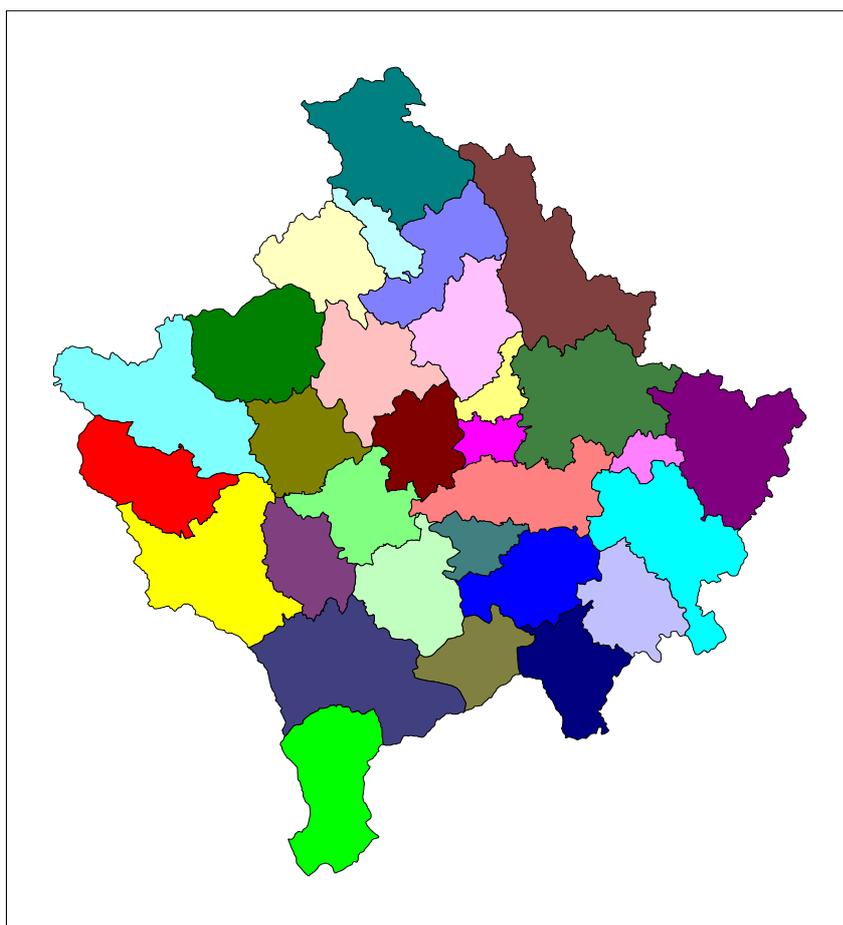




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## Series 3: Economic Statistics

# Kosovo Government Account 2003



Enti i Statistikës së Kosovës  
Zavod za Statistiku Kosova  
Statistical Office of Kosovo

## **Preface**

The publication "The 2003 Kosovo Government Account" is the second publication published by Statistical Office of Kosovo (SOK). Such edition presents the real picture of governmental incomes and expenditures within this period of time.

All of this work is supported, by the assistance of an international expert Geert Langenous from ICON Institute. This report is prepared by Shkelzen Ademi and Emine Bajrami, in collaboration with Xhevrie Fetahu and Bujar Uka and also with the director of economic statistics and national accounts Mr. Ilir T. Berisha.

SOK is grateful to the Ministry of Finance and Economy (MFE), Kosovo Pension Savings Trust (KPST) and also to the Banking and Payment Authority of Kosovo (BPK) in providing of the data concerning with this publication.

Your comments, proposals and suggestions are welcome and you can forward them in to this e-mail address: [economic@ks-gov.net](mailto:economic@ks-gov.net) with the aim of improving the quality of this publication.

SOK, Chief Executive Officer  
Hysni Thaçi

Pristina, November 2005

## Reference list

IMF (2003)

Ministry of Finance and Economy (2003) Treasury

Tax Administration of Kosovo (2003)

Ministry of Finance and Economy (2003) Monthly Microeconomic Monitor

Statistical Office of Kosovo (2003) External trade statistics

## Abbreviations

|      |                                 |
|------|---------------------------------|
| IMF  | International Monetary Fund     |
| MFF  | Ministry of Finance and Economy |
| ESA  | EUROSTAT                        |
| KPST | Kosovo Pension Savings Trust    |
| TAK  | Tax Administration of Kosovo    |
| H    | Households                      |
| :    | Figure not available            |
| —    | Not applicable                  |

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## 1 Introduction

The publication of 2003 government accounts is the second publication of this type, which presents a clear picture of incomes and expenditures within this year; this is based on data collections and monitored by SOK officials. As a general rule is the maximum compatibility of published figures with the standards of ESA 95 (Eurostat, 1996).

