



**Republika e Kosovës**  
**Republika Kosova - Republic of Kosovo**  
**Qeveria - Vlada - Government**  
**Ministria e Financave**  
**Ministarstvo za Finansije - Ministry of Finance**  
**Zyra e Ministrit / Kancelarija Ministra / Cabinet of the Minister**

REPUBLICA E KOSOVËS/REPUBLIKA KOSOVA/REPUBLIC OF KOSOVO	
Qeveria e Kosovës / Vlada Kosova / Government of Kosovo	
Ministria e Financave / Ministarstvo za Finansije	
Ministry of Finance	
Arkiva - Arhiva - Archive	
Nr. i fakteve Broj stranica No. pages:	Nr. Prot. Br. Prot. Prot. No.:
01	1449
04	08
PRISHTINË/A	

REFERENCË:	
PËR/ZA/TO:	Mayors Chief Financial Officers Directors of Municipal Directorates
CC:	Director of Municipal Budget Department, MoF
PËRMES/PREKO/THROUGH:	
NGA/OD/FROM:	Avdullah Hoti, Minister of Finance
TEMA/SUBJEKAT/SUBJECT:	Budget Circular 2016/02 for Municipalities
Nr. i zyrës: Br. kancelarije: Room No.:	Lokacioni: Kucni: Extension:
	Data: Datum: Date:
	31.07.2015

**Dear Mayors,**

Please find attached to this letter the Budget Circular 2016/02 for Municipalities. Through this circular we inform you of the structure of expenditure as per economic categories for the year 2016 and the following projections for the years 2017-2018, based on the ceilings of municipal financing provided with the Budget Circular 2016/01, dated May 14, 2015.


This circular is issued in accordance with the legal competences of the Ministry of Finance as per Article 20 of the LPFMA. The instructions given in this circular are in accordance with the terms of the agreement reached between the Government of Kosovo and the International Monetary Fund (Letter of Intent), where the level and structure of revenues and expenditures within the overall budget of the Republic of Kosovo is determined. These conditions are reflected in budget review process 2015, budget planning for 2016, and medium-term projections 2017 - 2018.

In addition to the expenditure structure, the circular also provides additional clarification on the criteria and parameters applied in basic formulas for allocation of government grants according to municipalities - for the next fiscal year, and midterm period. Further on, instructions are provided to improve budget coding classification as a prerequisite for a more advanced strategic planning.

We kindly ask you to comply with the instructions provided with this circular during the preparation of your municipality's budget proposal.

For further information or assistance in relation to any element of this Budget Circular, please contact the budget analysts of the Municipal Budget Department at the Ministry of Finance.

Sincerely,



Avdullah Hoti  
Minister of Finance



Republika e Kosovës  
Republika Kosova - Republic of Kosovo  
*Qeveria - Vlada - Government*  
*Ministria e Financave*  
*Ministarstvo za Finansije – Ministry of Finance*  
*Zyra e Ministrit / Kancelarija Ministra / Cabinet of the Minister*

31.07.2015

### **Budget Circular 2016/02 for Municipalities**

#### **1. The structure of expenditures by economic categories for 2016**

The Government of the Republic of Kosovo is committed to maintain macro-fiscal stability and achieve Strategic Priorities through sectoral mid-term term objectives.

According to the Grants Commission decision, based on the Law on Local Government Finances, municipalities are obliged to assist financing of expenditures on education and health sector from overall municipal grant.

Until the adoption of the new Law on salaries (currently being drafted), Budget Organisations are not allowed in any way to: increase salary coefficients; increase fixed salary levels; increase the number of employees beyond the constraints provided with the Budget Law; or create new entities without prior disposal (commitment) of necessary resources from the approved budget.

Any violation of this paragraph by Budget Organizations represents entrence into uncovered obligations, henceforth it is a violation of the LPFMA and the annual Budget Law. For such violations, that cause lack of funding and inability to pay regular wage expenses throughout the fiscal year, the responsibility falls with the officials who undertake these steps. The Government will not allocate additional funds to cover obligations Budget Organizations enter without prior due funding coverage.

