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Implementation of the Kosovo government capital investment projects : an analysis of the project budgeting and the project implementation performance / [presentation given in May 2011]

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Implementation of the Kosovo Government Capital Investment Projects:

An analysis of the project budgeting and the project
implementation performance

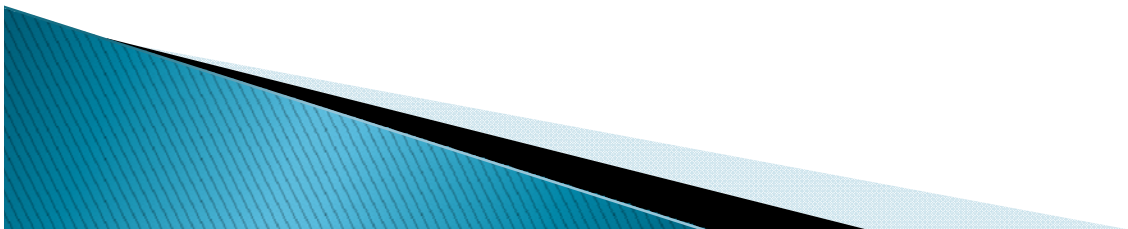
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▶ Research Objectives:

- Evaluate the performance of budgeting and implementation practices, with a focus on public capital investment projects
- Identify key obstacles to a better budgeting and a better implementation process
- Based on findings, present recommendations for feasible solutions, with the aim of improving the overall budgeting and implementation process.

▶ Methodology Employed:

- Qualitative analysis: Comprehensive Survey
- Quantitative analysis: Comparison of Historical Data



Structure of the Budget, in millions of Euros

Description	2007	2008	2009	2010	2011	2012	2013
Total Budget	661	942	1,135	1,202	1,434	1,457	1,485
Capital expenditures	155	347	400	455	572	587	605
Capital expenditures % of total budget	23%	37%	35%	38%	40%	40%	41%

- ▶ Higher capital spending as a share of total budget.
- ▶ Better budgeting and implementation performance vital for an effective policy.
- ▶ Based on the survey, key identified problems for a better performance:

- Procurement Procedures
- Procedural issues related to the construction phase
- Legal Confusion
- Staff Training
- Lack of Coordination between the Budget Department and the Procurement Office



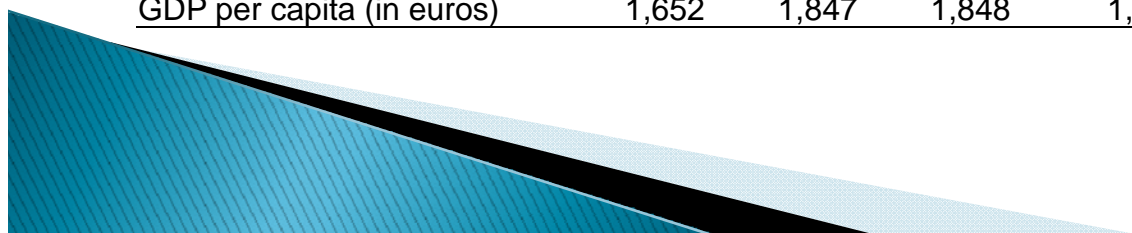
Outline:

- ▶ **Background and Context:**
 - General overview of Kosovo's economic developments
 - Legal Framework for Public Capital Project Implementation
 - Kosovo capital projects: implementation
 - Kosovo capital expenditure projects and implementation in 2009 and 2010
- ▶ **Investigative results from the survey with line ministries.**
- ▶ **Main problems identified**
 - Public Procurement Problems
 - Procedural issues
- ▶ **Final discussion and policy recommendations**



Main Macroeconomic Indicators

Description	2007	2008	2009	2010 Est.	2011 Proj.	2012 Proj.	2013 Proj.	2014 Proj.
Real growth rates (in percent)								
GDP	6.3%	6.9%	2.9%	4.0%	5.3%	5.1%	5.4%	6.0%
CPI	4.5%	9.2%	-2.4%	3.5%	5.3%	2.1%	1.5%	1.4%
Revenues	26%	24%	26%	26%	27%	26%	26%	26%
Primary expenditures	17%	24%	26%	28%	31%	29%	29%	26%
Capital expenditures	4%	9%	9%	11%	12%	12%	12%	10%
Overall balance	10%	0%	-1%	-3%	-5%	-3%	-2%	-1%
Main aggregates (in millions of euros)								
GDP	3,394	3,851	3,912	4,289	4,639	4,978	5,214	5,501
GDP per capita (in euros)	1,652	1,847	1,848	1,996	2,127	2,249	2,321	2,412

