

Role of the Legislature in the Budget Procedure: The Case of Kosovo Assembly

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Abstract

Frequent political-legal changes as well as the form of organization of the government in Kosovo from 1999 until the second part of 2008 have been reflected in the budget procedure. Budget procedure in Kosovo under the administration of United Nations Missions in Kosovo (UNMIK) was a sui generis case alike UNMIK administration itself, where role of the Kosovo Assembly was nothing more than symbolic. With declaration of the independence on 17th February 2008 and promulgation of the Constitution on 8th April 2008 de jure, the role of the Assembly in the budget procedure has been empowered. However, regardless improvements in the constitutional position of the Assembly, a survey of the Assembly of Kosovo revealed many shortcomings that are necessary to be addressed in order to increase the role of the Assembly in the budget procedure. In this direction we shall emphasize increasing of the role of the Assembly in accordance with constitutional authorizations in the budget procedure, increasing of the technical capacities of the Assembly to conduct research and analysis of the budget and undertaking steps on facilitation the communication between MEF-Government-Assembly-the Budget and Finance Committee.

Keywords: *Legislature (Assembly), budget, budget procedure, Budget and Finance Committee.*

1. Introduction

Research and analyses on budgetary powers of legislatures are conducted from many authors in many states. They note that budgetary powers of legislature are different from country to country. Several factors influence these differing score among them; (1) the type of political system (that is, presidential, parliamentary, or hybrid); (2) the type of electoral system through

which representatives are elected (that is, plurality-majority, proportional, and semiproportional); (3) the legislature's formal powers (in this case, the extent of its powers to amend the executive budget); (4) the combination of the political environment within which the legislature functions, and the political will of legislators to exert parliament's powers; and (5) the technical capacity of the parliament. (Johnson and

Nakamura 1999, Lienert 2005, Wehner, 2004:36, Johnson 2005).

Above mentioned factors influence the budget theory to provide a simple classification of legislative roles in the budget process, identifying three types of legislatures:

a) Budget making legislatures. These legislatures have the ability, possibilities and capacities to amend and refuse draft budget proposed by the government as well as ability to compile additional draft budget in accordance with its own choice. In this group we have the legislatures of the following states; USA, Czech Republic, Denmark, Hungary and Finland.

b) Budget influencing legislatures. These legislatures have the ability and capacity to change or refuse approval of the draft budget of the government, however they lack ability to prepare additional draft budget in accordance with their own choice. In this group we have the legislatures of these states: Austria, Germany, Island, Italy, Korea, Mexico, France, Norway, Netherlands, Poland, Portugal, Spain, Sweden, Switzerland, and Turkey.

c) Budget approving legislatures. These legislatures lack the capacity to change or refuse draft budget of the government as well as the ability to prepare additional draft budget in accordance with their own choice. The power of these legislatures is limited only to the approval of the government proposal. In this group first of all we have legislatures of the type of Westminster, in which presentation of the amendments in the draft budget is implied as loss of trust towards the executive branch of the government, thus speeding up the resignation of the government. In this group we have legislatures of these states: Australia, Canada, Ireland, New Zealand, England and two states that do not belong to the Westminster's type - Japan and Greece (OECD, 2002a; Wehner, 2004:33).

Almost two decades after beginning of the social-economic reforms in the South-Eastern Europe, the role of legislatures and development of parliamentary system has been consistently increased and through this budget and budgetary procedure developed. Increasing the role of legislatures in these states is result of democracy and constitutional changes - processes which enabled increasing the role of the legislatures in their political systems that have earlier on been closed. Sometime in the states with central planning system there has not been even a budget office (Premchand and Garanivalfi, 1992:14-32). In this direction a lot has been done in creation of a suitable legal

environment, cooperation between main budget institutions – executive bodies and legislatures.

Though the Assembly of Kosovo is the main institution responsible for the budgetary procedures, still no research is done on the role of the Assembly on budgetary procedures. The role of any Assembly on budgetary procedures depends on several factors. The aim of this paper is to make an analyze on the Kosovo Assembly role in budgetary procedure, also develop and interpret the established concept based on hypothesis and common variables which make the comparative analyzes of Kosovo case easier.

An analysis of the Kosovo case is made in reference to Liener's method of analyzing ("Who Controls the Budget? The Legislature or the Executive?" IMF, 2005), in examining the nexus between the separation of powers and the legislature's budgetary authority and also in analyzing the main factors from which the budget power of the parliament in Kosovo case depends on. For this purpose two indexes of Liener are being used. We thought to use these indexes as framework to calculate a score for the Assembly of Kosovo which would also influence a comparative perspective for the discussion. Lienert established a strong link between political and budgetary powers of legislatures and the degree of separation of the legislative and executive branches of government. Anyway he notices that differences between countries with the same form of government can be at least as great as the differences across different forms of governments because country specific factors, rather than form of government are predominant in determining the budgetary powers of the legislatures.

Research methodology has been supported on the secondary sources, and analyzing of all legal documents based on which budgetary procedure is developed as well as reports of the Ministry of Finance, laws and constitution of Kosovo. Taking into account the fact that until now in Kosovo no such analyses have been conducted, we have also relied our research in interviews (public and anonymous) with members of the Budget and Finance Committee, deputies and officials of the Ministry of Finance (MF). Interviewees have given a great contribution in enlightening the role of Assembly and Budget and Finance Committee during legislative phase of the budgetary procedure.

Except introduction paper is laid out as follows. Part II reviews relevant literature. Part III belongs to overview of Kosovo budget process. Part IV is presents an assessment of the Kosovo legislative budget procedure after independence according to Liener indexes. First we have applied the Index on separation of political powers of the executive and the legislature in Kosovo (Part A of Annex 1) and five factors of control of executive by the legislature are described (Part B of Annex 1). Also, on the basis of five particularly important criteria based on Lienert index we have represented the budgetary power of the Kosovo assembly (Annex 2). At the end conclusions are given.