All legal provisions in force have to be respected when adresssing requests for the compenstation of over-time work. In many cases, these requests over-burden the wages and salaries category. We reccomend that, throughout the fiscal year 2016, you refer to the provisions of the Law on Civil Servants, according to which over-time work is compensated with days off.

Regarding the expenditure structure, monetary amount for wages and salaries will include costs working experience, for every year of service by 0.5% of the basic salary. Planning for employment of civil servants should be carried out in accordance with the monetary amount available for the economic category of "*Wages and Salaries*" for the year 2016.



Based on the priorities of the Government, the ratio between current expenditure and capital investment is maintained in the structure of expenditures. However, allocation for the category of subsidies and transfers is slightly reduced within current expenditures in order to increase appropriations for goods and services, to meet the increasing need - according to requests submitted - to cover contractual obligations.

In the medium term 2016-2018, the Government will maintain the 2015 level of allocations for capital investments. In addition, any savings in operational expenses, or any additional revenue resulting from a better revenue collection performance, shall be oriented towards the increase of capital investment of a developmental character.

During the planning stage of capital investments, each Budget Organization must first prioritise the ongoing projects in terms of financing, and then new projects according to municipality's priorities, including co-financing projects with line ministries or potential donors (always in accordance with requirements for complying with the financing structure of the budget tables).

Relevant analysis in budget drafting are very important for designing a performance-based budget. Performance measurement indicators help the process of budget execution reporting and monitoring during throughout the fiscal year.

In order to implement the applicable legislation, with the budget planning for the year 2016, the Municipality of Prizren should continue financing the respective expenses for Cultural and Historical Centre of the Zym village, and the Municipality of Rahovec should finance respective expenses for the Hoca e Madhe, as an ongoing budget allocation secured with the 2015 budget approved in July 2015 by the Kosovo Assembly.

## **2. Projections of municipality's own source revenues (OSR) for 2016**

Through the Budget Circular 2016/02 for Municipalities, projections of own source revenues – as compared to Budget Circular 2016/01 for Municipalities - are changed as follows:

- The Lipjan Municipality own source revenue projection is decreased by 200,000 Euros
- The Prizren Municipality own source revenue projection is increased by 200,000 Euros

The projection of own source revenues and their distribution among other municipalities shall remain the same as in the Budget Circular 2016/01 for Municipalities.

Also, municipalities are informed that, starting from the next year, the Ministry of Finance will compare the Municipal authorities projections with its own projections of Municipal OSR, based on estimates of the economic potential of each municipality. Thus, municipalities are advised to enhance their capacities for forecasting revenues and for improving their collection/mobilization performance.

**Table 1** attached below, reflects the structure of expenditures by economic categories for 2016: the number of staff for each municipality, the monetary amount for wages and salaries, goods and services, utilities, subsidies and transfers, and capital expenditures.



