

Budget and Treasury systems in Kosovo

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Outline

- Budget facts about Kosovo
- Budget as a policy instrument
- Treasury system
- Challenges

Budget - Facts About Kosova

- Kosovo is a post Conflict economy with a unique form of government (subject to UN mandate)
- Very rapid progress in fiscal policy development
- Result of the will of the people of Kosovo to reform, supported by donors- primarily USAID
- In 2000, donor support represented about 80% of GDP, today it's about 20%
- In 2000, 75% of the budget covered by donors - even by 2003, the budget had become fully-financed

Budget-1

- Post-conflict situation: no history - able to start from zero, using international best practice – international experts initially run the departments and institutions
- Budget is by far the most important instrument of public policy in Kosovo (no Monetary policy)
- Process founded on a very good legislative, financial management and institutional framework

Budget -2

- Existing system allows for:
 - No Government borrowing
 - No Government debt
 - No contingent liabilities
- By definition the budget must balance
- Big emphasis on accuracy of revenue projections and public expenditure management

Budget process

- Budget is designed within a sophisticated Medium Term Expenditure Framework (MTEF)
- Also a Public Investment Program (PIP) approach to identifying project spending priorities across all line ministries
- Dialogue between MFE and Ministries throughout the budget process – a very open and transparent process
- Spending ceilings set in negotiation with IMF
- Even after Parliamentary approval, ultimate budget approval authority rests with SRSG

Treasury-1

- Treasury System is founded upon the Law on Public Financial Management and Accountability (one of the most important laws in Kosovo)
- All budget organizations, including municipalities, are linked directly to Central Treasury System (FreeBalance Software System)
- System provides real-time information for reporting and decision-making (immediate access to overall cash-flow situation)
- Provides excellent framework for transparency and accountability

Treasury-2

- Treasury Department is a part of MFE, but Director of Treasury is appointed by the SRSG and reports to the SRSG and the Minister
- **Big success story** (Kosovo has had study visits from other countries to learn from our experiences)
- Challenge is to avoid political interference (this is not exclusive to Kosovo!)

Challenges

- Post-status: to avoid compromising good systems and practices in place
- Use budget to keep Kosovo on a sustainable development path
- Ensure sufficient capacity in place, particularly human resources (retain skilled staff)
- Improve execution rate of capital spending
- Improve policy planning capacities in line ministries and municipalities

THANK YOU FOR YOUR ATTENTION