In Kosovo dominates double governance: one from Kosovo Government, the other one from UNMIK, a thing that created the unclearness, and it's unknown exactness that how to register the activities of international organizations (UNMIK, KFOR), which provides the services of government type, in the fields that are not covered by the Kosovo Government, the contribution of which is very important. Currently SOK will consider them as a non-residential agents and it will keep their activities out from the Kosovo Government accounts. This is not meant to remain like this, because in the future statistical treatment of UNMIK and KFOR from SOK might change.

In the session 1 are presented incomes and expenditures of general Government, Session 2 elaborates net financial capacity (burden), Session 3 is focused on Kosovo pension system (which is not part of general Government in perception of ESA 95 accounts) and the Session 5 presents the part of remarks.

## 2 Revenue, expenditures and net financial capacity of general government

The total incomes of general Government is about 850 million euro for the 2003, which means that we have a decrease of incomes, comparing with the previous year for about 40 million euro. About 250 million or around 30% of general incomes are consisted by donor assistance. This percent of donor participation for the year 2002 was about 40%, including the budget support and aids that comprises the amount around of 18.1 million euro 18.1 million.

It's important to emphasise that the budget for the year 2003, was completely funded by domestic generated sources, what it means that there were none grants taken to support the budget. Hereupon, we had a downward of budget support from external donations from the year 2000, whereas on the year 2003, we didn't have any kind of support. Also here are shown the carry forward of commitments for the year 2002, that comprises the amount about 157 million euros.

**Table 1: Donor's grants**

| Years | in million euros |                  |
|-------|------------------|------------------|
|       | Budget support   | Grant allocation |
| 2000  | 120.8            | 40.1             |
| 2001  | 41.1             | 42.3             |
| 2002  | 18.1             | 20.8             |
| 2003  | :                | 29.1             |

Source: *Monthly microeconomic monitor –MFE (2003)*

Around 70 % of incomes are comprised by self incomes. The biggest portion comes by goods and services taxes, meantime the other portion of taxes remains a bit less from year to year, however and this portion is getting activated. Concerning the taxes, the biggest portion of incomes is assured by border taxes, this is shown on the table below.

**Table 2: Participation of internal and border taxes in budget incomes**

| presented in percentage for 2003 |                |       |
|----------------------------------|----------------|-------|
| Border taxes                     | Internal taxes | Total |
| 80                               | 20             | 100   |

Source: *Kosovo tax administration –MFE (2003)*

The total expenses of general Government are calculated to be around 791 million euro. About 79 % belongs to inflow expenses. Also in this year, the intermediate consumption, for example, of goods and services shows the most important category of inflow expenses, (estimated around 43 % of inflow expenses). To inflow transfers, we have an increase of expenses comparing with the previous year for about 20 millions. Also here the capital expenses have a great importance, even though at this year we have downward of capital expenses.

**Table 3: Revenue, expenditures and Kosovo general Government net financial burden**  
in million euro, figures 2002/2003

| <b>Revenue</b>                          | <b>899.2</b> | <b>835.3</b> |
|---|--------------|--------------|
| Current revenue                         | 702.3        | 780.9        |
| Current taxes on income and wealth      | 56.0         | 68.1         |
| paid by households                      | 19.2         | 30.9         |
| paid by enterprises                     | 36.8         | 37.2         |
| Taxes on production and imports         | 401.5        | 472.9        |
| taxes on products                       | 396.6        | 466.2        |
| other taxes on production               | 4.9          | 6.7          |
| Social contributions                    | :            | :            |
| Other current transfers                 | 218.0        | 194.6        |
| donor grants from the rest of the world | 205.6        | 184.6        |
| other                                   | 12.4         | 10.0         |
| Interest income                         | 3.7          | 3.1          |
| Sales                                   | 23.2         | 42.2         |
| Capital revenue                         | 196.8        | 54.4         |
| Capital taxes                           | :            | :            |
| Investment grants                       | 137.4        | 40.5         |
| Other capital transfers                 | 59.4         | 13.9         |
| <b>Expenditure</b>                      | <b>792.2</b> | <b>791.6</b> |
| Current expenditure                     | 557.5        | 624.3        |
| compensation of employees               | 131.3        | 150.9        |
| intermediate consumption                | 315.1        | 353.0        |
| current transfers to households         | 59.0         | 59.9         |
| subsidies                               | 52.1         | 60.5         |
| Capital expenditure                     | 234.7        | 167.3        |
| gross fixed capital formation           | 153.3        | 133.0        |
| investment grants                       | 81.4         | 34.3         |
| <b>Net financing capacity</b>           | <b>106.9</b> | <b>43.7</b>  |

