Department	3	2
Prishtina Property tax users	Agron Cerkini and MoF	Jan. 2013	Use certificate of payment from pts	0	3
Obiliq, Mamush pts users	Agron Cerkini and MoF	Jan. 2013	Registration/Correction payment in pts	1	1
Shtime pts users and manager	Agron Cerkini and MoF	Jan. 2013	Implementing the recommendations on the annual inspection report 2011	2	1
Partesh, Graqanic and Shtpce pts users and manager	Agron Cerkini and MoF	Feb. 2013	Implementing the recommendations on the annual inspection report 2011	12	0
Obiliq, pts user	Agron Cerkini and MoF	Feb. 2013	Registration/Correction payment in pts	0	1

Training Title/Topic	Presenter	Instruction Dates	Participants	Males	Females
Viti-pts user and manager	Agron Cerkini and MoF	Mar. 2013	separation of financial card for former social enterprises	2	0
Simulation and planning pro tax for 2014 and verification plan of 1/3 properties	Agron Cerkini and MoF	Mar. 2013	All 34 municipalities	54	7

# ANNEX 7: GFSI SUCCESS STORIES

## Project Year One Success Stories

### *Pristina International Airport (PIA) concession*

In April of 2011, the Government of Kosovo entered into a 20 year €106 million design, build, finance, operate and transfer (DBFOT) Pristina International Airport concession with Limak Group (Turkey) and Aeroport de Lyon (France). A debt investment of about €85 million (80% of total capital) was invested by Vakif Bank (Turkey). The concession agreement, which includes an average concession fee of 39% of total revenues to be paid to the GoK, is expected to contribute about €400 million to the GoK's budget over the life of the project. The investment is all encompassing and will cover both the landside (New Terminal) and the airside (new control tower and apron).



Since the closing of the transaction, passenger traffic has increased by 10.5% to 1.4 million and total revenues have increased by 8% to about €32 million annualized to on a year to year basis. Increased efficiency has also seen a marked decrease of 10% in operating expenses.

In addition to the success of this specific project, this very high profile transaction demonstrated to many potential domestic and international PPP investors that Kosovo, as a nation has strong PPP enabling environment and is ready for business. This flagship project also provided the GoK with the experience to amend the PPP Law, pass operational directives, and create standard BOT/concession PPP transactional documents...



### ***Kosovo Local Government PEFA***

The Kosovo Government has demonstrated a strong commitment to public financial management reform. First, the Government embarked on a wide review of PFM by conducting a Public Expenditure Financial Accountability assessment, which was carried out in the first quarter of 2009. Subsequently, a PFM Reform Action Plan was formulated, which established the basis for strengthening practices across the Government PFM systems based on the PEFA diagnostics.

The Government also recognized that the engagement of Local Government would be crucial for the success of this overarching PFM reform initiative. A similar PEFA self-assessment on the Kosovo Municipalities was initiated by with the ultimate goal of formulating a comprehensive PFM Reform Program geared to the specific needs of Local Government institutions, complementing that of the Central Government. The donor community responded to this initiative with technical assistance provided jointly by USAID and DFID. Overall, the Local Government PEFA process is contributing to improvements in fiscal stewardship in Kosovo's municipalities through improved public financial management with enhanced capability in providing autonomously managed and efficiently delivered public services that can, in turn, stimulate local economic development.



The first Kosovo Local Government PEFA was carried out during the period October 2010 – June 2011. Five Municipalities (Pristina, Podujevo, Vushtri, Mamusha, and Sterpce) were involved in the PEFA process, led by the Municipal Mayors and with the strong commitment and excellent participation from municipal administration staff. The Kosovo Local Government PEFA Performance Report, meeting the standards and methodology of PEFA Performance Framework, was completed in May 2011.

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The Kosovo Local Government PEFA was based on a self-assessment approach. The successful implementation benefited from a specially designed process, which brought together key stakeholders and ensured a unique mix of continued engagement and support from the Central Government authorities, municipal executive leaders, municipal administration, and donors. Capacity building and professional education were particularly addressed to the PFM practitioners from municipal administration and has represented an important by-product and benefit of this PEFA exercise.

