



Analysis on Public Infrastructure Kosovo



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Author:

Vesa Dinarama, Project Expert, BIRN (vesadinarama@jetanekosove.com)

Formatting:

Emina Hasanagić, Administrative Manager, Krila nade (emina.hasanagic@wings-of-hope.ba)

This document has been produced as a part of the project “CSOs as equal partners in the monitoring of public finance“ which started beginning of 2016 and is implemented by a consortium of 10 organizations from 7 countries and will last for four years.

The aim of the project is to improve the transparency and accountability of policy and decision making in the area of public finances through strengthening the role and voice of NGOs in monitoring the institutions that operate in the area of public finances. In this way, the project will strengthen CSO knowledge of public finance and IFIs and improve CSO capacities for monitoring. Additionally, it will help advocate for transparency, accountability and effectiveness from public institutions in public finance. Moreover, this project will build know-how in advocating for sustainability, transparency and accountability of public finance and IFIs. This project will also increase networking and cooperation of CSOs on monitoring of public finance at regional and EU level. Lastly, it will increase the understanding of the media and wider public of the challenges in public finance and the impacts of IFIs.

Key project activities are research and monitoring, advocacy, capacity building and transfer of knowledge/practices and networking in the field of the 4 specific topics: public debt, public-private partnerships, tax justice and public infrastructure.

More information about the project can be found on <http://wings-of-hope.ba/balkan-monitoring-public-finance/> and on the Facebook Page Balkan Monitoring Public Finances





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1. OVERVIEW OF THE TRENDS IN PUBLIC INFRASTRUCTURE PROJECTS

The biggest road infrastructure investment, in the current setting, in Kosovo is the “Ibrahim Rugova” highway connecting it with Albania, also known as “Route 7”. Although it was built on the premise of creating wealth from increased trade and tourism, the final costs were higher in both countries from those primarily stated.¹ Two other major road projects are under way: (i) “Route 6” or “Arber Xhaferri” highway connecting Prishtina with Skopje, estimated at a total of 600 million euros, and around 60 million euros for the expropriation costs, and (ii) Prishtina-Gjilan highway at 260 million euros, which still in its initial phase. Moreover, a ministerial commission was set up for the purpose of conducting meetings, which were attended by only ministers from the Democratic League of Kosovo, LDK.

Also, an important segment of Kosovo railways is scheduled to undergo a major upgrade via a 195.5 million EUR EBRD loan.² Poor infrastructure in the energy sector, such as unreliable energy supply, has bottlenecked the general competitiveness of the economy. Transmission, System and Market Operator, KOSTT, is continuing its commitment by investing on the energy network above the 110 kW. Whereas, KEDS has secured contractual obligations, having in mind the privatization of the distributor for considerable investments within the low energy network. In regards with road infrastructure, IMF has expressed concerns that there is a tendency in Kosovo to over-invest in new capital stock, and under-invest in the maintenance of roads and other infrastructure-related issues, including traffic management and road safety, partly because maintenance spending gets crowded out by other political priorities. Maintenance expenditure has been falling in recent years both in monetary value, and as a ratio of the capital stock. Road maintenance budget, moreover, is less than half of neighboring Serbia or Bosnia Herzegovina on a per capital basis. The IMF and World Bank have suggested increasing road user charges and vehicle registration fees to ensure sufficient funds are available for road maintenance in the medium to long term.³

Kosovo's Auditor General has drawn criticism over the government's management of public spending

¹ “Albania – Kosovo Highway Costs Soar to 2 Billion Euros”

<http://www.balkaninsight.com/en/article/albania-kosovo-highway-costs-soar-to-2-billion-euro>

² “Single Project Pipeline of Infrastructural Investments”

[http://www.kryeministri-](http://www.kryeministri-ks.net/tfu/repository/docs/SINGLE_PROJECT_PIPELINE_OF_INFRASTRUCTURAL_INVESTMENTS.pdf)

[ks.net/tfu/repository/docs/SINGLE_PROJECT_PIPELINE_OF_INFRASTRUCTURAL_INVESTMENTS.pdf](http://www.kryeministri-ks.net/tfu/repository/docs/SINGLE_PROJECT_PIPELINE_OF_INFRASTRUCTURAL_INVESTMENTS.pdf)

