

Annex 1.- Action Plan implementing the PFMRS 2016-2020

Pillar 1: Fiscal Discipline					
Priority 1: Accuracy of macroeconomic indicator and revenue forecasting					
Objective		Indicator(s) to measure achievement of the objective		Baseline	Target 2020
A careful and realistic prediction of the regular and one-off budget revenues		<ul style="list-style-type: none"> • Average deviation of tax revenue forecast versus actuals • Average deviation of one-off budget revenues forecast versus actuals 		<ul style="list-style-type: none"> • 7.7% • 7.6% 	<ul style="list-style-type: none"> • 0 – 3 %
Activities	Milestones			Institutions	
	2016	2017	2018	Lead	Support
1.1 Ensure sufficient capacity of trained staff of the macroeconomics unit		<p>The macro-economic unit employs 6 staff with appropriate analytical skills</p> <p>All staff members have attended training on using templates when drafting macroeconomic forecasts</p>	All staff members have attended training on using templates for drafting macroeconomic forecasts	Ministry of Finance (Macroeconomics Unit)	IMF, EU
1.2 Publication of the economic forecasts drafting methodology			The methodology on drafting economic forecasts is published on the MoF website	Macroeconomics Unit, MoF	
1.3 Publication of the macro-fiscal framework and the economic indicators prior to adopting the MTEF and the		Publication of the macro-fiscal framework and the macroeconomic indicators prior to the adoption of the MTEF 2018-2020 by the Government (15 April 2017)	Publication of the macro-fiscal framework and the macroeconomic indicators prior to the adoption of the MTEF 2019-2021 by the Government (April 2018)	Macroeconomics Unit, MoF	

Annual Budget Law		Publication of the macro-fiscal framework prior to adoption of the 2018 Annual Budget Law (15 October 2017)	Publication of the macro-fiscal framework prior to adoption of the 2019 Annual Budget Law (15 October 2018)		
1.4 Establish independence of the macroeconomics unit		The LPFMA is amended, ensuring independence of the unit	Direct reporting to the Committee on Budget and Finance of the Assembly of Kosovo	Macroeconomics Unit, MoF	Kosovo Assembly Committee on Budget and Finance
1.5 Adopt a regulation to limit the inclusion of one-off revenues		Establish the WG and draft the regulation limiting the inclusion of one-off revenues in the Annual Budget Law	Adoption of the regulation and start with its implementation in the 2019 budget	Macroeconomics Unit, MoF	Budget Department
Priority 2: Effective commitment controls					
Objective		Indicator(s) to measure achievement of the objective		Baseline	Target 2020
Reducing payment arrears by increasing the compliance with applicable commitment controls		<ul style="list-style-type: none"> Outstanding payment arrears by the end of the fiscal year as 1% of total expenditures 		2.3%	1.0%
Activities	Milestones			Institutions	
	2016	2017	2018	Lead	Support
2.1. Amendments to the LMPFA / Regulations	Law on PIFC adopted at the Assembly	Draft sub-legal acts Revised financial rule on reporting payment arrears Organize trainings for 65 financial officers to assist with interpreting the Law on PIFC	Organize trainings for financial officers for assisting with the implementation of sub-legal acts Organize trainings for 70 financial officers for assisting with interpreting the Law on PIFC	Ministry of Finance CHU Treasury CHU	Treasury Department, Budget, MPA, MLGA, OPM, OAG, Kosovo Assembly

2.2 Training and capacity building of the financial officer(s)	Organize trainings for 60 financial officers in the area of FMC	Train 100 financial officers on risk management and prevention of payments without commitments	Train 80 financial officers on risk management and prevention of payments without commitments	MoF/CHU-Treasury MPA/KIPA	BO
2.3 Introduction of modified cash-based accounting and reporting			Establish legal basis for introducing modified cash-based accounting BOs submit financial reports based on modified cash-based accounting	MoF, Treasury, Budget	MoF/CHU/BO
2.4 Identification and development of controls	Finalize description of processes with two pilot BOs	Present process descriptions at 89 other budgetary organizations	Description of processes for budget planning, budget execution, public procurement, and asset management finalized in all BOs	CHU/BO	Budget, Treasury, HR, Procurement, Risk Management
2.5 Expansion of KFMIS functions	Advancement of quick and standard reporting of information	Purchase of servers that supports and improves data security on public finances, enhances speed of generating information and data preparation and enables the link with other public finance management tools	Integration of electronic archives within KFMIS. Automated generation from KFMIS of standard reports not calculating manually the data for reporting.	Treasury/ BO	
2.6 Revision of financial regulation on reporting late payments	Revision of the rule and holding seminars with BOs	BOs reporting on annual basis in accordance with the regulation and reporting format	Monitoring of late payments by the Treasury through KFMIS and electronic archive.	Treasury	MoF/ BO