In the year 2003 same as for the year 2002 the incomes exceeds the expenditures with a big difference, where the general Government account for the year 2003 shows a surplus of 44 million euros. In comparison with the year 2002 the net financial capacity is smaller for 62 millions, which shows that we have a considerable increase of inflow expenditures in local Government.

### 3 Pension fund system

The system of social security (insurance) it's a bit complicated and it's almost out of Government setting, but it's managed by pillar III (here includes pension contributors)

Kosovo pension system is in reality is consisted by two pillars:

First one is social essential assistance scheme in the base of needs control, which is implemented for declining people and it's integrated on central Government, meaning that it's consistent part of Government, and the pension payments are considered as a social avail included on expenditures of "Household inflow transfers". This is funded by general Government.

Second one compulsive financial scheme, which was first implemented 01 August 2002, meantime on 01 August 2003 it was replaced with all-embracing scheme, applicable for all employers and employees.

This part is not managed by Government, but from e special institution, Kosovo Pension Savings Trust (KPST). Currently the KPST accepts 10% pension contributions from gross salaries between employers and employees, meantime for self employed employees 10 % of their incomes. KPST supervises the investments of these funds, which are managed by two companies. Such system it's not that much complicated, all of them who wishes to know about their fund, they can do this. Also they have right on annual pensions.

Even though this matter is registered out of Government, in the future it will be most important. Pension payments contributions are the inflows between Households and Corporate financial sector.

From the economic point of view it doesn't seem completely satisfactory that the compulsory main pension system it's not reflected on Government account. Hence the SOK publications concerning the government accounts in the principal consists an overview, pro memory, of the financial pillar situation.

**Table 4: Main indicators for the Kosovo funded pension pillar**  
in million euro , 2003

| Contributes | asset revenue | pension outlays | assets (end of the year) |
|-------------|---------------|-----------------|--------------------------|
| 53.4        | 0.81          | n/a             | 54.29                    |

Source: Kosovo Pension Savings Trust

On the year 2002 pension general contributions were about 8 million euro, on the year 2003 we have an increase of these contributions from 40 million euros, meantime the payments for the year 2003 were zero.

**Annex: Detailed accounts of general Government sub-sectors****Table 5: Incomes, expenditures and central Government net financial burden**

in million euro, figures 2002/2003

| <b>Revenue</b>                          | <b>882.1</b> | <b>810.3</b> |
|---|--------------|--------------|
| Current revenue                         | 685.3        | 755.9        |
| Current taxes on income and wealth      | 55.8         | 64.5         |
| paid by households                      | 19.0         | 27.3         |
| paid by enterprises                     | 36.8         | 37.2         |
| Taxes on production and imports         | 399.9        | 470.1        |
| taxes on products                       | 396.6        | 466.2        |
| other taxes on production               | 3.3          | 3.9          |
| Social contributions                    | :            | :            |
| Other current transfers                 | 212.8        | 192.0        |
| donor grants from the rest of the world | 205.6        | 184.6        |
| other                                   | 7.2          | 7.3          |
| Interest income                         | 3.7          | 3.1          |
| Sales                                   | 13.2         | 26.3         |
| Capital revenue                         | 196.8        | 54.4         |
| Capital taxes                           | :            | :            |
| Investment grants                       | 137.4        | 40.5         |
| Other capital transfers                 | 59.4         | 13.9         |
| <b>Expenditure</b>                      | <b>787.8</b> | <b>772.7</b> |
| Current expenditure                     | 468.5        | 491.4        |
| compensation of employees               | 77.9         | 67.9         |
| intermediate consumption                | 279.5        | 303.1        |
| current transfers to households         | 59.0         | 59.9         |
| subsidies                               | 52.1         | 60.5         |
| Capital expenditure                     | 234.7        | 167.3        |
| gross fixed capital formation           | 153.3        | 133.0        |
| investment grants                       | 81.4         | 34.3         |
| Current transfers to local government   | 84.6         | 114.0        |
| <b>Net financing capacity</b>           | <b>94.3</b>  | <b>37.5</b>  |