**Table 1: Expenditure Structure by economic categories for the year 2016, and projections for 2017-2018**

No	Municipalities	Total Municipal Financing 2016 (BC 2016/01)	Staff 2016	Year 2016					Year 2017				Year 2018		
				Wages and Salaries	Goods and Services	Utilities	Subsidies and Transfers	Capital Expenditure	Total expenditure 2016	Current Expenditure	Capital Expenditure	Total expenditure 2017	Current Expenditure	Capital Expenditure	Total expenditure 2018
1	Glogovc	12,710,648	1,312	7,793,713	990,679	157,860	212,063	3,556,333	12,710,648	9,154,315	3,655,791	12,810,106	9,154,315	3,820,339	12,974,654
2	Fushe Kosovë	8,578,620	720	4,288,461	564,245	150,000	274,675	3,301,239	8,578,620	5,277,381	3,360,579	8,637,960	5,277,381	3,429,291	8,706,672
3	Lipjan	12,943,839	1,505	8,628,911	922,630	188,390	129,067	3,074,840	12,943,839	9,868,998	3,376,180	13,245,178	9,868,998	3,492,968	13,361,966
4	Obiliq	5,226,546	625	3,505,280	340,039	123,000	138,799	1,119,428	5,226,546	4,107,118	1,169,904	5,277,022	4,107,118	1,236,169	5,343,287
5	Podujeve	18,446,798	1,976	11,371,418	1,180,044	324,500	568,883	5,001,953	18,446,798	13,444,845	5,225,717	18,670,562	13,444,845	5,472,987	18,917,832
6	Prishtinë	65,883,762	4,725	28,108,709	7,393,190	1,793,000	1,816,810	26,772,053	65,883,762	39,111,709	28,161,290	67,272,999	39,111,709	29,646,040	68,757,749
7	Shitumë	5,866,542	650	3,818,046	470,096	159,650	113,037	1,305,713	5,866,542	4,560,829	1,350,916	5,911,745	4,560,829	1,397,131	5,957,960
8	Graçanicë	5,976,502	564	2,592,563	532,601	140,000	180,859	2,530,479	5,976,502	3,446,023	2,567,446	6,013,469	3,446,023	2,609,534	6,055,557
9	Dragash	6,896,598	776	4,128,897	578,837	130,000	24,663	2,034,201	6,896,598	4,862,397	2,108,889	6,971,286	4,862,397	2,194,914	7,057,311
10	Prizren	40,576,574	3,101	18,391,122	3,117,069	1,081,200	477,615	17,509,568	40,576,574	23,067,006	17,580,191	40,647,197	23,067,006	17,910,312	40,977,318
11	Rahovec	11,362,254	1,159	6,876,852	682,938	270,500	123,313	3,408,652	11,362,254	7,953,603	3,534,785	11,488,388	7,953,603	3,675,054	11,628,657
12	Subarkë	13,297,920	1,309	7,878,077	1,053,844	262,000	231,005	3,872,994	13,297,920	9,424,926	4,006,076	13,431,002	9,424,926	4,153,841	13,578,767
13	Malishevë	12,337,508	1,287	7,378,940	733,952	305,000	65,767	3,853,849	12,337,508	8,483,659	3,938,685	12,422,344	8,483,659	4,057,734	12,541,393
14	Manushë	1,473,946	136	825,709	197,534	23,000	2,466	424,337	1,473,946	1,048,709	437,748	1,486,457	1,048,709	453,317	1,502,026
15	Deçan	7,045,933	867	5,056,390	678,547	96,130	66,178	1,148,689	7,045,933	5,897,245	1,217,784	7,115,029	5,897,245	1,291,851	7,189,096
16	Gjakovë	19,895,982	2,258	13,007,754	1,695,220	561,899	439,982	4,191,127	19,895,982	15,704,855	4,331,842	20,036,697	15,704,855	4,497,196	20,202,051
17	Istog	8,644,622	957	5,566,447	736,644	107,000	223,813	2,010,718	8,644,622	6,633,904	2,073,063	8,706,967	6,633,904	2,145,329	8,779,233