2.7 Reporting internal debts by Debt Unit	Consolidation of report by Monitoring Unit and reporting of internal debt caused by the BOs.	Quarterly reporting of debts by the BOs	Quarterly reporting of debts of BOs and undertaking measures for sanctioning BOs that have created debts beyond legal deadlines.	Treasury	MoF
2.8 Sanctioning budget organisations in cases of late payments	Issuance of notice by the Ministry of Finance for BOs	Analysis of reporting of late payments by BOs and notification for the minister to proceed with sanctioning of BOs that have caused systematic late payments	Monitoring and reporting of late payments by sanctioning BOs that have late payments.	Treasury/ MoF Legal Office/ Minister of Finance	MoF
2.9 Monitoring BOs through KFMIS and electronic archive	Preparation of procedure for monitoring BOs by the BO Monitoring Unit applying Digital Archive System	Monitoring of BOs	Monitoring of BOs and reporting cases where BOs have failed to implement financial rules.	Treasury	MoF
2.10 Capacity development in Monitoring Unit (MU)	Training of staff of MU to familiarize them with the two systems and to compare financial data.	Continuation of advanced staff training.	Holding seminars by the MU with BOs officials to improve fiscal rule implementation level	Treasury	MoF
Priority 3: Sustainable revenue collection					
Objective	Indicator(s) to measure achievement of the objective		Baseline	Target 2020	
To expand the revenue base by fighting fiscal evasion and smuggling of goods	<ul style="list-style-type: none"> • Number of registered businesses for VAT • Number of tax payers voluntarily declaring income • Debt collection rate 		16,583	35,000	
			62,886 declaring taxpayers	100,000 businesses	
			44.7 million	According to IMF criteria loans not to	

		<ul style="list-style-type: none"> Percentage of collected debts during 2015. 	10.5%	be higher than 105 of actual annual incomes	Overage increase by 17%
Activities	Milestones			Institutions	
	2016	2017	2018	Lead	Support
3.1 Establishment of the Kosovo Tax and Custom Agency (KTCA)	Draft the Law on the establishment of the KTCA	A model will be developed for the organization of the KTCA.	Full functioning of the KTCA.	TAK, Kosovo Customs	MoF
3.2 Introduction of e-invoice electronic service;	Preparation, functional and technical descriptions of the system of electronic invoice. Developing a component of electronic filing for book sales	Technical infrastructure planning to support the functioning of the system of electronic invoice Initiate procurement process for development of system	Full operationalization of the E - invoice	TAK	
3.3 Modernization of information technology system.	Tender for a new IT system	Functionalize the new IT system		TAK	
3.4 Increasing staff skills and abilities / Build capacities of Risk	Further enhancement of risk module	Continuation of trainings abroad aimed at increasing knowledge on modern risk management approaches or strategies	Further enhancement of CAKI module	TAK	

Management Sector	Attend minimum two trainings abroad aimed at increasing knowledge on modern risk management approaches or strategies Development of CAKI Module	Implement a new business intelligence software Fully functioning CAKI Module			
3.5 Train operations staff in applying new techniques for detecting smuggling of goods.	Train 100 customs officers in techniques for detecting smuggling	Train 100 customs officers in techniques for detecting smuggling		KC/Training sector	
3.6 Advanced training and capacity development for custom officials in the field of goods valuation and origin	Train 200 customs offices in respective fields.	Train 200 customs offices in respective fields.		KC/Training sector	
3.7 Regular update of risk profiles, in order to address the risks from undervalued goods	Number of established profiles/ 100	Number of established profiles/ 100		KC/Law Enforcement Directorate	

3.8 Introduce patrols at the borderline with focus on known high-risk locations.	Minimum one patrol per week/4 per month/50 per year	Minimum one patrol per week/4 per month/50 per year		KC/Regional Departments	
3.9 Activation of a camera system (donation from EXBIS) for green border control		Activated scanner		KC/Law Enforcement Directorate	
3.10 Application of joint controls with the Border Police	Number of joint patrols 300	Number of joint patrols 300		KC/Regional Departments/ Law Enforcement Directorate	Kosovo Police
3.11 Increased information from the Intelligence sector to the regional directorates	Increase of information number up to 130	Increase of information number up to 130		KC/Law Enforcement Directorate	
3.12 Proper application of goods valuation methods	% of method application	% of method application		KC/Law Enforcement Directorate	
Pillar 2: Allocation effectiveness					
Priority 4: Development of the Medium Term Expenditure Framework (MTEF)					
Objective	Indicator(s) to measure achievement of the objective			Baseline	Target 2020
Further advancement of the role of the MTEF as a liaison document between the National	<ul style="list-style-type: none"> Average deviation between MTEF ceilings and annual budget ceiling for BOs 			7.15 %	3.5%