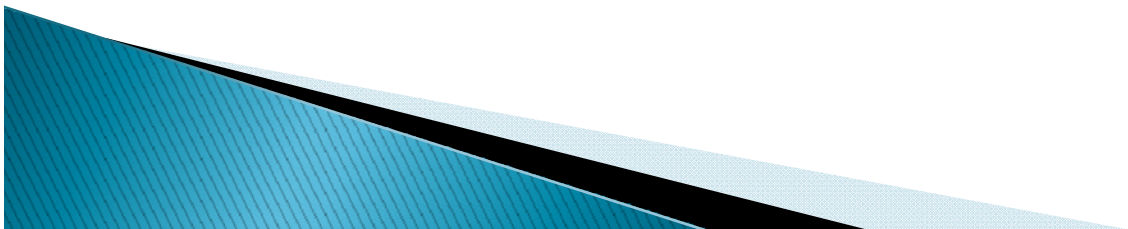
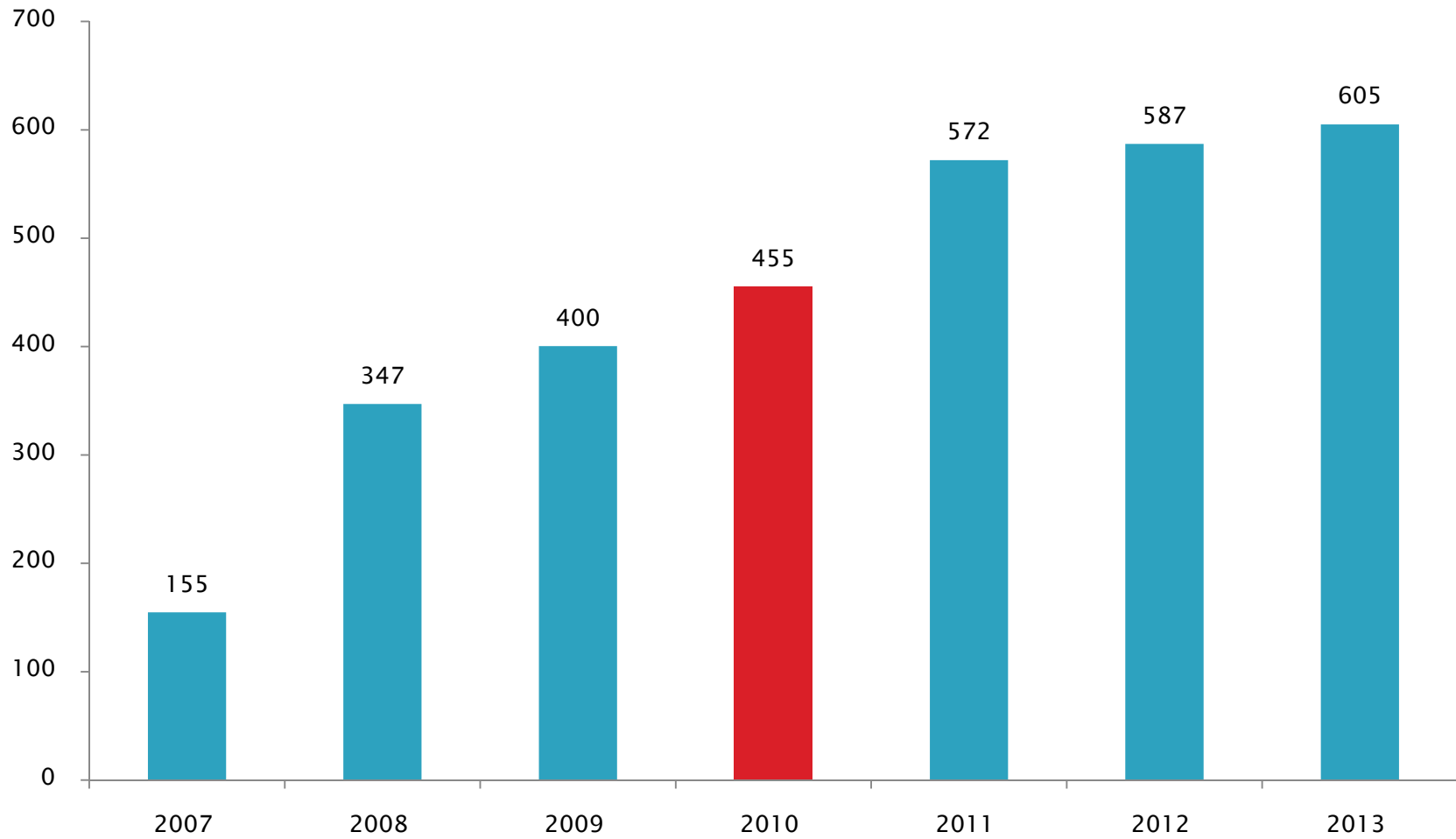