2. Literature review and framework for analysis

In the beginning of year 1990, when the economical transition in post communistic countries started, the economical sciences did not recognize in full such practices that would help to developers of economical policies. With time passing and by being introduced to the experience of some countries that faced this transition before, different scientists went into analyzing economical transition process. (Bird, Ebel and Wallich 1998: 647-703, Nord 2000, Tanzi 1993). Though there were many different analyses made by many different author for the economical transit, analyses on budgetary procedures started latter. First discursions about the role of parliament and executive organs on budgetary procedure came out from the studies of institutional measures treatment in controlling budgetary deficit and public debts. (e.g. von Hagen, 1992). Then the analyze focusing the role of parliament in budgetary procedure followed. On this setting analysis of the role of the parliament on budgetary procedure were more frequent in individual countries than comparative analyses.

Caiden (1993) treats the comparative aspect of the budgetary procedure in Czech and Slovak Republic by saying the budgetary procedures in transitory countries are becoming always more alike to those of developed, democratic countries.

Straussman (1996) in his comparative analyze pointed out the measurements to be undertaken in strengthening the Ministry of Finance, widening the income bases and their classification.

LeLoup (2004) analyses in comparative aspect the establishment and development of the budgetary national system in Slovenia and Hungary after political changes in these countries, a special accent he as given to the role of the parliament in the budgetary procedure in this countries.

Johnson and Stapenhurst (2008) treat the international experience of the roles and functions of legislative budget offices in four regions of the globe.

Wehner (2006) and Lienert (2005) developed indexes of the legislature's budgetary power which would also enable a comparative perspective for the discussion.

Schick's analyze (2002) amongst else represents the role of the congress in budgetary procedure in USA.

Wehner's analyze (2001) shows the role of German parliament in budgetary procedure.

Miksell's analyze (1995) tells about the resistance in budgetary reforms in Ukraine.

Straussman and Fabian's analyze (1994) treats the problems of financing local power in Hungary that have to do with changes in the central budget of the state.

Alesina, Mare, and Perotti's analyze (1995) treats the Italian budget procedure.

Bratic (2004) has made an analyses of Croatian parliament (sabor) role in budgetary procedures showing the weak power of the parliament in this procedure and giving recommendations about this.

As we said at the beginning the analyses of Kosovo Assembly role in budgetary procedure is made by referring to Liener's way of analyze and Indexes.

3. Overview of the Kosovo budget process

As of the day Ministry of Finance takes the initiative for preparation of the budget until the phase of final calculations, many institutions and state organs undertake a multitude of legal-procedural actions. In one word all these activities are called budget procedure. Budget procedure represents a system of main rules (formal and non-formal) which enable executive branch of the Government to take decisions on budget preparation, presentation of the budget in front of the legislature and its execution (Ott, 2000:39).

The budget process in Kosovo is still to be developed. Though many key elements already exist, not all of them work well and not all of the necessary roles and responsibilities for an effective budgetary procedure are efficiently fulfilled.

Budgetary procedure in Kosovo has three basic phases - the phase of preparation of the draft budget, the phase of approval in the parliament and phase of budget execution. Each of these phases consists of some sub-phases, which from the time point of view of the time include two and half years.

Main stakeholders in the budgetary procedure are the Ministry of Finance, Assembly, Office of the General Auditor and taxpayers. Before declaration of independence these stakeholders have only been formal entities. This was the case due to the fact that until declaration of the independence on 17th February 2008 main stakeholders have been Special Representative of the Secretary General (SRSG), with the power to make final approval of the budget and Economic and Fiscal Council as an advisory body to the SRS

Budget formulation (GAP; 5)

15 April: Ministry of Finance prepares the Medium Term Expenditure Framework for the next three years.

30 April: The last deadline when the Ministry of Finance sends the budget circulars to budget organizations

15 June: The last deadline when budget organizations send their proposals for budget, based on Ministry guidelines, expenditure priorities and budget ceilings

15 June – 31 October: Ministry of Finance consults proposals from budget from budget organizations and organizes public hearings with budget organizations. This process is usually conducted during July-August. Not later than 31 October, the Ministry of Finance sends a proposed budget appropriation to each budget organization and together with the Medium Term Expenditure Framework sends it to the Government for approval.

31 October: The Government adopts the proposed budget and sends it to the Assembly. The Assembly organizes sessions where the budget is presented by Ministry of Finance.

31 December: The last deadline when the Assembly adopts the Kosovo budget.

3.1. The phase of preparation of the draft budget

Budget preparation starts with projection of the fiscal policy for the coming year by the Ministry of Finance. Budget procedure with regard to budget preparation begins with sending of the Budget Circular by MF to the budget organizations.

Budget calendar for preparation of the draft budget doesn't have constant timetable each year. Budget calendar was not defined in detail in none of the budget steps neither by any Administrative Instruction and neither by Law until year 2008. E.g. first Budget Circular for budget planning for the year 2008 was sent on 9th April 2007 (MF Budget Circular 2009/01), while the first Budget Circular for budget planning for the year 2009 has been sent on 13th June 2008 (MF Budget Circular 2008/01). This should have been exactly regulated by the Law on Public Financial Management and Accountability. From 25th until 31st of October final approval of the draft budget shall be made in the Government.

3.2. Phase of approval of the budget in the Assembly

After its approval by the Government, draft budget and reasoning is submitted to the Speaker of the Assembly not later than 31st October. Afterwards draft budget is reviewed in detail by the Budget and Finance Committee. Voting and approval of the budget is done after first and second

review rounds in the Assembly; after promulgation budget execution phase commences. Until declaration of the independence after approval by the Assembly, the budget had to be sent to the SRSG as a final authority for promulgation; this was done by signing it. Only after promulgation by the SRSG the budget could have entered into force. This was the case due to the fact that according to UNSC Resolution 1244 and Constitutional Framework, SRSG had the power not to promulgate the law and instead return it to the Assembly for additional review or even amend it. After promulgation by the SRSG, Ministry of Economy and Finance informed ministries and other budget organizations on their budget allocations.