³ Public Investment Management Investment, IMF, April 2016

<https://www.imf.org/external/pubs/ft/scr/2016/cr16100.pdf>



and, and it has identified various procurement failures, including planning and contract management. According to the 2015 report by the Auditor General, nearly 11,000 public contracts worth 402 million EUR, were signed in the formerly mentioned year.⁴ However, the implementation of the procurement legal framework, as he notes, is not deemed satisfactory, and the designing of contracts suggest favoritism rather than offering value for money. Additionally, the report reveals a low level of action on the implementation of the auditor's own recommendations, considering that only 33 percent of the 1,033 recommendations, were fully implemented.⁵ To add more to that, other newly-published reports by the National Audit Office have documented similar violations within financial statements of many institution for the period of 2016.⁶

The government, according to the wider public, including civil society, has been examining infrastructure projects in vast isolation, for which the public's input was neither considered nor ever sought. Although the recently amended law on public procurement sets new mechanisms aiming to strengthen integrity in the public procurement system, the perception of corruption in public procurement is present, and the implementation of integrity rules remains insufficient.⁷

Considering the above, relevant institutions should establish an increased level of transparency in the process of policymaking, by including, amongst other, public consultation at all stages of project's implementation, and thus, avoiding the crowding out of government priorities. The process of successfully implementing the Law on Public Documents, remains rather problematic within our country. The right to access public official documents, as BIRN further writes, is in reality, hampered by an entrenched secretive mentality of numerous public authorities in the country.⁸ As such, the requests for obtaining public data remain often denied on an unfounded basis. According to KOSOVO 2.0, a pioneering independent media organization, relevant institutions have the tendency to provide the requested information to the interested parties, on mainly issues of a lesser public importance.⁹ In 2015,

⁴ "Kosovo Auditor Highlights Procurement Failures", Balkan Insight, October 2016

<http://www.balkaninsight.com/en/article/kosovo-auditor-general-criticises-pristina-government-10-13-2016>

⁵ "Kosovo Auditor Highlights Procurement Failures", Balkan Insight, October 2016.

<http://www.balkaninsight.com/en/article/kosovo-auditor-general-criticises-pristina-government-10-13-2016>

⁶ National Audit Office, Republic of Kosovo.

<http://www.zka-rks.org/en-us/Audit-Reports#>

⁷ "2016 Economic Reforms Programmes of Albania, the former Yugoslav Republic of Macedonia, Montenegro, Serbia, Turkey, Bosnia and Herzegovina and Kosovo", European Commission, July 2016.

http://www.europarl.europa.eu/meetdocs/2014_2019/documents/dsee/dv/08_econ_prog/08_econ_progen.pdf

⁸ "Report on Access to Public Documents", Balkan investigative Reporting Network, June 2014.

http://www.drejtisianekosove.com/repository/docs/report_on_access_to_public_documents_2013-2014_824655.pdf

⁹ "Kosovar journalists need to demand implementation of their access to information rights", Furtuna Sheremeti, January 2017.



after a three-year battle to gain access to government's travel expense documents, by a court's ruling in Pristina, BIRN Kosovo has been awarded a legal victory, by a Pristina court, over the Kosovo Prime Minister's office, The PM's office denied access to such documents, on the premises that it could infringe privacy rights,. Although the court affirmed that public officials' expenses directly amount to public money.¹⁰

Furthermore, BIRN Kosovo's transparency demand hailed again, by winning its second legal victory in the quest for institutional transparency, in a legal battle against Kosovo Prosecutorial Council. KPC, in this case, acted against Kosovo's laws and Constitution, when it refused BIRN's request for access to public documents.¹¹ Similar to the PM's Office and Kosovo Prosecutorial Council, ministries too, violate the wide public's fundamental right to know how public spending is managed. The Ministry of Justice, out of the total number of ministries, publishes detailed information on budget expenditures, and provides the public with and an accessible format of such data, for further reuse and processing.