Legal Framework for Public Capital Project Implementation

- ▶ Law on Public Financial Management and Accountability (LPFMA).
- ▶ The LPFMA specifies that a capital spending plan should include:
 - A statement setting forth a long-range capital investment plan for Kosovo that identifies and includes the higher priority needs within affordable spending limits
 - A capital program consisting of proposed capital projects for the upcoming year and the two succeeding fiscal years
 - Statement of the purpose of each project
 - Statement about the proposed site, size and estimated life of the project
 - Estimated on-going operating budget costs or savings resulting from the project, including staffing and maintenance costs.



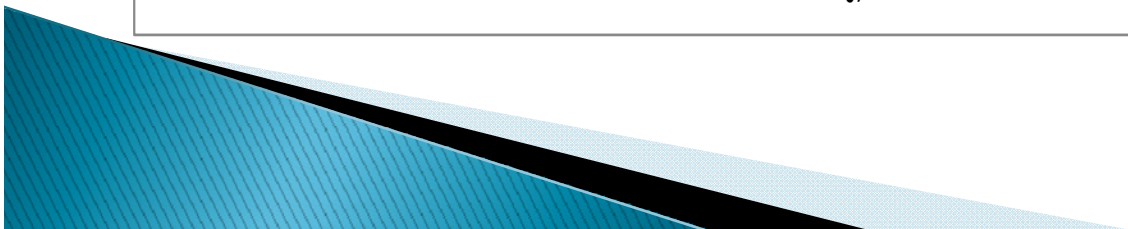
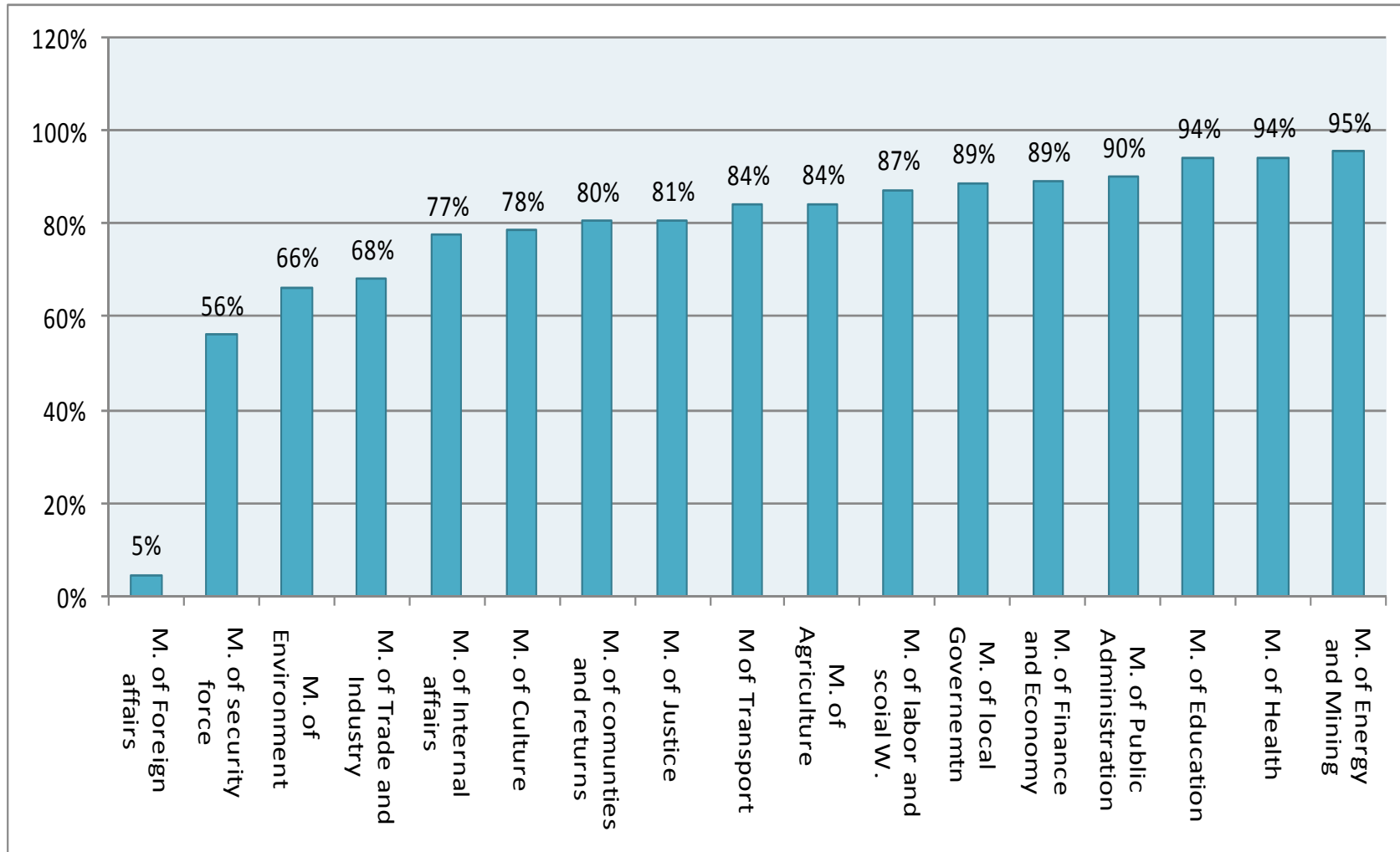
Capital Expenditures, in millions of Euros