3.3. Budget execution phase

At this phase revenues are collected and spent in accordance with budget planning. Budget execution starts on 1st January. In specific time intervals, regulated by the Law on Public Financial Management and Accountability (LPFMA), audit and control of budget execution is conducted. The Treasury as part of the Ministry of Finance is responsible for cash and debt management and is the main contact point between the Budget Department and budget users.

Box 3. The budget execution process

1. The approval of Kosovo Consolidated Budget by Kosovo assembly;
2. After the promulgation of the budget based on the law for budgetary divisions from the Assembly, the Minister of Economy and Finance enters these budgetary divisions on the appropriate software for public funds management;
3. At the beginning of each year, budgetary organizations (Ministries and Municipalities), are obliged to submit the plan of money flow to the Treasure Department;
4. Treasure Department considering the money flow plan made by budgetary organizations makes the allocation of funds. Usually funds allocation is made for a period of three months, except for wages and salaries fund allocation of which is done each month;
5. When budgetary organizations receive the funds allocated to them , they may proceed by making use of this money approved by the Treasure;

Though ways of managing public funds are not satisfactory, Kosovo has got a very good system of budget execution characterized by integrated control, authorizations, payments, and the accounting system managed by the Treasure. Centralizing the majority of money available from the government on a single account of the Treasure, but with a number of sub-accounts and the presence of

a centralized accounting system at Treasury Department helps a lot on the equality of governmental accounts and bank operations. This is further supported by good bank operations and income accounts. Quarterly and yearly reports are based on the International Standards for Public Sector Account of available money represented in a variety of dimensions and are much more informative than budget documents.

3.4. Internal control

In 2000 the Department of Internal Audit (DIA) in the Ministry of Finance was established. Its duty is distributing internal audits in Budgetary Organizations (BO). Law on Public Financial Management and Accountability (LPFMA) is the legal base of internal audit. Regarding internal audits LPFMA is highly based on International Standards for Professional Practices in Internal Audit (ISPPIA). All BOs have their own yearly audit plan, but none of them communicates this to the Ministry of Finance while some of them do report to the Office of General Audit (OGA).

3.5. External control

UNMIK Regulation 2002/18, later changed with Regulation 2005/33, established the Office of General Audit (OGA) with standard and general authority and responsibility. According to article 3 of Law No. 03/L-075 on the establishment of the office of the Auditor General of Kosovo and the Office Audit in Kosovo "The Auditor-General shall annually conduct a Regularity Audit of the Kosovo Consolidated Budget, budget organizations, including but not limited to the Assembly of the Republic of Kosovo, the Office of the President of the Republic of Kosovo, each Ministry and executive agency, municipalities, independent bodies, the Central Bank of the Republic of Kosovo (CBK), and other entities that are either more than 50 % publicly owned or receive funding from, or provide dividends or other non tax revenue to, the Kosovo Consolidated Fund including but not limited the Kosovo Customs Service, the Kosovo Privatization Agency and the Ombudsperson". Actually OGA has a staff of around 140.

4. Assessment of the legislative budget procedure

Budgetary procedure connects executive and legislative branches of the government in an integral procedure (Tanzi, 2000:152).

Development of the budget procedure only in the line of executive organs negatively influences in many aspects (Wehner, 2004:28); first of all, the basic principle of democracy, implying the rights of legislature to exercise the power over the purse is not being realized, respectively legislature fails to ensure citizens that revenues and expenditures provided in the budget are reasonable

and best respond to their needs and that are spent in accordance with forecasts; second, no efficient control of the budget and balance between legislative and executive organs, as a main precondition of the “good public administration” may be realized. Besides this, budget practice of states in various phases has shown that bigger the influence of the parliament in the budgetary procedure the bigger the budget transparency or vice versa (Alesima and Perotti, 1999:25, Chrystal, 1981:32-59, Tanzi, 2000:151, Lazere, 2002:1-23).

From budgetary theory and practice we notice that the budgetary process of the parliament differs from one country to the other. Since on the first treatment of this problem different authors set out the question of “why are these differences on budget power of parliaments of different countries”? The answer to this question depends on some variables whose overall action defines the ability of a parliament in dealing with budgetary issues.

Same as Lienert index the degree of separation of legislature from executive for Kosovo case are presented in part A of Annex 1, while factors of controls of the executive by legislature are described in Part B of Annex 1. Legislative power on budget can be expressed on this phases: a) ex ante, b) during budget execution and as, c) ex posed budgetary authority. An important question that can be done in ex ante phase is “does the legislature formally approve a binding medium- term budget framework that guides the executive in preparing each year's annual budget”? If so, does it concern in total revenue, total expenditure, level of debt or is including in allocation of spending?

A second very important question is “Can Kosovo Assembly amends the budget without restrictions”?

A third very important question for ex ante budgetary powers is “Does Kosovo Assembly has enough time to examine the budget and propose changes”?

During budget execution phase the important question is “does the Assembly oblige the government to implement its expenditure programme exactly as adopted”? If not, what are the restrictions?

The most important question in ex post phase is “does Kosovo Assembly have such a strong power to follow up vis-à-vis executive audit recommendations and desirable changes in public finance management”?

According to Lienert index Kosovo legislative power over budget based on five particularly criteria is presented in Annex 2. After you will see in detail traits of five factors on which budget power of Kosovo Assembly is based.

4.1. Medium Term Expenditure Framework (MTEF)

Any effective government should work on an all inclusive frame where long and midterm policies and priorities are defined, and where resources are divided according to such policies and priorities in order to insure a better future for the citizens. Despite some different attempts Kosovo has not yet a long term strategy of economical development and this is an obstacle for long and midterm budgetary planning. Some attempts for creating the Kosovo long term economic development strategy are made; a draft document is drawn but is not yet approved by the government, so it serves only as an information document.

