

Improving the quality of public investments in Kosovo and preparing the ground for EU funds, Kosovo

Assignment	Improving the quality of public investments in Kosovo and preparing the ground for EU funds.
Client	Government of Kosovo
Financing Agency	European Union (IPA)
Partners	Tribal Helm, BMB
Composition of Team	<i>BMB Mott MacDonald</i> : Senior public finance management <i>Partner(s)</i> : Team leader; Public finance management systems expert
Period of Assignment	From July 2009 to July 2012 Staff months: BMB Mott MacDonald: 10; Partner(s): 131
Contract value	BMB Mott MacDonald: € 205,000 Partner(s): € 3,105,000
Background	<p>The Assembly of Kosovo declared independence on 17 February 2008, making it the youngest country in Europe. As a consequence the whole Public Administration needed to be developed, more or less ‘from scratch’. The country is currently divided in the President’s Office and the Office of the Prime Minister and the Government of Kosovo now consists of 43 “budget organisations” (17 line Ministries and 26 central agencies) and 35 municipalities.</p> <p>One of the main challenges for independent Kosovo would be to create the fiscal space necessary for economic growth and development using the new ability for debt financing combined with making sound decisions on public investment without compromising fiscal discipline.</p> <p>Fiscal policy plays a central role in ensuring macroeconomic stability in the absence of a currency and the monetary policy instrument. Kosovo uses the € as currency so fiscal policy is a primary vehicle, along with structural reforms, through which competitiveness can be improved. What makes this IPA2008 project very important is the contribution it can make to improve fiscal management and competitiveness through its potential impact on the quality and appropriateness of public investments in Kosovo.</p>
Description of project	<p>The overall objective of the project is to ensure proper management of public funds, transparency and effectiveness in public spending through the improvement of the budget planning and formulation process.</p> <p>The EU has consistently supported the establishment of coherent public finance management practices in the area of planning and budgeting since 2001. The new IPA 2008 project is expected to build on the previous assistance as well as prepare the ground for the EU fund support as well</p>

as for loan financing from international financial institutions. To do that the Kosovo planning and budgeting system, in particular the quality of capital investments, should improve considerably towards EU and international standards.

The project is expected to provide continued assistance to Kosovo officials to implement their systems and ensure that the planning process (including the PIP system) consists of an annual and medium-term budgeting process in a way that guarantees that there is no parallel process or duplication. The project is expected to roll out the systems and processes to the operational levels of central and local government. In order to be resource effective the project will focus on two pilot Ministries; the Ministry of Transport and Communications (MTC), Ministry of Environment and Spatial Planning (MESP), as well as on selected municipalities.

The annual and medium-term budget process (including PIP) can only work effectively if the quality of the budget submissions are rational and serve a strategic purpose. The project will hence be expected to improve sector strategies and link those strategies with budget spending decisions, with particular attention to capital projects. The above issues are prerequisites for creating capacity for funds from the EU. Kosovo will also be required to step up efforts to improve the elements required for transparent, efficient and effective public spending, and to this end it has the assistance of the EU, other donor organisations and international financial institutions.

Services provided

During this assignment we will focus on the following activities:

- 1: Review and document strengths and weaknesses in the Kosovo planning and budgeting (annual and multiannual) process. Recommend improvements that can be achieved through the project and define indicators of success.
 - 2: Further integration of the planning and budgeting systems of Kosovo through the proper implementation and effective use of the Budget Development Management System (BDMS) and the Public Investment Programme (PIP).
 - 3: Review existing policy and strategic documents in the two pilot Ministries; the MTC (Ministry of Transport & Communication) and MESP (Ministry of Environment & Spatial Planning) and explore their feasibility in becoming part of public spending. Recommend improvements in policy development that can be achieved through the project and define relevant criteria and indicators that can be used to assess policy implementation.
 - 4: Introduction of modern costing techniques in the MTC, MESP and selected municipalities.
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5: Introduction of modern project planning and management techniques in the MTC, MESP and selected municipalities.

6: Provide IT support to the BDMS and PIP systems in the MFE to consolidate operation and ensure ownership and usage of the systems in the budget and MTEF process.

7: Provide on-the-job training and classroom training on all of the above components.

8: Provide a series of workshops and study tours for the MFE, MTC, MESP and selected municipalities as well as other interested government institutions to gain experience and knowledge of EU and accession countries in policy prioritisation, planning, budgeting, and in particular managing EU funds.

BMB Mott MacDonald will focus especially on the Sub National level. Through our LT expert we will provide technical assistance on the above mentioned points 4-8 in selected municipalities.

Lessons Learned