Building on the success of the first PEFA process at the Kosovo local level, GFSI embarked on the roll out of the PEFA self-assessment to the second group of the Kosovo Municipalities comprising of Municipalities: Ferizaj, Gjakova, Peja, Istog, Gjilane, and Nove Brdo.

## Project Year Two Success Stories

### ***USAID supports Kosovo municipalities to strengthen their framework for the planning of municipal budget expenditure***

On March 14, 2012, the USAID Growth and Fiscal Stability Initiative project, in close cooperation with the Ministry of Finance organized a Conference on Municipal Mid-Term Budget Planning Practices. The Conference marked the commencement of the second phase of USAID's support to the local authorities for strengthening public financial management practices. Last year the GFSI launched the assistance to both the MoF and municipalities to equip local decision makers with a best practice model for enhancing their medium term strategic budget planning.

This year the cooperation continued building on the past experience, and focused on helping Kosovo municipalities to use the opportunity of the 2013-2015 budget cycle to further enhance the implementation of a MTEF approach to budgeting.

The event involved participants from central government and the municipal authorities. Participants included: Strategic Planning Office of the Prime Minister, and Ministries of Health and Education. A conclusion reached from the discussions was that municipal mid-term budget must take place in the context of national sectorial strategies, especially to ensure their comprehensive implementation of health and education policies, for which municipalities are primarily responsible. Consideration was also given to the need for enhancing municipal autonomy in designing priorities and the implementation of the decentralization process.



Strengthening public financial management systems is in line with Government of Kosovo's Economic Development Vision and Action Plan as well with USAID FORWARD initiative. The overall goal of reforming public financial management and improving public sector services at the central and local levels brings direct benefits to the Kosovo citizens.

## ***USAID supports establishment of National Council for Economic Development***

In March 2012, the GoK, with GFSI's support, established the National Council on Economic Development to assume the role of monitoring implementation of Kosovo's Economic Development Action Plan and developing policy measures that promote Kosovo's economic growth. Chaired by the Deputy Prime Minister/Minister of Trade and Industry, the Council's membership includes all economic ministers and other ministers that cover economic priority areas of the GoK<sup>2</sup>. Meeting monthly, the NCED is Kosovo's principal advisory and decision making body on economic policies and reforms. Kosovo's three central business chambers, Kosovo Chamber of Commerce, American Chamber of Commerce in Kosovo, and Alliance of Kosovo Businesses also participate actively in the Council's meetings, and membership has recently expanded to include the Socio-Economic Committee in the Kosovo Assembly and the Association of Kosovo Municipalities. Starting from last quarter of 2012, the Prime Minister participates regularly at NCED meetings, reflecting the commitment of the GoK for economic policy reforms.

The NCED is assessing significant economic reforms, such as liberalization of permits and licensing and regulatory reduction, guiding sectoral strategy development, including in mining, heavy industry and agriculture, and discussing approaches to improve Kosovo's court system and access to finance. With broad membership and commitment at the highest levels of government and participation of local government and private sector representatives, the NCED is rapidly establishing itself as Kosovo's key body for public-private dialog on economic policy matters, setting the stage for private sector-led reforms. Going forward, the NCED will serve as the central coordinating body for economic policy reform dialog, providing a platform for the private sector to promote practical, market-based solutions in economic policy reform for Kosovo's future.



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<sup>2</sup> The following Ministries are members of the NCED: Ministry of Trade and Industry, Ministry of Finance, Ministry of Economic Development, Ministry of Agriculture and Rural Development, Ministry of Infrastructure, Ministry of Science and Technology, Ministry of Justice, Ministry of Labor and Social Welfare, Ministry of Health, and Ministry of European Integration.

### ***USAID supports training for municipalities on the processes for conducting property surveys and using the new property tax system***

The USAID Growth and Fiscal Stability Initiative Project in cooperation with the Property Tax Department in the Ministry of Finance organized trainings with the Directors of Economy and Finance and the Property Tax Managers from thirty four property tax implementing municipalities over four days in May 2012.