Until now a fundamental weakness on the system of Kosovo's public funds management is the lack of long term orientation. As long as the Law on Public Financial Management and Accountability of each year has foreseen a three year budgetary perspective, de fact the fiscal perspective until 2008 was a yearly one. First attempt was presenting MTEF on donor's conference in December 2005 and was revised in 2006. This was known by the government as "work in continuity" and was not included in the budget formulation process until year 2009. In the absence of this, midterm budgetary plan lays on Mid Term Expenditure Framework (MTEF) and Public Investments Program (PIP). So, though Kosovo since years is on the process of developing a long-lived access on the budget the first MTEF was introduced in the budget formulation process for 2009 and covered the period 2009-11. A parallel process to MTEF is even the development of Public Investment Program (PIP) which is going on since years. PIP is a multi-annual plan of budgetary process with focus in identification of needs and finding of funds for capital articles that could attract investments and help in building the economy or decrease unemployment or help in any other way for reaching the main aims of the country. The idea is that through PIP we can ask budgetary organizations to prepare investment projects which would be funded by governments own income or Kosovo foreign partners.

Finally, in 2008 Kosovo government presented an enhanced Mid Term Expenditure Framework for 2009-2011 (MTEF) which sets policy priorities, including economic growth and good governance. The introduction of the medium-term expenditure framework (MTEF) was the driving force of the reform in budget management and expenditure policy.

Box 4. Medium Term Expenditure Framework

The MTEF shall contain:

- a) Macroeconomic and fiscal forecasts for the MTEF Budget Period, including main economic indicators such as inflation, GDP and exchange rates;
- b) An analysis of tendencies in allocation of financial resources and an analysis of budget expenditures by main economic category;
- c) Forecasts of domestic debt for the MTEF Budget Period;
- d) Estimated resources required to service internal and external debt during the MTEF Budget Period;
- e) An analysis of capital investment tendencies financed from the budget and an assessment of their volume for the MTEF Budget Period;
- f) A review of salary policy for the MTEF Budget Period;
- g) An analysis of the tendencies in the employment and wage bill in the budget sector and an assessment of the impact of any wage reform policy;
- h) A proposal for adjusting wage bill policy to the general macro-fiscal framework set in the MTEF for the purpose of assuring corresponding financial support;
- i) Estimated expenditure ceilings for each budget organization that is not a municipality or an independent agency with dedicated revenue;
- j) Estimated grant levels for each municipality calculated in accordance with the formulae established in the Law on Local Government, Finance, and
- f) Any other information the Ministry may desire to include.

The MTEF aims to ensure targeted spending of scarce state resources in line with government priorities, and to strengthen the link between policies and expenditure estimates over a period of three years. In spite of some shortcomings in the first year of application, the introduction of the MTEF in the Kosovo budget process is a major step forwards. It brings the consideration of policies and expenditures together in a multi-annual perspective. The Minister of Finances should submit MTEF to the Assembly each year until 30 April. The legislative is only informed of the government's medium-term strategy, but not asked for its approval. The Assembly approves only the law on budgetary divisions of each year by means of which budget is approved as foreseen on general forecasts of MTEF in case of formulation by the executive.

4.2. Legislature Power to amend the annual budget.

According to the Constitution, Assembly has to approve the budget, which has the legal character of a draft law or bill. For that purpose Assembly must receive the budget bill at least two months prior to the beginning of the fiscal

year. LPFMA states that the fiscal year is the calendar year, so the budget must be submitted latest on 31 of October.

Kosovo Assembly power to amend the annual budget under UNMIK administration has been more fictional than realistic. Budget procedure in Kosovo under the UN/UNMIK administration has been *sui generis* case, same as the UNMIK administration itself. Budget procedure in Kosovo has been exclusively executive, fragmented and with no influence by the Assembly.

Besides the fact Constitutional Framework established the institution of Assembly, final authorizations to set financial and political parameters and approve Budget of Kosovo remain competence of the SRSG.

Even though Constitutional Framework provided that Kosovo Assembly had the right to adopt laws, this was still limited by the right of SRSG to promulgate laws adopted by the Assembly. Based on the mandate deriving from the Resolution 1244, SRSG could use the right to veto and not sign laws adopted by the Assembly of Kosovo any time he deemed that they are in contradiction with Resolution 1244. This was the case with the law on Management of Public Finance; this law was in principle adopted by the Assembly; however SRSG refused to sign it, respectively to render it effective. This law was adopted by the SRSG only after it was amended.

Legislature with no powers to approve the budget doesn't deserve to be called legislature at all. Assembly of Kosovo had the right to only formally review and stamp a budget, which finally could of couldn't be signed by the SRSG. This control over legislative branch of the government, which we don't encounter in none of the parliamentary state, made that role of the Assembly in approval of the budget is more fictional than realistic.

Regardless legal and social-political changes, Kosovo is still in a group of countries where requirements for a budget procedure with active role of the legislature are not fulfilled not even closely. This is largely due to the fact that in practice executive organs dominate through budget procedure. The Assembly had proved its existence only technically without bringing any fundamental amendment that would effect in improving of the Government's budget policy. Until today, the number of amendments presented from the Assembly never exceeded 57. E.g., for 2013 the number of amendments presented by the Assembly was 49, for 2012 was 57, while for 2011 was 27 (Reports with recommendations related to Draft Law on Budget of Republic of Kosovo for 2013, 2012 and 2011).

Moreover, these amendments were more technical in character than substantial. Time for draft-budget review was limited because of chain holdups that in years had characterized the budgetary procedure in Kosovo.