Kosovar government, as documented thus far, remains extensively oriented towards projects with a relatively short timeline, with tangible outcomes, which may arguably, assist in cultivating pre-election discussions and campaigns, and boost the voter turnout. There have been, moreover, large investments on public school construction, but public spending on improving education quality, as the research reveals, remains low.¹²

Research suggests that Kosovo's quality of education is deemed as weak and inequitable, and as such, the country fails at its attempts at equipping the students with the necessary skills to transition to a rapidly-changing labor market and economic environment¹³. "Kosovo Education System" Project, financially supported by the World Bank, is an attempt of the government itself, to immensely contribute to the increased level of high-quality education, which would, as a result, tangibly increase the productivity of workforce.

As such, the government has started the implementation of the given project, supported by the World Bank through a US\$11 million credit, to contribute, more specifically, on enhancing evaluation capacities at various levels of the education sector, at both national and municipal levels. Also, amongst

<http://kosovotwopointzero.com/en/kosovar-journalists-need-demand-implementation-access-information-rights>

¹⁰ "BIRN wins legal case against Kosovo PM's Office", Balkan Insight, October 2015.

<http://www.balkaninsight.com/en/article/birn-wins-legal-case-against-kosovo-pm-s-office-10-29-2015>

¹¹ "BIRN wins legal battle against Kosovo Prosecutorial Council", Prishtina Insight, 2016.

<http://prishtinainsight.com/birn-wins-legal-battle-kosovo-prosecutorial-council/>

¹² "Kriza nga Investimet Elektorale" Koha Ditore, July 2014.

¹³ <http://pubdocs.worldbank.org/en/419461462386476530/World-Bank-Kosovo-Program-Snapshot-April-2016.pdf>



others, the project aims at supporting and institutionalizing the teacher career system, by encouraging the application of international best practices on student assessment and evaluation. As such, establishing a joint energy market, will arguably ensure the security of electricity supply along with cheaper electricity prices for the consumers across the region, although, in terms of energy prices, Kosovo has the most regulated market regionally.¹⁴ At the beginning of this year, however, specifics steps have been taken towards the liberalization of the energy market. Despite the completion of the legal package to enable market liberalization, such thing is not expected to happen to the consumers of the building for many reasons.¹⁵ Moreover, the possibility of involving the Republic of Kosovo in the Trans Adriatic Pipeline (TAP), a pipeline project, would represent an important step towards energy security and diversification in the region, considering that in the current setting, TAP is deemed as the largest pipeline for gas transportation in the Western Balkans.¹⁶ ‘Western Balkans 6’, however, the memorandum of understanding on regional electricity market development and future collaboration, was signed by all parties, excluding Kosovo, in April 2016. This agreement foresees concrete steps in the expansion and modernization of road and rail infrastructure. Additionally, the government’s continuous symbolic support has ensured permanent support for capital projects in Kosovo’s railway sector. Moreover, the Western Balkans Investment Framework’s financial support on the rehabilitation of Kosovo’s Railway Sector, has enabled the progress of rehabilitation of Railway “Route 10”, which has significant regional importance for the regional core network, developed by SEETO (South – East Europe Transport Observatory).¹⁷

Improving South East Europe’s transport, and contributing to advancing its connection with the Western Europe, is deemed as vastly significant for Balkans’ economic development, including its integration process into the joint European market. The South East Europe Transport Observatory (SEETO), established by the European Union (EU), along with the South-East Europe Countries (SEE), was created with the purpose of coordinating strategies and transport development projects across these countries. Although Kosovo was initially represented by the UNMIK mission, it afterwards became a member of the organization, and has ever since been contributing to the achievement of the

¹⁴ European Commission Kosovo Report, 2016.

https://ec.europa.eu/neighbourhoodenlargement/sites/near/files/pdf/key_documents/2016/20161109_report_kosovo.pdf

¹⁵ “Paralajmerohet liberalizimi I tregut te energjise elektrike”, Visar Prebreza.

<http://kallxo.com/paralajmerohet-liberalizmi-tregut-te-energjise-elektrike>

¹⁶ “Single Project Pipeline of Infrastructural Investments”, Kosovo Government.

<http://www.kryeministri->

[ks.net/tfu/repository/docs/SINGLE_PROJECT_PIPELINE_OF_INFRASTRUCTURAL_INVESTMENTS.pdf](http://www.kryeministri-ks.net/tfu/repository/docs/SINGLE_PROJECT_PIPELINE_OF_INFRASTRUCTURAL_INVESTMENTS.pdf)

¹⁷ “Single Project Pipeline of Infrastructural Investments”, Kosovo Government.