The training participants were provided with information on the new process for surveying the properties and taxpayers. The information covered the following areas:

- the responsibilities of the surveyor, the manager and the IT system operators in the new process;
- the content of the new guidelines prepared for the surveyors and the new forms for surveying properties and taxpayers;
- the application of the new GPS equipment for obtaining pictures and geographic coordinates of properties;
- guidance on using the value simulation tool for estimating the amount of property tax for 2013 using different property values and tax rates;
- the use of the summary and detailed reports that can be generated by the property tax program for the purposes of conducting analysis and planning the amount of property tax to be collected, identifying properties and taxpayers with unpaid debts, and identifying unregistered properties;
- guidance on the features and application of the auditing program; and

Participants were provided with a demonstration of the property tax program's function that enables the viewing of registered properties in orthographic maps and the identification of unregistered buildings. A presentation was also provided on the results of the simulation of the projected amount of tax for 2013 using the increased property tax rate of 0.15%.

After attending this training, participants are now equipped to use the new processes for conducting property surveying and using the new property tax system for budget planning and simulation, auditing and monitoring and generating detailed reports.



## ***USAID supports Kosovo's first municipal project involving a Public Private Partnership - Peja Urban Bus Service***

On May 23, 2012 the Mayor of the Municipality of Peja and "Urban 039" a local private company signed a Public Private Partnership agreement to provide urban bus services in Peja. The transaction was closed following a competitive tender under the Public Private Partnership Law, through a two-phased bidding process designed to provide a high level of service at the lowest tariff for the citizen.

The transaction was supported by the USAID Growth and Fiscal Stability Initiative PPP Team as part of its capacity building program. The USAID GFSI Team worked closely with municipal officials to strengthen their skills and capacity to identify, develop and implement PPP projects including developing the PPP feasibility study, tender documents and draft contracts.

This PPP takes the form of a concession to the private operator for 10 years to provide bus services on four key city routes, build new bus stops and develop modern ticketing and information systems. Initially, Urban 039 has invested in 6 new modern buses, a GPRS tracking system and an advanced ticketing system involving smart cards with on bus Wi-Fi planned for September 2012. The technological aspects of this project are a first for Kosovo.

The PPP will help Peja Municipality implement an urban transportation strategy to connect key neighborhoods of the city via a modern bus transport system. The reliable and efficient bus service will help reduce traffic congestion, improve traffic safety and contribute to the city center's revitalization.

PPPs are arrangements through which the private sector provides infrastructure assets and public services that traditionally have been provided directly by the government and or municipalities. PPPs offer new sources of finance and improve efficiency through the use of private sector management skills and expertise in delivering better public services on time and on budget.



## Project Year Three Success Stories

### *USAID helps attract world-class investors for the Brezovica Resort Development Project.*

With the aim of stimulating economic growth, creating jobs, and fostering Kosovo's nascent tourism industry, the Government of Kosovo, together with the Municipality of Shtërpce/Štrpce, is working to attract world class investors and operators to design, build, finance and operate the Brezovica Resort Development Project.

Located in the Sharr National Park in southern Kosovo, the key objective of the project is the development of a world-class mountain resort complex, offering a broad array of mixed use services and facilities, relevant to local, regional and international market..

With a potential economic impact of nearly €5 billion over the next 10 years, the project is expected to create over 4,000 needed jobs, many of which will be based in the multicultural and ethnically diverse Shtërpce/Štrpce municipality.



Due to the project's national and local importance, in January 2013 public authorities, with the support of USAID GFSI project, initiated an international public tender to attract experienced operators and developers to BRDP. Despite the ongoing Eurozone economic crisis, a well designed project yielded unprecedented investors' interest, with five globally diverse consortiums/companies expressing interest in the opportunity to design, build, finance and operate the resort, under a 99-year lease agreement. Those experienced firms are from the United States, Austria, Bulgaria, Serbia, Canada, France and Andorra.

Having successfully qualified four world-class bidders, Kosovo will soon begin the final stage of the procurement for this innovative real estate development Public-Private-Partnership. It is expected that the selected bidder will be announced in early 2014, with construction beginning soon thereafter.



Through the GFSI Project, USAID has been providing technical assistance and support to the Municipality of Shtërpce/Štrpce and the Government of Kosovo in the execution of this priority project.