Development of the budget procedure only in the line of executive organs cased negative effects on many directions, but above all it made that Budget of

Kosovo is not transparent. Let us remember that very important factor which impacted the need to increase the role of legislatures in budget procedure in all South-Eastern countries, respectively increasing of the budget transparency in these countries is the need of countries in development and those in transition to have access to international financial institutions in order decrease poverty. Receiving financial assistance from international financial institutions is conditioned with certain obligations for the developing and countries in transition, out of which most important is having a qualitative and transparent budget procedure (Wehner, 2004:27). With declaration of independence the legal basis for more active role of the Assembly in budget procedure has been created. After the Declaration of Independence and the Constitution the role of the Assembly in budget procedure *de jure* has improved a lot. While *de facto* its role is still small and symbolic. The assessment of Kosovo Assembly role in budget procedure, presented in Liner's index, is made relying more on juridical and constitutional dispositions that refer to the link between the division of power and roles of the parliament on budget and budget procedure. Though from the juridical and constitutional point of view the Assembly has the unlimited right to make the budgeted amendment, *de facto* the situation stands far more different and the Assembly has a very weak role on it. Taking into account the new system of governance and authorizations provided by the Constitution, the Assembly has the right to amend the draft budget presented by the Government, while the extent of these amendments depends from the development and empowered role of the factors presented below - which in Kosovo case are very weak.

Thus, the Kosovo Assembly power to amend the annual budget except with constitutional and legal provisions as well is subjected to; 1) The Assembly's ability to access important budget related documents, 2) The role of Assembly Committees in the budget control, 3) Dynamics of political parties, 4) The Assembly's technical capacity to conduct budget research and analysis. In accordance with Lienert Index alignment (Annex II) technical capacity of parliament to conduct research and analysis is treated such a fourth factor (subsection 4.4).

4.2.1. Ability of the Legislature to access important budget related documents.

Present-day legislatures pay a particular regard to the information on the expenditure flows granted by the executive bodies that implement the budget and, also from the audit authorities. OECD has evolved so-called the best practices for budget transparency (OECD b, 2002:7-14) (Best Practices for Budget Transparency) that render the issues of comprehensive budget information, publication of the specific budget requirements as well as the

integrity and the liability of the central budget institutions. Hereinto, OECD recommends the conclusion of these budgetary documents and their publication designed for the fulfillment of the best practices for budget transparency;

Box 6. Budgetary documents that insure Budget Transparency

Comprehensive Budget; includes the state's entire incomes and expenditures by providing data on the current situation and mid-term projects.

Preliminary Budget Report; points out the long-term targets of the fiscal and economic policies, such are fiscal and economic mid-term oversights.

Monthly Report; reveals the improvements on the budget execution by including the explanation on the difference between the real and presumptive sum of the budget.

Semiannual Report; enables comprehensive and accurate data on the budget expenditures including mid-term oversights on the budget execution.

Annual Report; shall be revised by the revision body and published within the six months after the end of a fiscal year.

Pre-election Report; tells overall public financial situation prior to the elections.

Deliberation of the parliamentary decisions over the budget in Kosovo sustains in information and budgetary documents that are way far from the standards stipulated from OECD for exact and comprehensive information provided from the executive branch and revision authorities according to LPFMA.

The amount of supplementary documentation following-up the draft-budget in the Assembly is exceedingly formal and inconsonant with the deficient cognition of budgetary issues by the most of the members of the Assembly. Anyhow, this presents a nuisance for the members of the Assembly for understanding budgetary policies on which the budget rests. Moreover, the budgetary information is not presented clearly and understandably.

Number and the format of presentation in the Assembly by the executive body are regulated under LPFMA (Article 45 and 46 of Law Nr. 03/L-048). According to this Law Ministry of Finance is responsible for preparation of quarter reports reviewed by the Government. These reports shall be presented to the Assembly within thirty-days after each quarter. Quarter report includes: report on the receivables, expenditures, records on the investments and liabilities, and a Statement from the Minister on the (in) sufficiency of the current financial harvest for budget share-outs as defined in the law for budget allotments. Budget Final Report shall be prepared not later than March 31st of each calendar year. MF shall complete and submit to the Government for

approval and further presentation to the Assembly a Final Summary Report on the departed fiscal year and two other past fiscal years. This report includes statements on incomes and expenses, and presents comparative records on the years presented for review over the real incomes and expenditures, budget suffice and deficit, method of financing the deficit or the investments of the suffice.

(table 3) Reporting Deadlines

Type of Report	Reporting period	Dates of reporting to the Government and Assembly	Auditor General Report
Quarter reports	1 January - 31 March	1 April - 30 April	
Semi-annual reports	1 January - 31 June	1 July - 30 July	
Three-quarter reports	1 January - 31 September	1 October - 30 October	
Annual reports	1 January - 31 December	1 January - 31 March	Not later than July 31 st (for previous fiscal year)

Source: Article 45 and 46 of Law Nr. 03/L-048 Public Financial Management and Accountability

This is presented *de jure* while *de facto* executive's reports often were delayed and fail to be submitted within the required deadlines as overseen by law.

4.2.2. Role of the Assembly committees on budget control

It is often thought that the existence of a strong system for the Assembly operational committees is a guarantee for an increase of Legislature's role on the decision-taking (Leloup, 2004:52). Operational committees of the Assembly of Kosovo for first time were established under the provisions 9.1.26.f of the Constitutional Framework (UNMIK Regulation 2001/9) and according to Regulation 4.4 of the Rules of Procedure of the Assembly. Budget and Finance Committee consists of 11 members appointed proportionally by the parties and coalitions represented in the Assembly (Article 9.1.11 of UNMIK Regulation 2001/9). The selection principle of the members of the Budget and Finance Committee very often is in demur with professional requirements that one member of the Budget and Finance Committee should meet. According to budget theory it is very well known that the responsibilities of the budget committees are different in every country. In some countries they have general responsibilities for budget approval. However, in different countries committees have the responsibility only on reviewing the draft-budget while in

some countries committees on budget and finances only work on resemblance of section committees on proposals of budget users. Pursuant to article 51 of the Rules of Procedure of the Assembly the structure of the responsibilities of the Budget and Finance Committee of the Assembly of Kosovo is consisted on the: review of different budgetary and financial issues; review of annual budget; review of budgetary implications for the current year and the coming years that follow the draft-budget and thus to make recommendations to the respective committee or the Assembly.