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organization's goals.¹⁸ The construction of the "Route 6", considering that it remains a liaison road with the Corridor VIII in Skopje, foreseen to connect Pristina with Montenegro, Route 4 (Podgorica-Belgrade), it is deemed of a great regional importance, and as such, remains listed in the SEETO plans.

Partially due to its need to build up its low level of capital stock, Kosovo's public investment, according to the International Monetary Fund, IMF,¹⁹ has exceeded that of the comparator countries', for the past four years. Having said that, in the post-conflict period, an estimated one-third of total public spending was allocated to fulfill the procurement of basic infrastructure needs. As such, the country's public investment level peaked at 11 percent of GDP in 2012, due to the construction of a new highway to Albania, and in 2014, it reversed back at about 8 percent of GDP. Conferring to the IMF, Kosovo's public capital stock has remained considerably stable, reaching about 50 percent of GDP, slightly below regional average of 60 percent. Considering that investments in the transport sector has been a priority, Kosovo has spent, over the past five years, 60 percent of its total budget funds on economic infrastructure.²⁰ 50 percent of the previously specified amount represents the value invested on the rehabilitation of the transport network. Regarding capital spending in economic infrastructure, including transport, Kosovo represents a slightly larger share of total public capital spending, compared to other Emerging and Developing Europe, EDE, countries. Kosovo's capital spending in the social sectors, such as health, education, and housing, comprises half the amount invested in EDE countries. Public investment in Kosovo, compared to other countries in the region, has been relatively high, affirming the authorities' priority to support growth-oriented spending since 2008. Regardless of Kosovo's higher investment spending over the last decade, its capital stock remains slightly below the average of that of the neighboring countries, and hence its relatively low efficiency.

According to the IMF, the given legal framework is initially designed to create a vastly supportive environment for a transparent and non-discriminatory free market, which would also promote competition in contestable markets for economic infrastructure.²¹ Notably, the Law on Procurement,²² through which potential legal disputes are resolved, remains in accordance with EU standards. In 2013,

¹⁸ "Route 6: Highway Prishtina – Skopje", RIINVEST INSTITUTE, 2015.

http://www.riinvestinstitute.org/uploads/files/2016/September/21/Autostrada_Prishtine_Shkup_eng1474445138.pdf

¹⁹ Public Investment Management Investment, IMF, April 2016.

<https://www.imf.org/external/pubs/ft/scr/2016/cr16100.pdf>

²⁰ Public Investment Management Investment, IMF, April 2016.

<https://www.imf.org/external/pubs/ft/scr/2016/cr16100.pdf>

²¹ "Public Investment Management Assessment" IMF, April 2016.

<https://www.imf.org/external/pubs/ft/scr/2016/cr16100.pdf>

²² Law on PUBLIC PROCUREMENT IN REPUBLIC OF KOSOVO, No. 04/L-042.

[https://krpp.rks-gov.net/krpp/PageFiles/File/ligjet/english/Ligji%20per%20prokurimin%20publik%20\(anglisht\)-1.pdf](https://krpp.rks-gov.net/krpp/PageFiles/File/ligjet/english/Ligji%20per%20prokurimin%20publik%20(anglisht)-1.pdf)



based on the IMF,²³ 12,551 public procurement contracts were secured with a value of €444 million, 88 % of which were awarded through open competition. Providing single-contracts has often been criticized by the European Union and civil society in Kosovo, as this was prohibited by the Law on Procurement. Moreover, the assembly has supported the government's decision to amend the Law on Procurement, by also including the legitimation of single-source contracts.²⁴

Those secured by applying the negotiated procedures, including contracts with no publication of contract notification, comprised 6 percent of the total value.²⁵ Although in theory the Public Investment Program, PIP, exists to provide wide-ranging guidance on project appraisal and cost benefit analysis, there are documented shortcomings within the methodology used for assessing, ranking, and selecting major projects, which was also deemed as problematic by the donor community. For unknown reasons, the final ranking of projects is rather different from the initial ranking. In order to strengthen the infrastructural interconnectivity in the Western Balkans, moreover, the identified projects would benefit, as elaborated in the IMF's report, from EU funding through an EU program, known as the "Berlin process". The given projects, according to the IMF,²⁶ were limited to the following sectors: transport, environment, and energy. Considering that Kosovo's debt remains considerably lower than that of economies in the region and other EU countries, this positive deficit estimation, as such, might contribute vastly on making Kosovo a suitable environment for increased infrastructure investments soon.