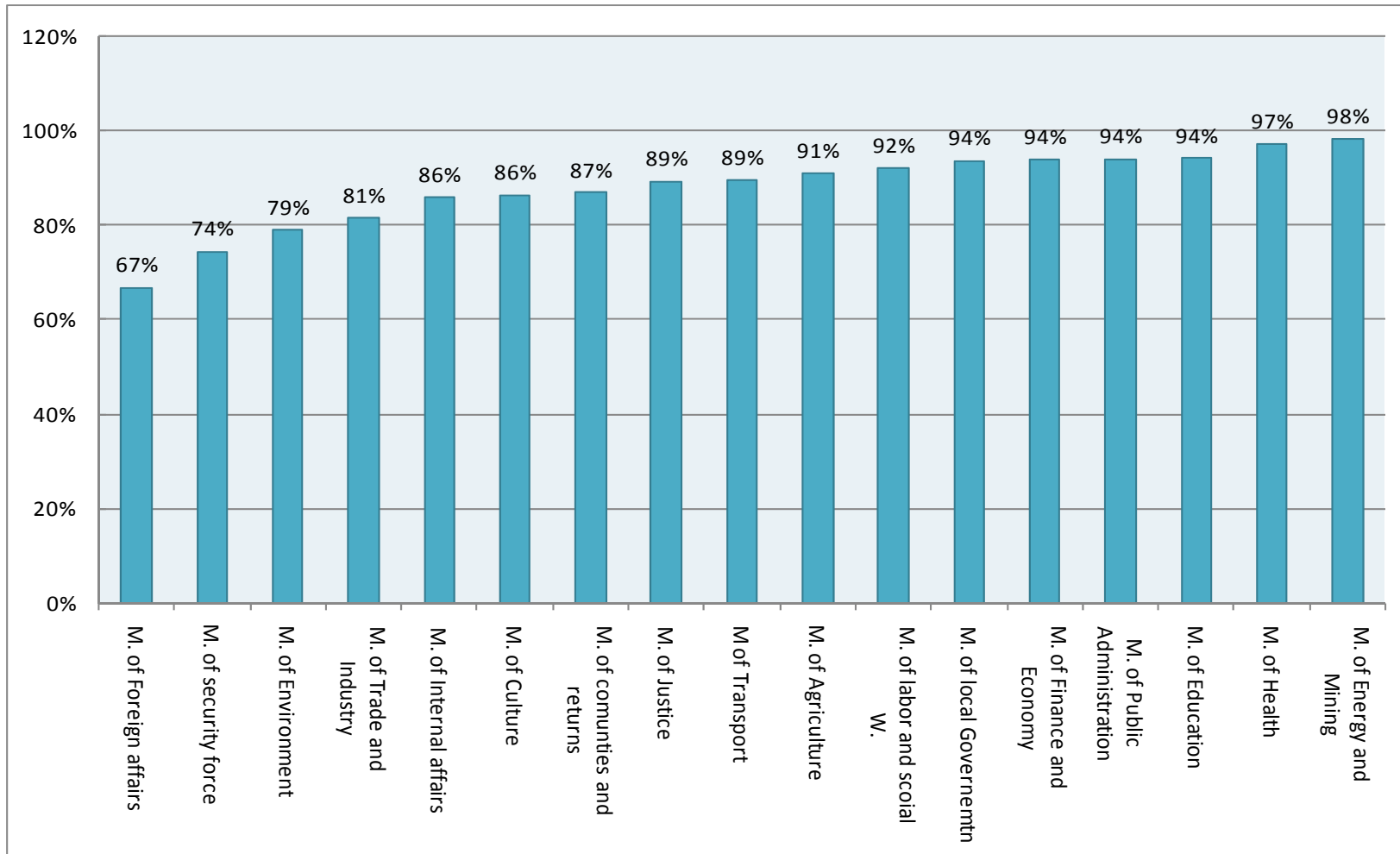
Under-Execution of Kosovo Capital Expenditures, in Euros (Value)