18	Klinë	8,333,886	944	5,592,191	613,588	151,258	65,767	1,911,082	8,333,886	6,422,804	1,968,022	8,390,826	6,422,804	2,053,395	8,476,199
19	Pejë	20,717,792	2,225	12,965,868	2,534,020	606,919	300,061	4,310,924	20,717,792	16,406,868	4,551,118	20,957,986	16,406,868	4,817,469	21,224,337
20	Junik	1,170,878	153	932,035	125,298	30,000	5,755	77,791	1,170,878	1,093,087	87,193	1,180,280	1,093,087	98,287	1,191,374
21	Leposaviq	3,444,718	548	1,966,444	195,209	60,000	69,973	1,153,092	3,444,718	2,291,626	1,200,205	3,491,831	2,291,626	1,254,366	3,545,992
22	Mitrovicë	15,948,321	1,969	11,182,774	1,214,439	465,000	545,043	2,541,065	15,948,321	13,407,256	2,731,297	16,138,553	13,407,256	2,865,659	16,272,915
23	Skenderaj	11,247,434	1,370	7,264,745	918,834	200,440	180,642	2,682,772	11,247,434	8,564,661	2,808,770	11,373,431	8,564,661	2,903,252	11,467,913
24	Vushtri	14,587,091	1,573	9,348,009	1,421,086	231,042	182,914	3,404,040	14,587,091	11,183,051	3,499,761	14,682,812	11,183,051	3,640,244	14,823,295
25	Zubin potok	1,853,910	400	1,516,682	186,021	63,062	41,104	47,041	1,853,910	1,806,869	76,523	1,883,392	1,806,869	109,706	1,916,575
26	Zveçan	1,722,224	342	1,378,578	160,772	60,000	65,767	57,107	1,722,224	1,665,117	85,004	1,750,121	1,665,117	116,301	1,781,418
27	Mitrovicë Veriore	4,970,832	833	3,741,660	590,900	146,927	156,196	335,149	4,970,832	4,635,683	412,545	5,048,228	4,635,683	449,840	5,085,523
28	Gjilan	21,354,701	2,448	14,286,213	2,519,914	562,200	554,086	3,432,288	21,354,701	17,922,413	3,655,809	21,578,222	17,922,413	3,902,790	21,825,203
29	Kaçanik	6,631,386	798	4,730,156	504,281	139,000	204,690	1,053,259	6,631,386	5,578,127	1,113,573	6,691,700	5,578,127	1,182,929	6,761,056
30	Kamenicë	7,141,901	1,166	5,925,263	593,765	170,700	100,567	351,606	7,141,901	6,790,295	430,515	7,220,810	6,790,295	504,664	7,294,959
31	Novobërdë	1,973,476	340	1,713,081	154,016	51,000	4,521	50,858	1,973,476	1,922,618	74,733	1,997,351	1,922,618	101,243	2,023,861
32	Shtërpce	3,123,406	519	1,928,586	334,437	81,625	2,877	775,881	3,123,406	2,347,525	792,651	3,140,176	2,347,525	812,725	3,160,250
33	Ferizaj	25,155,871	2,377	14,014,760	2,746,828	442,680	599,752	7,351,851	25,155,871	17,804,020	7,500,544	25,304,564	17,804,020	7,688,199	25,492,219
34	Viti	9,487,984	1,151	6,677,482	899,991	200,862	197,712	1,511,937	9,487,984	7,976,047	1,596,570	9,572,617	7,976,047	1,698,479	9,674,526
35	Partesh	801,503	143	594,238	131,000	40,013	1,644	34,608	801,503	766,896	39,678	806,574	766,896	45,566	812,462
36	Hani i Elezit	2,066,396	222	1,366,516	184,216	40,317	41,104	434,243	2,066,396	1,632,153	457,584	2,089,737	1,632,153	483,458	2,115,611
37	Kllokot	850,699	124	701,471	100,796	17,200	1,644	29,587	850,699	821,112	44,065	865,177	821,112	59,396	880,508
38	Ranillug	1,425,026	189	964,786	124,087	20,000	36,994	279,158	1,425,026	1,145,867	298,462	1,444,329	1,145,867	319,533	1,465,400
Total		421,173,130	43,761	248,008,826	38,121,605	9,653,374	8,447,811	116,941,514	421,173,130	304,231,616	121,521,509	425,753,125	304,231,616	126,591,509	430,823,125