²³ Public Investment Management Investment, IMF, April 2016.

<https://www.imf.org/external/pubs/ft/scr/2016/cr16100.pdf>

²⁴ "Raporti i Monitorimit te Prokurimit Publik ne Kosove", BIRN Kosovo, Internews Kosova, 2016.

http://kallxo.com/wp-content/uploads/2016/06/BIRN-RAPORT_NDER-ME-TENDER_alb-.pdf

²⁵ PEFA Assessment in Kosovo, July 2015.

²⁶ Public Investment Management Assessment" IMF, April 2016

<https://www.imf.org/external/pubs/ft/scr/2016/cr16100.pdf>



2. CASES STUDIES

The Kosovo Government, for instance, has paid 790 million EUR “Bechtel – Enka” consortium for construction, and it has additionally spent 124 million EUR for the properties’ exportation, located on the Vermice-Besi highway route. “Bechtel – Enka” remains familiar to this part of the Balkans, when it comes to road construction, having already completed 28,000 km of roads in the region, including highways in Albania, Turkey, Croatia, and additionally, Kosovo’s first national highway, the 77-kilometer Route 7 to the Albanian border,²⁷ which left Kosovar taxpayers with a bill of 966 million euros.

An amount of 600 million EUR, furthermore, projected to be invested for the highway construction to Skopje, and around 60 million EUR is projected to be spent for the exportation of the “Road 6” construction. In total, an amount of 1 billion and 54 million EUR is foreseen to be spent for the construction of the two highways. Compared to Kosovo’s former state budgets since 2008, on the one hand, there are huge differences in the investments made in road construction, and within certain sectors, such as agriculture, education, energy and water, on the other.²⁸ In 2008, Kosovo Government has allocated around 100 million EUR to the Ministry of Transport, for road capital investments. On a similar vein, according to the Kosovo’s Budget in 2008, the Ministry of Health was allocated an amount of around 10 million EUR for capital investments, from witch 3.4 million EUR were invested in hospitals, whereas 6.1 million EUR were spent for other services. The Ministry of Health, on the other hand, was granted about 38.5 million EUR for capital expenditures. Additionally, the Ministry of Agriculture, in 2011, was distributed an amount of 2 million and 986 thousand EUR for capital spending, compared to the infrastructure investments of 263 million and 553 thousand EUR.²⁹

With the allocated amount of 2.9 million EUR, the Ministry of Agriculture contributed in the rehabilitation of Kosovo’s irrigation system and forestation. The Ministry of Infrastructure, moreover, invested in highway construction with an amount of 225 million EUR, and the remaining part supported the rehabilitation of roads, construction of new roads and signaling. Throughout the given year, the health sector, amongst others, has been somewhat neglected by the relevant authorities. Based on the

²⁷ “Albania – Kosovo Highway Costs Soar to 2 Billion Euros” Balkan Insight, April 2014.

<http://www.balkaninsight.com/en/article/albania-kosovo-highway-costs-soar-to-2-billion-euro>

²⁸ Kriza nga Investimet Elektorale”, Koha Ditore, July 2014.

[file:///C:/Users/Administrator/Downloads/Invesetimet%20Elektorale%20\(3\).pdf](file:///C:/Users/Administrator/Downloads/Invesetimet%20Elektorale%20(3).pdf)

²⁹ “Kriza nga Investimet Elektorale”, Koha Ditore, July 2014.

[file:///C:/Users/Administrator/Downloads/Invesetimet%20Elektorale%20\(2\).pdf](file:///C:/Users/Administrator/Downloads/Invesetimet%20Elektorale%20(2).pdf)



year's budget, capital investments made within this sector amounted for 7 million and 900 thousand EUR. The government's investments on the education sector were higher, on the other hand, with an estimated value of 23.138 million EUR.