**Table 6: Incomes, expenditure and lokal Government net financial burden**  
million euro, figures 2003

| <b>Revenue</b>                            | <b>101.6</b> | <b>139.0</b> |
|---|--------------|--------------|
| Current revenue                           | 101.6        | 139.0        |
| Current taxes on income and wealth        | 0.2          | 3.6          |
| paid by households                        | 0.2          | 3.6          |
| paid by enterprises                       | :            | :            |
| Taxes on production and imports           | 1.6          | 2.8          |
| taxes on products                         | 0.0          | 0.0          |
| other taxes on production                 | 1.6          | 2.8          |
| Social contributions                      | :            | :            |
| Other current transfers                   | 5.2          | 2.7          |
| donor grants from the rest of the world   | :            | :            |
| other                                     | 5.2          | 2.7          |
| Interest income                           | :            | :            |
| Sales                                     | 10.0         | 15.9         |
| Current transfers from central government | 84.6         | 114.0        |
| Capital revenue                           | :            | :            |
| Capital taxes                             | :            | :            |
| Investment grants                         | :            | :            |
| Other capital transfers                   | :            | :            |
| <b>Expenditure</b>                        | <b>89.0</b>  | <b>132.9</b> |
| Current expenditure                       | 89.0         | 132.9        |
| compensation of employees                 | 53.4         | 83.0         |
| intermediate consumption                  | 35.6         | 49.9         |
| current transfers to households           | :            | :            |
| subsidies                                 | :            | :            |
| Capital expenditure                       | :            | :            |
| gross fixed capital formation             | :            | :            |
| investment grants                         | :            | :            |
| Current transfers to local government     | :            | :            |
| <b>Net financing capacity</b>             | <b>12.6</b>  | <b>6.1</b>   |

## **Concluding remarks**

In the year 2002 the SOK issued a publication, leaning on the assistance of foreign experts and it was the first publication concerning the governmental finances. Regarding the collection and monitoring of the data we are in the beginner phase, meaning that the quality and the expansion of the data will be improved in coming publications (the methodology used is approximate to ES).

Also in the year 2003 two gaps are existing that were present in 2002. First of, the Government incomes are registered in two parts: one part on cash, the other one on accrual. Also with expenditures exists a divide, regarding the donations this will be exceeded.

Since we are in the beginning of collection and monitoring of the data, then every comment and your remarks will be welcomed, with the manner that our work for the future will be more efficient and our data for the others needs would be more reasonable.

## **Statistical Office of Kosovo (SOK) - a brief description**

**The Statistical Office** as a professional office has been in operation since 1948, and has passed through all the historic phases of Kosovo. On August 2<sup>nd</sup> 1999 the Office restarted its work as an independent and professional institution of public administration of Kosovo. Kosovo Consolidated Budget and various donors for particular projects finance the Office.

**A Statistical Regulation** (Regulation 2001/14) came into force 2 July 2001. SOK is an executive agency attached to the Ministry of Public Services (MPS). A Master Plan (medium term development plan) for the statistical system in Kosovo has been produced.

**Organization structure:** Seven Regional Offices (Pristine, Peja, Gjakova, Prizren, Ferizaj, Gjilan and Mitrovica) and Head Quarters in Prishtina have at present a total of 137 employees, 90 at HQ and 47 at the Regional Offices. There is 1 international expert to support the Office and 1 language assistant. The Office has a fully-fledged field organization for surveys with experienced enumerators and sufficient transport. A new organization of the Office has recently been implemented. A working group on statistics, involving most of the Ministries, is under creation.

**The Office Mission** is to fulfill the needs of users for objective statistical data and analyses in order to support government departments and provide proper information for decision-makers and other users in Kosovo.

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