### **3. Functional Budget Classification**

According to the instructions given in the Budget Circular 2015/01, municipal authorities are notified that for the 2016 budget, functional classification will be fully implemented in budget planning stage. For operating expenditure, this classification will be automatically programmed in the BDMS software, which means that officials will not need to select functional classification codes. The system will determine the code in accordance with budget sub-programmes.

**For capital projects**, municipal officials will have to select the option of the functional code that corresponds to the type of the project, for each project they propose. Officials within the Municipal Budget Department will provide assistance through a guideline for classification (functional code selection) of Capital Projects, which will be attached to PIP (a link at the bottom of the screen), as well as through direct assistance in determining the codes for projects.

The implementation of this type of budget classification, applied thus far only in financial reporting, enables budget disclosure by public function (e.g. education, social protection, economic issues, administration, etc.) and create the infrastructure that enables the development of a budget process based on municipal strategic priorities.

### **4. Gender Responsive Budgeting (GRB)**

Pursuant to the Law no.05 / L-020 (2015) on Gender Equality, all Kosovo institutions are responsible for “involving gender budgeting in all areas, as a necessary tool securing that the principle of gender equality is followed in collection, distribution and allocation of resources” (Article 5.1.5.). For this reason, budget organizations must make the effects of public spending visible in terms of the equality of women and men, boys and girls in the annual budget for 2016. It will contribute to enhance the effectiveness and transparency of public financial management.

Each Budget Organization is recommended to use the tables in Annex II and integrate them as an annex to the annual budget 2016, using previous trends to inform the planned expenditures.

Tables in Annex II can be used to inform about specific objectives, activities and indicators for enhancing gender equality in various sectors, in accordance with the Law on Gender Equality. This does not necessarily mean an increase in expenditures, but more efficient use of existing resources and/or equal distribution of existing resources.

Should questions arise regarding the instructions in this circular, Budget Organizations should feel free to consult with their analysts within the Department of Municipal Budget at the Ministry of Finance (MoF).

## **5. Forums with municipal authorities regarding the development of the budget process**

Municipal Budget Department in MoF will organize forums with municipal authorities regarding the development of the municipal budget for 2016-2018. Whilst, specific instructions and modules for municipal budget officials when it comes to drafting the budget for each of the key stages will be provided through additional training, including the application of electronic systems BDMS and PIP. Therefore, I encourage you to continue the process of strengthening the relevant planning capacity of public money in order to maximise economic benefits from projects with public interest.

## **6. Submission of draft municipal budget for 2016-2018 in MF**

Following the approval of the budget for 2016-2018 by the Municipal Assemblies, the Municipalities must submit the following documents to the Municipal Budget Department in the Ministry of Finance **by 30 September 2015**:

- The cover letter based on the proposed budget approved by the Municipal Assembly (signed by the mayor).
- Decision by the Municipal Assembly on the approval of the proposed municipal budget for 2016-2018, including multi-year capital projects.
- Municipal budget tables (BDMS and PIP):
  - Table 4.1 - Plan of appropriations for total expenditures of the municipality for 2016 (hard copy generated from BDMS, stamped and signed by the Mayor and CFO).
  - Table 4.2 - financing of capital projects for 2016 and multi-year capital projects for 2017 to 2018 (printed by PIP system, stamped and signed by the Mayor and CFO).
  - Table 4.3 - med-term plan of total budget revenues of the municipality from government grants and own source revenues (printed by BDMS, stamped and signed by the Mayor and CFO).



## **Annex I.**

### **The criteria applied in the formulas for the allocation of government grants**

#### **a. The General Grant**

According to the Law on Local Government Finance no. 03 / L-049, base for calculation of the general grant is number of population (Article 24).

Following the census in 2011 and the official data publication by KSA in December 2012 (including estimates of the Statistical Agency of Kosovo for four minority inhabited municipalities which did not participate in the census process, as Leposavic, Zubin Potok, Zvecan and northern Mitrovica), the Government of the Republic of Kosovo has taken the Decision no.09 / 121 dated 27.03.2013 for amending Annex 1 under Article 35 of LLGF for applying new census numbers.