Based on the 2011 State Budget, around 22 million EUR were spent on supporting the construction of schools across the country, which were re-scheduled from the previous year, considering that they were never finished during its initially stated time. In 2011, Kosovo's most strategic sectors including mines and energy, have received low budgetary funding, comprising a share of 15 million and 332 thousand EUR. Most of the allocated amount supported water and waste sectors, and the remaining part financed the implementation of various projects in KOSTT, the Kosovo Electricity Transmission, System and Market Operator.

In 2012, moreover, major investments were recorded. Kosovo allocated a value of 492 million EUR for capital spending, and based on the researched data, 268 million EUR were invested only in road construction and rehabilitation. 230 million EUR of the previously mentioned value was reimbursed to "Bechtel-Enka" for the highway construction. In the same year, in 2012, the Ministry of Education has allocated an estimated value of 24 million EUR for capital investments, while the Ministry of Agriculture, as a vast contributor to the country's GDP, accounting for about 14 percent of GDP, in 2011, had a total budget of 21 million and 409 thousand EUR, which was mostly spent on subsidies and transfers. The Ministry of Economic Development, meanwhile, spent 11 million EUR through capital investments, whereas the Ministry of Education's capital spending reached the value of 24 million EUR.³⁰

Kosovo possesses, according to the IMF, one of the most significant deposits of lignite coal across Europe. Although it contains sufficient resources to power itself, Kosovo is faced with continuous energy shortages. With the two existing power plants, old and unreliable, the production capacity does not meet the current demand. Relevant authorities, with the support of the World Bank, are implementing various reforms initially aimed at tackling energy-related matters, which are continuously hindering the process of growth.³¹ Although an agreement was reached between the World Bank, the US-based company "Countour Global" and Kosovo government, on building a new power plant, the

³⁰ "Kriza nga Investimet Elektorale", Koha Ditore, July 2014.

[file:///C:/Users/Administrator/Downloads/Invesetimet%20Elektorale%20\(2\).pdf](file:///C:/Users/Administrator/Downloads/Invesetimet%20Elektorale%20(2).pdf)

³¹ Public Investment Management Assessment, IMF, April 2016.

<https://www.imf.org/external/pubs/ft/scr/2016/cr16100.pdf>



bank remains far from committing itself to implementing such project.³² Only after all relevant analyses have been conducted, public consultation has taken place, and the bank's Board and its shareholders have given the project their thoughtful deliberation, as the World Bank told BIRN, the former will decide on whether to provide its support to the Kosovo Power Project. Through establishing a comprehensive strategy, as the Bank further declares, the previous is committed to assisting Kosovo in resolving its energy shortages. Such strategy, as such, would include an increased level of energy efficiency, development of renewable energy, Kosovo's integration into regional power markets, including the provided support to new power generation, which is deemed as reliable and affordable for citizens.

Kosova A and Kosova B, the former built in 1962, and the latter in 1984, are Kosovo's current power plants, whose age and poor maintenance have led to power shortages, worsening the health conditions and affecting the welfare of its users, and that of those living near them. According to the Kosovo Civil Society Consortium for Sustainable Development, KOSID, a consortium of Kosovo's leading CSOs working on the country's sustainable development, the government has lacked transparency within this project.³³

Similarly, the general public drew concerns and criticism over the lack of transparency within the "Route 6" project's implementation. The Ministry of Infrastructure has allowed access, moreover, only for those interested to the secured contract of the Pristina – Skopje motorway, but such act was not aligned with the Law on Access to Public Documents,³⁴ nr. 03/L-215, according to which, under the Article 11, the seeker has the right to receive either the original or the copy of the requested document, depending on the given seeker's choice. However, none of the specified rights were allowed in this particular case. Although the feasibility study was conducted prior to the project's implementation, such document was neither published publicly nor discussed among the wider public. Concerning remarks were also delivered by the public related to the low transparency from the public officials, regarding the given project's implementation, although Kosovo legislation guarantees access to public documents.

Exercising the right to get informed on public matters, is stipulated in the Kosovo Constitution, adopted

³² "World Bank Still Mulling Support for Kosovo Power Plant" Balkan Insight, November 2016.

<http://www.balkaninsight.com/en/article/kosovo-still-awaits-the-final-agreement-on-new-power-plant-11-02-2016>

³³ "World Bank Still Mulling Support for Kosovo Power Plant" Balkan Insight, November 2016.