Ministries	2010	2009
Ministry of Energy and Mining	47,202	40,579
Ministry of Agriculture	125,534	587,759
Ministry of labor and Social Welfare.	226,278	427,789
Ministry of Justice	332,202	474,626
Ministry of Environment	338,577	2,241,708
Ministry of Education	569,037	2,631,599
Ministry of Foreign Affairs	581,356	10,519,513
Ministry of Comunties and returns	735,162	1,257,824
Ministry of Culture	772,969	1,223,268
Ministry of Security force	952,272	4,139,455
Ministry of Internal Affairs	1,039,091	3,734,302
Ministry of Health	1,059,992	719,924
Ministry of Local Government	1,078,790	1,128,173
Ministry of Trade and Industry	1,107,769	2,272,728
Ministry of Public Administration	1,872,826	2,412,012
Ministry of Finance and Economy	1,936,519	2,760,297
Ministry of Transport	3,177,182	23,433,355
Total	15,952,758	60,004,912

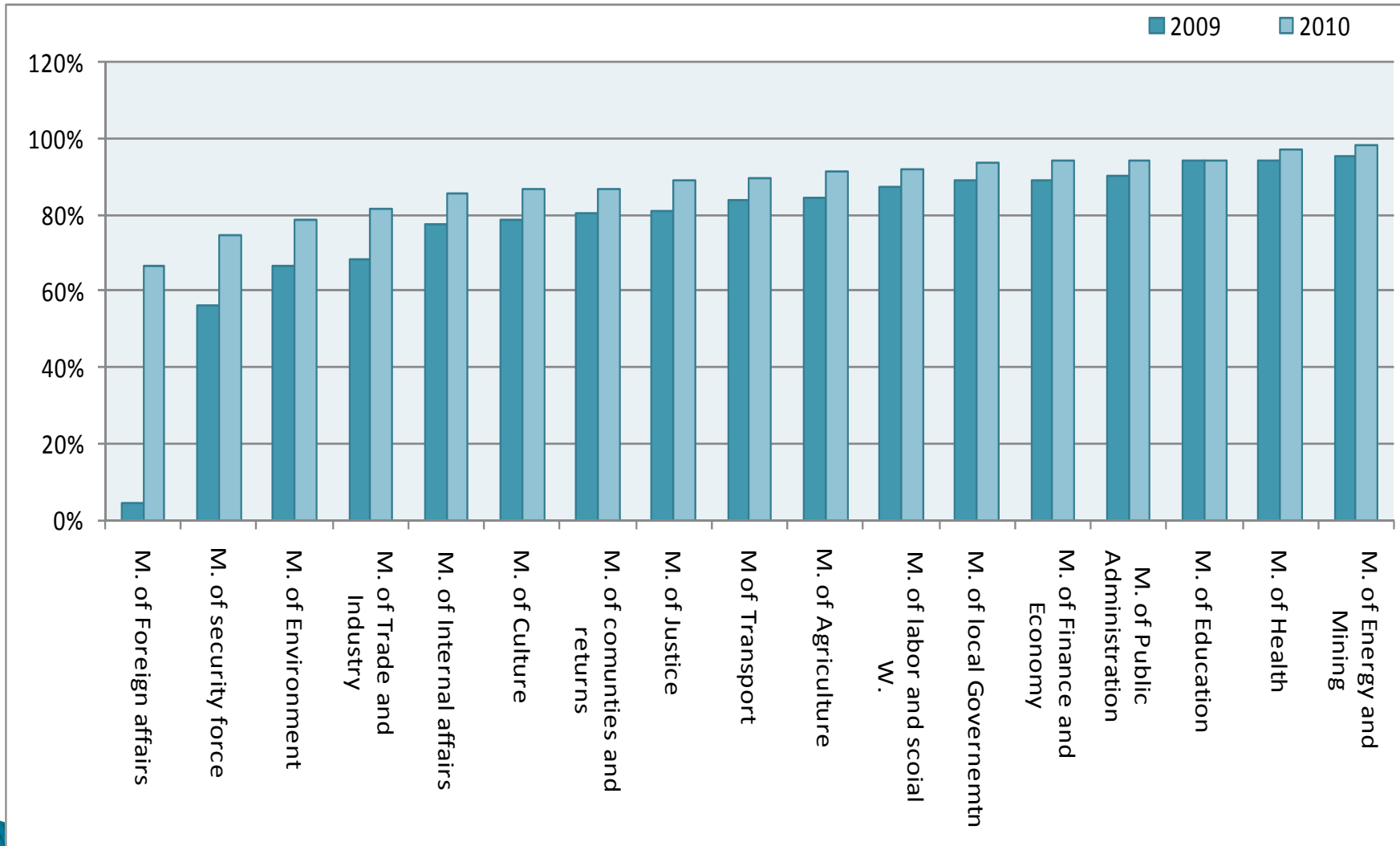
Execution of Kosovo Capital Investment Projects, in 2009 (by Ministry)



Execution of Kosovo Capital investment Projects, in 2010 (by Ministry)

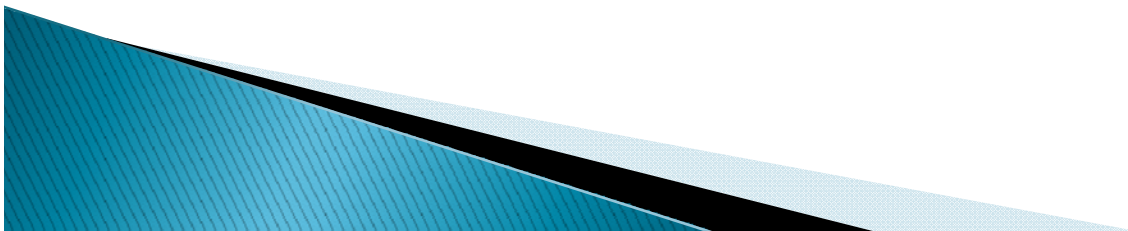


Execution Rate for Public Capital Investment Projects, in 2009 and 2010 (by Ministry)



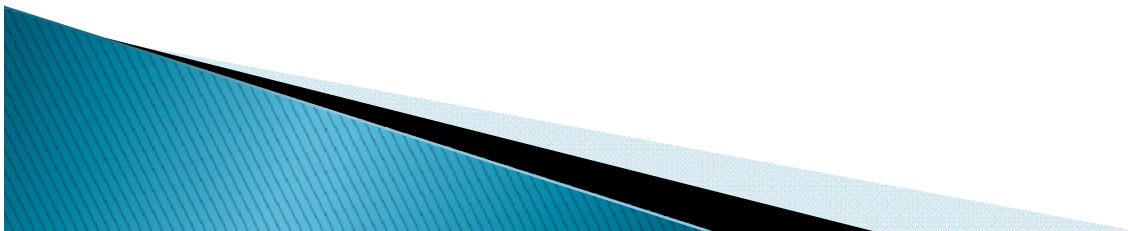
Investigative results of the Survey

- ▶ Capital investment has been oriented on road infrastructure and road maintenance projects
- ▶ Investment on IT and other equipment
- ▶ Most of the Ministries have asked for higher capital investment funds for the future.