The number of new population is applied according to this official decision to the formula for calculation of the total grant, and health grant for 2016.

#### **b. The Specific Grant for Education**

The education grant is calculated by taking into account the number of pupils enrolled, criteria and formulas defined Administrative Instruction no.18 / 2009.

The number of pupils reported by MEST and approved by the Grants Commission for 2016 is a total of 411,746, with 321,586 being pre-primary and primary pupils, pupils from the majority are 311,533 , while 10,053 are minority pupils, 90,160 are high school pupils , with 89,615 majority pupils and 2,545 minority pupils.

The number of schools is 900 (there are 1,325 schools with a total separate classes) where preschool and primary school are 740 and 160 secondary schools.

By the criteria approved by Grants Commission and based on the number of pupils according to formula for 2016, teaching staff resulted in a total of 23,182 full norms (17,971 teachers for pre-primary and primary education, 4,830 teachers for secondary school, 76 teachers for special education and 305 teachers for English language), and staff in sick leave and maternity leave resulted in a total of 695 full norms.

Professional Administrative and support staff results in total of 5,438 (out of which: 1,250 administrative staff for elementary schools, 361 administrative staff for schools, 3747 support staff and 80 professional service staff)

Please find attached parameters/ criteria approved by GC (MEST Administrative Instruction no.18 / 2009) criteria applied when calculating specific grant for education for 2016 as follows:



- a) Number of pupils enrolled and reported by MEST on 25.02.2015 (total 411,746 pupils);
- b) Pupil-teacher Ratio for primary and secondary education for pupils of majority side 1:21.3;
- c) pupil-teacher ratio for primary and secondary education for pupils of minority side 1:14.2;
- d) pupil-teacher ratio for pre-school education 1:12;
- e) ; pupil-teacher ratio for mid professional education for pupils of majority side 1:17.2, and for pupils of minorities 1:11.5;
- f) Raporti nxënës-mësimdhënës për zonat malore 1:14.2; pupil-teacher ratio for mountain zones 1:14.2;
- g) Calculation for teaching staff for English language for I and II class
- h) Calculation for technical administrative staff for 630 pupils, 1 staff for preprimary and primary education (based on the administrative instruction no.18/2009 of MEST) ;
- i) Calculation for technical administrative staff for 470 pupils, 1 staff for secondary education (based on the administrative instruction no.18/2009 of MEST);
- j) Calculation for supporting staff for 170 pupils 1 staff (cleaning staff) as well as 1 staff for one school (security) based on the administrative instruction no.18/2009 of MEST;
- k) Professional services (pedagogue) from 4 for 7 major municipalities and 2 for all other municipalities (based on the previous decisions of the Grant Commission).
- l) The calculation of salaries for teaching staff is made based on average wages by pre-primary, primary and secondary level;
- m) The calculation of salaries for professional administrative and support staff is made based on the average salaries for the administrative, technical and support staff;
- n) Calculation of cost for work experience (8 years).

## Annex II

### Gender Responsive Budgeting (OGB)

**Table 1 Numbers of employees in the corresponding Budget Organization**

[Name of institution]

Year	Total number of staff	Number of women staff	Number of men staff	Wages and salaries /amount for women	Wages and Salaries /amount for men
2014					
2015					
2016					

**Table 2. Planning for 2016 levels of salaries in Budget Organisation**

[Name of institution]

Level of salaries	Total number of staff as per level of salaries	Number of men	Amount spent on men	Number of women	Amount spent on women
201-400					
401-600					
600+					

**Table 3. Numbers of beneficiaries of subsidies or services provided by budget organizations of relevant departments (where applicable)**

Name of Institution: Name Service / subsidy]

Year	Total budget of service / fixed subsidy	total number of beneficiaries	total number of womenbeneficiaries	total number of men beneficiaries	Budget for women	Budget for men
2014						
2015						
2016						