<http://www.balkaninsight.com/en/article/kosovo-still-awaits-the-final-agreement-on-new-power-plant-11-02-2016#sthash.CFGxCFpS.dpuf>

³⁴ Law on Access to Public Documents, NO. 03/L – 215.

<http://www.kuvendikosoves.org/common/docs/ligjet/2010-215-eng.pdf>



in 2008, under Article 41.³⁵ The opposition parties, additionally, opposed the launching of yet another road, and urged the need for capital projects of other nature to be considered instead. “Route 6” is deemed as one of the potential positive impacts, as stated in the feasibility study, and also affirmed by Kosovo Government, on the trade ties between Kosovo and Macedonia. Continuously, Kosovo has had a trade deficit with Macedonia, the former importing about €140 million products from Macedonia in 2014 alone, and exported to Macedonia a set of products worth of €36 million. The trade deficit in 2014, consequently, reached €103 million, and as such, was emphasized as a decline, compared to 2013, reaching nearly €159m. Moreover, estimations suggest that the documented boost of trade volume with Albania has arguably urged such decline in trade deficit. However, criticism and concerns were mentioned by the residents. The constructed “Route 6” will pass through dozens of villages including Marevc and Babushi i Muhaxhereve as it makes its way from Prishtina to the border crossing town of Hani i Elezit, ending a few kilometers away from the entry point to Macedonia. Also known as the Arber Xhaferi highway, named after the Albanian politician in Macedonia, Route 6 was initially aimed as a vital passageway and transit route for goods coming from Greece’s port at Thessalonki, about 260 kilometers away, and into Macedonia before entering Kosovo.³⁶ The given transit route is also part of Kosovo and the region’s southern trade route. 35% of Kosovo’s trade exchange, according to RIINVEST³⁷, passes through Hani i Elezit, which, consequently, is known as the busiest customs point. Available data suggests that such road project is not deemed as vital, and as such, is not applauded by the residents living along the given highway.

As such, the residents are concerned of their living conditions, considering that they are uncertain of how their lives will be affected, considering that many of them depend on the fertile agriculture land of this part, as a result of the presence of vehicles, including trucks, barreling through their respective villages. However, allocated funds for carrying out the formerly mentioned project could have been invested in implementing projects of other nature. There is no public information, however, on the funding cuts made by the government to enable the implementation of the given road construction. On a similar vein, during the implementation of the 2011-2017 “Route 7”, other public projects have also suffered funding cuts. “Route 7”, Kosovo’s first motorway, constructed by “Bechtel-Enka”, was criticized for its lack of transparency in its initial phases of the bidding process and material purchases

³⁵ Constitution of the Republic of Kosovo.

<http://www.kryeministri-ks.net/repository/docs/Constitution1Kosovo.pdf>

³⁶ “Transit Country”, Prishtina Insight, March 2016.

<http://prishtinainsight.com/transit-country-mag/>

³⁷ “Route 6: Highway Prishtina – Skopje”, RIINVEST, 2015

http://www.riinvestinstitute.org/uploads/files/2016/September/21/Autostrada_Prishtine_Shkup_eng1474445138.pdf



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above average market costs. Moreover, according to the international economic experts along with the government's own traffic count, the formerly mentioned route was barely used, reaching less than one-third of its capacity. While Albania benefited, mainly in tourism, from such project, it may take a while for Kosovo to receive a financial benefit from the same project.





RECOMMENDATIONS

In terms of *recommendations*, Kosovo should consider:

- Increasing the level of transparency and accountability on its budget documentation, by including, among others, detailed information on its secured public contracts and related project costs, including those of *infrastructure* projects;
- Strengthening the civil society's role in the process of considering, amongst others, public infrastructure projects, including other public-related matters, for a better and more equitable economic development;
- Enhancing government capacity in meeting its citizens needs rather than considering implementing projects that aren't deemed as a public priority, by reducing large road-building projects;
- When considering a road construction, Kosovo should improve its communication with the affected communities, so that in the aftermath of the given project's implementation, their lives remain minimally negatively affected;
- Improving government insight and the assessment of infrastructure projects by specifically assessing all strategic public investments, including road and energy investments, according to their cost-benefit and their general impact on the country's economy.
- Strengthen institutional capacities at central and local government levels for public procurement, and investment project preparation and management, so the execution of capital spending is considerably improved.



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