The Budget and Finance Committee has also the responsibility for supervision of annual reports and revised financial statements of the Kosovo Budget. This is presented according to the right, however throughout all legislations from '99 and present, the activity of the Budget and Finance Committee was more technical than fundamental. Role of the budget committees includes also informing the parliaments for budget revenues and expenditures. In one-party governments budget committees are weaker in scope of informing the parliament and budget exploiters, while in multi-party governments their role is much greater in this direction (Lupia and McCubbins, 1994:361-384). In Kosovo, although the government is build upon bi-partisan coalition, the role of Budget and Finance Committee in informing the Assembly and the citizens on the budget issues remains minor because of the committee's inability to have timely and constant access on the records on budget executions.

4.2.3. Dynamics of the political parties

Budgetary theory and practice leads us to understand that if one parliament is constituted of several political parties and none of them have the majority of seats than the executive power (government) has to put a lot of efforts on granting the majority for approval of the draft-budget (Wehner, 2004:38). In such cases the debate over the budget is overwhelming and in scope of critical scrutiny of the draft-budget – coverage which indirectly contributes to budget transparency. Party discipline in countries with fragile democracies is the main cause that leads house representatives to build up their opinions on budget issues and this has a negative effect on the budget transparency. Unfortunately, in such cases the representatives “are more loyal to party setting than their calling” (Silk, 1987:12). At this picture, budgetary procedure in Kosovo is a classic expression of the political proportion that does take account in. Shortage of open, detailed and transparent review in the Assembly remained and still is indirectly preconditioned by the deficiency of the dynamic of the political parties on the budget issues during process over budget.

In principle majority in the parliament is a prime indicator for the voting results on the budget. During all mandates, the budget endorsement was taken

in absentia of the political parties dynamics, represented in the Assembly. Each of the governments being safeguarded with the majority in the Assembly had no doubt for the budget approval. In the other side, the opposition shrunk from the awareness with the power of the government's majority in the Assembly thus the draft-budget would be approved through the voting machine.

Those colorless debates did not take place for improvements in the budget proposals but only for instant political calculations. Formation of such practices steers not only towards absence of qualified and vital debate on the budget during its oversight and approval, but also in cases of the control of the budget execution.

4.2.4. Time allowed for discussion of annual budget

The budgetary theory and practice teach us that amongst all the legislature's strength is determined by sufficient time limit for the budget review.

The time span for budget review in the Assembly of Kosovo by the Budget and Finance Committee has often been limited because of chain delays and legal-politic events that have portrayed during years the budgetary policy and budgetary procedure in Kosovo from 1999 until independence; affecting the Budget and Finance Committee not having time neither for its review of the draft-budget, not even attempting on influencing on its amendment. According to LPFMA, the budget draft should be submitted to legislative at least two month before the beginning of the new fiscal year. After its approval by the Government, draft budget and reasoning is submitted to the Speaker of the Assembly not later than 31st October.

The time for the Assembly to discuss budget draft is very short considering even delays and difficulties that characterize Kosovo budget procedure (for example in 2006 the Budget draft was submitted with three weeks of delay to the Assembly and PSSP and with two weeks of delay in 2007). The situation is further aggravated because Budget and Finance Committee has no funds with which it would finance the external experts and partners for advise, suggestions or wording the amendments. Budget and Finance Committee in the focus of this expertise throughout years had only external professional assistance on the budget issues provided from international institutions such are USAID, OSCE, NDI, etc.

4.4. Technical capacity and capability of Kosovo Assembly to conduct research and analysis of the budget

As for the performing an important role on the budgetary procedure members of the parliaments should understand the fundamentals of the draft-budget.

Budgetary practices teach us that the Assemblies with active input on budget procedures possess their own research capacities. The Congressional Budget Office of the U.S. Congress with its 245 academically degreed employees in the field of budget heads on the chart list. The Philippines' Planning and Budget Department employs around 50 people. Some other Assemblies have smaller specialized units for budgetary issues such as e.g. Poland. In other countries, such as the German Bundestag, there are General Research Units that bring studies and research over the budget (Johnson and Stapenhurst 2008:141-157). Other countries have no specialized employees for supporting the Budget and Finance Committee while the above-mentioned houses of representatives have employed hundreds of staffs (Wehner 2004:39).

After the scrutiny of the circumstances in the Assembly of Kosovo and comparing it with the parliaments' capacities over the world regarding the budgetary issues the following emerges: that the Kosovo's Assembly does not have any office for budget studies or domestic permanent expert for professional expertise on the budget. Nor the Assembly nor the Budget and Finance Committee were funded by the budget for trainings in the budget field of expertise. External professional assistance was given solely from USAID, OSCE, NDI, etc. The absence of technical power directly impacted and continues to hinder the representatives on their quality performance of their job as the representatives in the Assembly and in their responsibility towards their body of voters.

4.5. Restrictions during budget executions.

A general restriction is the fact that in conformity with provisions of the LPFMA the budget may only be amended by the Assembly of the Republic of Kosovo. Despite this LPFMA defines the cases when the Executive may reallocate/transfer funds, subject to certain limits, without Assembly approval, as is presented below:

- A budget organization may, without obtaining the approval of the Minister, transfer up to five percent (5%) of one appropriation of that budget organization to another appropriation of that budget organization during any fiscal year; provided, however, that no such transfer may be made into the wages and salaries appropriation without the approval of the Minister and, if applicable, the Government or Assembly.

- The Minister may, if provided with a valid justification by the head of a budget organization, authorize the transfer of part of one appropriation of that budget organization to another appropriation of that budget organization; provided, however, that the part so transferred shall not exceed fifteen percent (15%) of the negatively affected appropriation.

- If the head of the budget organization requests the Minister to authorize the transfer of an amount greater than fifteen percent (15%) but less than twenty-five percent (25%) of the negatively affected appropriation, the Minister may authorize such a transfer only after first obtaining the written approval of the Government.

- If the head of the budget organization requests the Minister to authorize the transfer of an amount equal to twenty-five percent (25%) or more of the negatively affected appropriation, the Minister may authorize such a transfer only after first obtaining the approval of the Assembly.