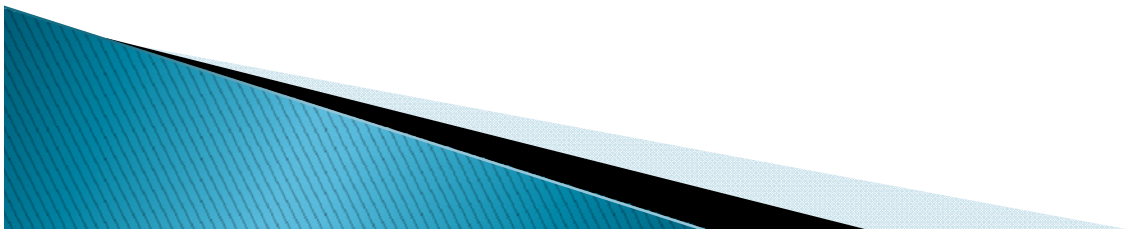
Main problems identified from the survey

- ▶ Procurement procedures
- ▶ Procedural issues related to construction process
- ▶ Legal problems
- ▶ Need to improve staff training
- ▶ Lack of Coordination between Budget Department and Procurement Office



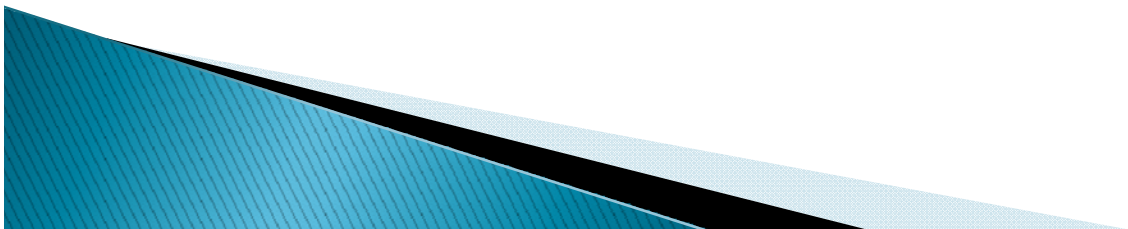
Conclusions from the Survey

- ▶ There are positive developments in policy-making for an efficient allocation of capital projects
- ▶ Improvements in all ministries and as a result in the overall level of execution during past years
- ▶ Capital investment proposals are still very small and they are generally identified and prepared as single year projects without analysis for the cost in subsequent years
- ▶ Emphasis needs to be oriented on implementing a more strategic capital spending program



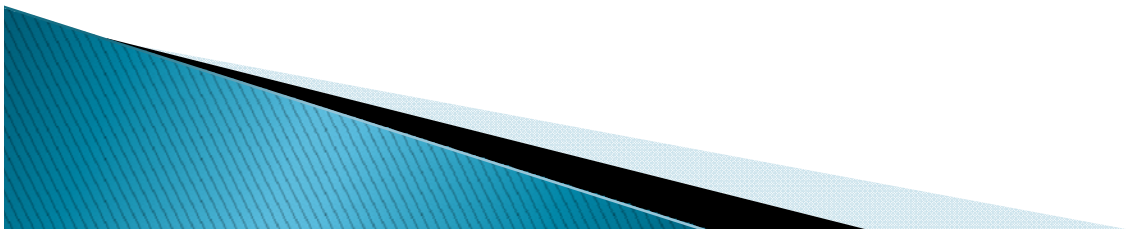
Summary of Recommendations

- ▶ Better Planning and a Clear Schedule of Procurement Activities
- ▶ Better Planning at the Starting Phase of Procurement Procedures
- ▶ Training of Staff for Procurement Procedures
- ▶ Creation of an Investment Project Unit.
- ▶ Better Project Selection
- ▶ Monitoring mechanisms for the project implementation process.