## USAID supports GoK to successfully implement the Stand-By Arrangement with International Monetary Fund

In April, 2012, the GoK entered into a formal program, the Stand-by Arrangement, with the International Monetary Fund, valued at approximately €106 million. The key objective of the SBA is to continue on the path to fiscal sustainability that was embarked on in 2011 and anchor fiscal policy in the long-term, complemented by structural fiscal reforms and steps to further strengthen the financial system's stress resilience. Prior to entering into the program, the GoK, with the assistance of the USAID GFSI project, had implemented a number of measures to improve the fiscal position, and fiscal discipline and strengthen the financial system's resilience

To measure the Government's progress in achieving the programs' objective, quantitative and structural benchmarks were established for the Government institutions, with specific deadlines for completion. As a result of the progress made on implementing all the performance criteria and structural benchmarks, IMF disbursed three tranches of program support, amounting to around €94 million. A



portion of this money is transferred to a special reserves fund at the Central Bank of Kosovo, enabling the CBK to provide Emergency Liquidity Assistance to the banking sector if needed.

Since the approval of the SBA, there have been four IMF Mission visits to review the program and all the four reviews were completed successfully, with conclusions that the authorities are making good progress on a number of reforms and that the Government is continuing with prudent approach toward maintaining fiscal discipline. Throughout each Mission, USAID GFSI project has actively provided advice and briefings to the Minister and MoF staff. The GFSI project has also provided assistance to the MoF in conducting all the reforms related to the SBA as well as on discussions and negotiations with IMF missions. Support was also provided to coordinate and prepare the regular monthly SBA monitoring committee meetings, where all Government institutions, relevant to the SBA, report on the progress made on specific areas.

## ***USAID Supports Government initiative to promote equality through Gender Sensitive Budgeting***

Minister of Finance Mr. Besim Beqaj, in a high-level forum co-organized together with the business community as represented by Ms. Linda Shala, Board Member of Kosovo Women Economic Chamber, on July 10, 2013, commenced an initiative to promote equality through Gender Sensitive Budgeting (GSB). The forum was supported by USAID Growth and Fiscal Stability Initiative in Prishtina.

The Minister of Finance emphasized the progress the government has made in last 12 years in developing its own budget and building relevant capacities. Still, Mr. Beqaj said, “the Kosovo government is keen to taking a step further in addressing equal access to resources through gender sensitive budgeting”

The Forum on Promoting Equality through Gender Sensitive Budgeting aimed at enhancing political ownership of this process and promoting discussion on possible opportunities for budget formulation process to incorporate gender.



USAID Director Maureen A. Shauket praised Kosovo Government in their important initiative to address gender disparities through GSB. “Achievement of human development is heavily dependent on the development and empowerment of women, who comprise half of the population of Kosovo and yet face inequalities in access and control over resources,” said Ms. Shauket in her speech.

Linda Shala, Board Member of Kosovo Women Economic Chamber, believes that women are an important resource of any country and not affordable to lose, through either gender injustice or gender inequities in the system. “Any discrimination against women or man is an obstacle not only to economic growth but also to human development in general,” said Ms. Shala in her speech, ensuring Women’s Economic Chamber further active lobbying and advocating on this topic.

The forum was followed by panel discussion including Parliament Budget and Finance Committee Chairwoman Ms. Safete Hadergjonaj, Head of Women Parliamentary caucus Ms. Teuta Sahatqija, GIZ PFM Expert Lukas Fischer, Mayors, NGO and academia representatives as well as donors.

The forum agreed on further awareness rising, campaign and capacity building on main GSB concepts, opportunities, benefits and challenges for the process become inclusive.