5. Discussion and conclusion

Budget procedure in Kosovo under the administration of UN/UNMIK (phase 1999-2008) was a *sui generis* case alike UNMIK administration itself. In such composition of power the budgetary procedure was entirely executive and way to far from the balance between the Assembly and executive-governmental bodies and the Ministry of Economy and Finance. Besides the fact that the institution of the Assembly is founded by the Constitutional Framework, final power for determining financial and political parameters on the approval of the Budget of Kosovo remained under SRSG.

Lawmaking capacity bounded with the SRSG's right to promulgate laws approved by the Assembly. Based on the mandate deriving from the Resolution 1244, SRSG could exercise the right of veto and reject signing the laws brought by the Assembly anytime it was considered those were in objection with the Resolution 1244. After the declaration of independence a legal ground for larger role of the Assembly on the budgetary procedure came into shape.

From the results abstained by the analyzes maid according to Liner's index to Kosovo Assembly role in budgetary procedure after the independence we obtained a strong link between the political and budgetary powers of Kosovo Assembly and the degree of separation of the legislative and executive branches of government. The result would have been so if we would have taken in account only constitutional and legal dimensions of Kosovo Assembly powers after independence in 2008.

However, aside of the improvement of the constitutional and legal status of the Assembly on the budget procedures, Kosovo Assembly belongs to the group of - budget approving legislatures. This is because Kosovo Assembly languishes from many defects, were the most important are; a) promulgation of assembly decisions on the budget is built on the budgetary information and documents that are far away from the standards determined from OECD regarding the accurate and comprehensive records on the blueprint and execution by the executive power and audit bodies; b) Budget and Finance Committee is more technical rather than deep-seated; c) the lack of technical

and financial capacities do take away its portion. Deficit of technical capacities of the Kosovo Assembly for larger part in the budgeting procedures for the fact that there is no office established for budget studies, no permanent internal expert for professional expertise on the budget. The Assembly nor the Budget and Finance Committee have ever been funded from the budget for trainings related to the budget issues; d) the absence of normal communication between Committee-Government-MEF, etc.

Although the education background of the members of the Assembly is well composed there is a shortage of the expertise on the finance and budget fields since only few of them are economists and jurists. Although, according to professional expertise, the economists and the jurists are expected to give inputs on the budgetary issues. External professional assistance was given solely from USAID, OSCE, NDI, etc. During all mandates the budget approval was taken in the absent of the political parties' dynamics. Those colorless debates did not occur for enhancement in the budget proposals but only for instant political calculations.

As for the increase of the role of the Assembly on budgetary procedures these measures should be undertaken:

1) Increase of the Assembly's technical and financial capacities for producing vaster outcome in budgetary procedure, specifically: a) establishment of an office for the budget analysis would be in hand to providing professional expertise for the members of the assembly on budgetary issues, b) budget funding for the Budget and Finance Committee for engagement of experts and parallel to that, widen the job responsibilities of the Budget and Finance Committee, c) funding the training for representatives in the field of budget and budgetary procedures and publication of different guidance regarding the budget.

3) Undertaking steps on facilitation the communication between MF-Government-Assembly-the Budget and Finance Committee. The Budget and Finance Committee should be informed on the flow of the budgetary procedure prior to presenting the draft-budget to the Assembly for approval. This would be in hand for the most qualitative performance of the Budget and Finance Committee on informing representatives with the preparation of the draft-budget.

At the end we would summarize that the increase of Kosovo Assembly's part on budget procedures is a necessity and there is sufficient headway and opportunity, and that should only be exercised. Herein, amongst all, I have in mind the best practices of updated budgetary procedures in other countries.

ANNEX I

Indices on the Separation of Powers and the Control by the Legislature in Kosovo after independence

This annex describes the overall index on the separation of powers, based on twelve indicators of the separation of political powers and the control of the executive by the legislature. Based on forms of government, quantitative values¹ are assigned, as follows:

Lienert Index of the Separation of Powers and the Legislature's Political Control - Kosovo case after independence

Description of variable	Quantification
Part A. Separation of Powers	
1. Is the head State directly in elections separate from elections for the legislature?	1= Yes 0= No
2. Is the head of executive (or government) elected independently?	2= Yes, citizens elect him/her directly 1= No, he/she is appointed by the head of State, upon recommendation of the legislature 0= No, he/she is automatically the head of government, but virtue of his/her leadership of party with the most votes in the legislature
3. Is the head of the State also a constituent part of the legislature?	1= No 0= Yes
4. Can the head of government be drawn from outside the legislature?	2= Yes, citizens elect him/her directly 1= Yes, by appointment of the head of State 0= No, a he/she must necessarily be an elected member of the legislature
5. Is it impossible to hold simultaneously positions in both the legislature and in the government (executive)	1= Yes = No
6. Can the head of State call elections of the legislature?	1= No 0 = Yes
7. Can the legislature vote "no confidence" in the government (executive)	1= No 0= Yes
Part B. Limitations on Executive Power by the Legislature	
8. Can the government (executive) determine the timing of sessions of the legislature?	1= No 0= Yes

¹ Quantitative values for Kosovo case are emphasized in bold.