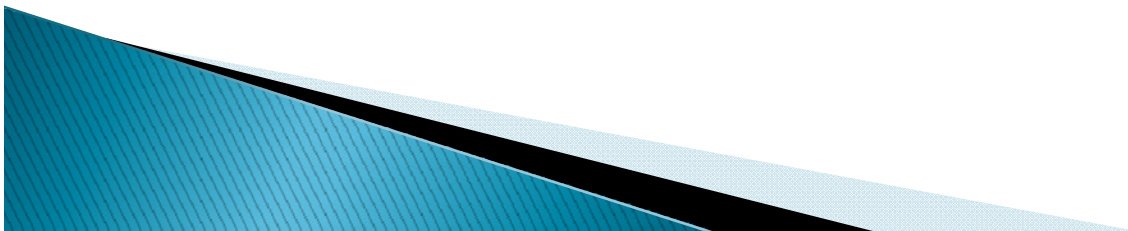
Better Planning and Clear Schedule of Procurement Activities

- ▶ Budget Organizations should develop a clear schedule for the up-coming year, setting out a timetable for planned procurement activities.
- ▶ This schedule should take into account the capacity constraints and the work demand within the Procurement Department.
- ▶ Each Ministry should ensure that technical design and tender documentation is finalized before the start of the Fiscal Year.



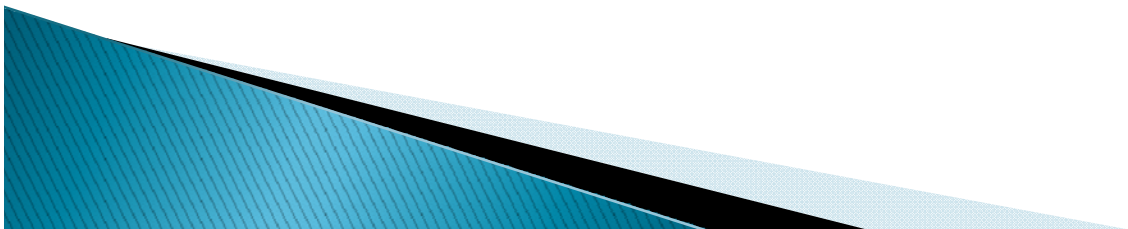
Better Planning at the Start of the Procurement Procedures

- ▶ Initiation of Procurement Activities on time
- ▶ Evaluation of projects from line Ministries, before they are proposed for budgeting
- ▶ Projects need to be assessed against alternative options to assure appropriate value for money
- ▶ Weather/Climate should be taken into consideration



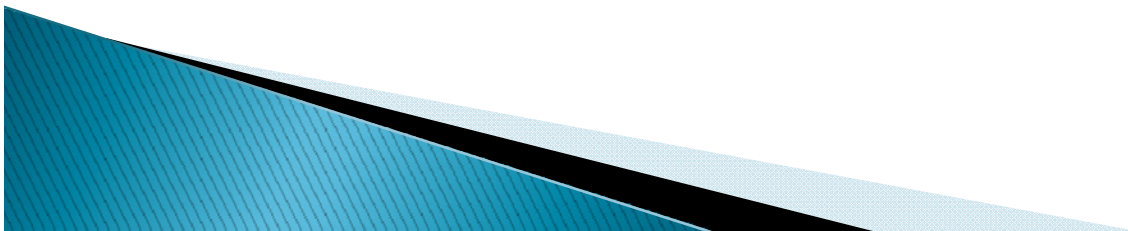
Training of Staff for Procurement Procedures

- ▶ Creation of staff capacities within each Ministry, especially for procurement process
- ▶ Training of the staff dealing with procurement procedures
- ▶ Engagement of Public Institutions for staff training for procurement activities
- ▶ Strengthening the linkage between policy planning and budgeting



Creation of an Investment Project Unit

- ▶ Better coordination between Procurement Office and Budget Office
- ▶ It will positively reflect on reducing the length of some procedures
- ▶ It will have a positive impact on better policy planning



Better project selection and better monitoring of the project implementation

- ▶ Inclusion of capital projects into the budget should be done very carefully
- ▶ Selection of individual projects from line ministries within the overall strategic plan should be driven by high-quality analytical assessments
- ▶ Budget organizations should try to incorporate small projects into a large project
- ▶ Preparation of cash flow estimates from line ministries should be done on time



Thank You for Your Attention!