## ***USAID supports GoK in justifying economic viability of Motorway Route 6***

Over the past few years, the GoK has made significant investments in constructing and upgrading regional and local roads. Investing in road infrastructure is one of the priorities of the Government. As part of its road infrastructure program, the GoK aims to develop the Motorway corridor Route 6 from Lipjan to the border with Macedonia, a distance of 58.2 km. This is part of the South East Europe Core Regional Transport Network as defined by the South East Europe Transport Observatory (SEETO). One of SEETO's aims is to contribute to increasing regional and inter-regional co-operation and to foster the conditions for peace, stability and economic growth. The construction of Route 6 would contribute to this aim through improved access to the Adriatic Sea for northern Macedonia and Bulgaria by linking to Route 7 and the Albanian highway towards the port of Durres

Under the IMF Stand-By Arrangement, the Government agreed in October 2012 to conduct an economic viability assessment to confirm the viability of the Motorway Route 6 project and provide a report to the IMF and World Bank by the end of January 2013. USAID, through GFSI project, supported the establishment of an Inter-ministerial Working Group to perform this economic viability assessment in November 2012. The GFSI project provided technical assistance and on the job training for the working group, to ensure that in the future a well-developed economic impact assessments become part of the decision making process of investment projects, and that the ministries have the capacity required to do this important work or manage consultants doing on their behalf. The Working Group was led by the Head of the PPP Department within the Ministry of Finance with representatives from the Economic Public Policy Department of the Ministry of Finance, the Roads Directorate of the Ministry of Infrastructure, and the Property Tax Department, Ministry of Finance.



The economic viability assessment showed that the Motorway Route 6 would have a robust positive economic effect reducing travel times, supporting trade, creation of jobs and easier commuting, increased road safety, reduced vehicle operating costs and reducing green-house gas emissions by better traffic flow.

The economic viability assessment was reviewed carefully by the World Bank and IMF and the working group was complimented for producing a well-articulated report. After intensive discussions and negotiations between the GoK and IMF and World Bank, and after receiving confirmation from the World Bank that the project is viable, it was agreed that the Government, after fulfilling a number of conditions, can initiate the process of selecting the company for constructing the project. The working group and the GFSI strategic advisor supported the Ministry of Finance during those discussions and negotiations.

## ***Kosovo has made key achievements in municipal Public Financial Management reform***

On February 5, 2013, USAID's Growth and Fiscal Stability Initiative Project organized a Conference on "Key Achievements and Further Work on Municipal Public Financial Management Reform". The conference was attended by the Deputy Minister for Finance, the Auditor General, Mayors and Deputy Mayors, Department Heads from the Ministry of Finance, municipal government budget and finance officials and representatives from the Ministry of European Integration, Association of Municipalities; and Office of the Auditor General. In addition, representatives from USAID Mission, the USAID's Democratic Effective Municipalities Initiative, USAID's Business Enabling Environment Program, and the European Union Twinning Project were present at this event.

The aim of the Conference, as stated by the Deputy Minister of Finance, Mr. Ramadan Avdiu was to unveil the PFM achievements in specific areas for each municipality. Mr. Avdiu thanked USAID's GFSI Project for its support on the reform program over the past two years. He stated that in the future a similar program of reform is expected to expand into other municipalities to support fiscal discipline, improved strategic allocation of resources, and efficient service delivery and financial accountability.



Key achievements of eleven local governments were presented at the Conference (the municipalities of Prishtina, Podujeva, Shtërpce, Vushtrri, Mamusha, Gjakova, Peja, Gjilan, Ferizaj, Novobërda and Istog) that received USAID assistance in the implementation of the PFM reform action plans, as part of the comprehensive PFM reform program of the Kosovo government.

Results were presented from the Consolidated Progress Report on the Implementation of the Public Financial Management Reform Action Plan, showing that progress has been made in the following areas:

- improved budget performance in some municipalities by reducing the percentage of deviation in budgeted expenditure against actual expenditure;
- more realistic planning of Own Source Revenue;
- significant increase of property tax debt collection rate (this refers mainly to municipalities with a majority Serbian community);
- progress in several municipalities on functioning and operations of the Internal Audit Union, and efforts in several municipalities to increase the number of internal audit recommendations implemented;
- preparation of financial statements in accordance with the rules and accounting standards (IPSAS);
- improved oversight of municipal assemblies on the plans and uses of municipal finances;
- improved processes for addressing recommendations from the Office of the Auditor General.

Areas in need of further improvements and further steps were also presented at the Conference. Progress in strengthening central and local governments' Public Financial Management capabilities through the implementation of these plans is in line with USAID FORWARD Initiative.