9. Can the head of the State or government veto bills modified (and possibly approved) by the legislature?	0= Yes 1= Yes, provided the veto is not rejected by supermajority in the legislature 2= No, not under any circumstances
10. Can the executive adopt secondary laws with the same force as primary laws?	1= No 0= Yes, some secondary laws are not reviewed by the legislature
11. Do nearly all draft laws originate in the executive?	1= No 0= Yes
12. Can the legislature block the appointment of political appointees that are nominated by executive?	1= Yes 0= No

ANNEX I

On the basis of the numeric values associated with each question, the following results were obtained:

Annex Table 1. Indices of Separation of Powers and Control of the Executive by the Legislature – Kosovo case (indices under style no. four)

	Parliamentary Republic	Semi-presidential	Parliamentary Republic	Parlia. Republic Kosova case	Parliamentary monarchy: non Westminster	Parliamentary monarchy: Westminster
A. Separation of the Legislature from the Executive						
1.Election of head of State	1	1	0	0	0	0
2.Election of head of the executive	2	1	1	1	1	0
3.Head of State separate from legislature	1	1	1	1	1	0
4.Selection of head of government	2	1	1	1	1	0
5.Non-compatibility of legislature and executive	1	0.5	0.5	1	0.5	0
6.Election call by head of State	1	0	0	0	0	0
7.“No confidence” vote	1	0	0	0	0	0
Total	9	3.5	3.5	4	3.5	0
B. Control of the Executive by the Legislature						
8.Timing of legislature sessions	1	1	1	1	1	0
9.Veto power of head of State or government	1	1	0	0	0	0
10.Adoption of secondary laws by executive	1	1	0	1	1	0
11.Origin of draft laws	1	0	0.5	1	0	0
12.Legislative power over political appointees	1	0	0	0	0	0
Total	5	3	2.5	3	2	0
Overall Index of Separation of Political Powers (total possible score =14)	14	7.5	6	7	5.5	0

Source: Analyses of Kosovo case is conducted by author according to Liener’s index (“Who Controls the Budget? The Legislature or the Executive?” IMF, 2005) based on laws and constitution of Kosovo.

ANNEX II

Lienert Index of Kosovo Assembly Budgetary Powers after independence

The legislature's power over the budget are mainly at the ex ante stage - before the annual budget law is approved. Four questions are particularly pertinent (see below). During budget execution, the main question concerns whether or not the executive branch can modify the budget without returning to the legislature and seek its approval. An index was constructed on the basis of the following five questions:

Legislature's Budgetary Powers

Description of variable	Quantification ²
1. Establishment of the medium-term budget strategy. Does the legislature approve each year, an updated budget strategy covering at least 3 years (including the new budget year)?	2 = Yes, the legislature adopts a law each year 1 = Yes, the legislature adopts a resolution each year 0 = No, at the best, the legislature is only informed of the government's medium term strategy ³
2. Power to amend the annual budget. Does the legislature have unlimited powers to amend the draft budget proposed by the executive? If there are any restrictions, how severe are these?	3 = no restrictions to change balance and composition 2 = budget deficit may only be increased if offsetting measures 1 = budget deficit may not be amended, but composition of expenditures may change 0 = neither budget balance nor composition may change except in very minor ways. Legislature must, in effect, accept or reject entire budget
3. Time allowed for discussion of annual bud-get. How many months does the legislature receive the draft budget from the executive?	2 = More than four months 1 = From one to four months⁴ 0 = Less than one month or after the beginning of the fiscal year
4. Technical support in the legislature. Does the legislature have specialized budget advisory/research organization attached to provide budgetary analyses	2 = Yes, but with a substantial number of staff (more than 25) 1 = Yes, but with a limited number of staff 0 = No

² Quantifications for Kosovo are emphasized in bold.

³ The Assembly is only informed of the government's Medium Term Strategy because no approval required from Assembly.

⁴ 31 of October is deadline for submission draft budget in Assembly, whereas Assembly must approve it until 31 December.

independent of the executive?	
5. Restrictions during budget execution. Does the legislature oblige the government to implement its expenditure programs exactly as adopted? If not, what restrictions are there on the governments powers to modify the budget during implementation?	2 = Executive may neither withhold nor reallocate funds without legislative approval. 1 = Executive may withhold or reallocate funds, subject to certain limits. 0 = Executive has unlimited powers to limit expenditures in order to achieve overall budget objectives.

ANNEX II

Table 2. Indices for the Legislature's Budget Authority in 28 Countries and Kosovo Case

	Type of government	1. Medium-term framework	2. Amendment powers	3. Time for scrutiny of budget	4. Technical support to legislature	5. Restrictions during execution	Total index
Kosovo	Parlia. Republic	2 ⁵	3	1	0	1	7
Argentina	Presidential	0	2	1	0	1	4
Australia	Westminister	0	1	0	0	0	1
Austria	Semipresidential	0	3	1	0	2	6
Belgium	Parlia. Monarchy	0	3	1	0	0	4
Bolivia	Presidential	0	3	1	0	1	5
Canada	Westminister	0	0	0	1	0	1
Denmark	Parlia. Monarchy	0	3	1	0	1	5
Finland	Semipresidential	0	3	1	0	2	6
France	Semipresidential	0	2	1	0	1	4
Germany	Parliam. Republic	0	3	1	0	0	4
Greece	Semipresidential	0	0	0	0	0	0
Hungary	Semipresidential	0	3	1	0	2	6
Iceland	Parliam. Republic	0	3	1	0	2	6

⁵ Indices 2 is assigned because the Law on Budgetary Divisions is approved each year from the Assembly and is applied during Mid -Term Strategy of Expenditure. Mid- Term Strategy of Expenditure is needed to be submitted to the Assembly until 30 April of the year before - just for information without asking for its approval.

Indonesia	Presidential	0	2	2	1	1	6
Ireland	Semipresidential	0	0	0	0	0	0
Italy	Parliam. Republic	2	3	1	0	1	7
Japan	Parliam. Monarchy	0	3	1	1	2	7
Korea	Semipresidential	0	0	1	2	1	4
Mexico	Presidential	0	1	0	2	0	3
Netherland	Parlia. Monarchy	0	3	1	1	1	6
New Zealand	Westminister	0	0	0	0	0	0
Norway	Parlia. Monarchy	0	3	1	0	2	6
Portugal	Semipresidential	1	3	1	0	0	5
Spain	Parlia. Monarchy	0	1	1	0	1	3
Sweden	Parlia. Monarchy	1	3	1	1	2	9
Turkey	Parlia. Monarchy	0	1	1	0	1	3
United Kingdom	Westminister	0	0	0	0	1	1
United States	Presidential	1	3	2	2	2	10

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