Strategy and budget planning for the next three years.		<ul style="list-style-type: none"> Number of officers trained for budget impact assessment -BIA 		80	120
Activities	Milestones			Institutions	
	2016	2017	2018	Lead	Support
4.1 Functionalize the Steering Group on Strategic Planning (SGSP) and the Strategic Planning Committee	Review of Statement of Priorities (February)	Review of Statement of Priorities (February)	Review of Statement of Priorities (February)	OPM	MoF, MPA, MEI, MED
	Review of Draft MTEF (April)	Review of Draft MTEF (April)	Review of Draft MTEF (April)		
	Review of draft annual budget (October)	Review of draft annual budget (October)	Review of draft annual budget (October)		
4.2 Training on strengthening fiscal impact assessment	Minimum 80 trained officials	Training as needed, up to 120 officials	Training as needed, up to 120 officials	MF/KIPA	
4.3 Preparation of explanatory notes on deviation between the MTEF ceiling and the Annual Budget ceiling	Standardized table with deviations in expenditure ceilings included in the 2017 budget	Standardized table with deviations in expenditure ceilings included in the 2018 budget	Standardized table with deviations in expenditure ceilings included in the 2019 budget	Budget Department	
4.4 Risk assessment by Budget Organizations on budget planning		Needs assessment analyses on risk assessment on budget policies Development of Curricula Train at least 10 Trainers within the Ministry of Finance	Training of at least 130 officials across the Government on risk assessment	MF	

4.5 Implement sector approach in MTEF preparation	MTEF 2017-2019 drafted based on sector approach	MTEF 2018-2020 drafted based on sector approach	MTEF 2019-2021 drafted based on sector approach	Budget Department	
Priority 5: Annual budget credibility and execution control					
Objective		Indicator(s) to measure achievement of the objective		Baseline	Target 2020
Strengthen the credibility of the annual budget by improving the budgetary planning and its credibility, including planning at program level, in order to ensure that the budget is drafted in accordance with the macro-fiscal framework and the Government strategic objectives		<ul style="list-style-type: none"> Percentage of average deviation of the overall budget execution compared to the approved budget by BOs at the central level Number of transfers during a fiscal year 		10.46%	5%
				178 (30 of such transfers are from the unforeseen expenditures reserve) and 5 Government decisions under article 13.2 of the Law on Budget.	100 transfers, 2 decisions under article 13.2 of the Law on Budget
Activities	Milestones			Institutions	
	2016	2017	2018	Lead	Support
5.1 Preparation of an administrative instruction on transfers – reallocations		The administrative instruction is drafted	The administrative instruction is implemented	Budget Department	Cabinet of the Minister, Treasury Department

5.2 Program-based budgeting			Implementation of a pilot project on program-based budgeting for Ministry of Finance Training for Budget Department officials in the area of program-based budgeting	Budget Department	Cabinet of the Minister, Treasury Department
5.3 Drafting a strategic plan on program budgeting.			Drafting the strategic plan on Program budgeting.	Budget Department	Minister's Cabinet, Dept of Treasury
Priority 6: Quality of capital budget information					
Objective		Indicator(s) to measure achievement of the objective		Baseline	Target 2020
A more efficient and effective management of public investment planning and monitoring by the BOs in the PIP system that would have an impact on proper capital projects planning to be related to the National Development Strategy and the Government priorities		<ul style="list-style-type: none"> Number of reallocations by central BOs Percentage of implementation of capital investment budget compared to the planned budget in the annual budget 		55 98 %	25 100%
Activities	Milestones			Institutions	
	2016	2017	2018	Lead	Support
6.1 Adoption of a regulation/Instruction by the government to strengthen Budget Department which provides a clear framework		Drafting the Regulation	Implementation of Regulation	Department of Budget	Minister's Cabinet

for policymakers and PIP users related to methodology of project evaluation and selection.					
6.2 Organize training on PIP system (train new officers and refresh the knowledge of existing officers).	Minimum 55 officers from central and local level BOs trained on PIP system	Minimum 120 officers from central and local level BOs trained on PIP system, training as required.	Minimum 120 officers from central and local level BOs trained on PIP system, training as required.	MoF / Budget Department	MAP KIPA
6.3 Adopt an instruction to clearly define what is to be considered a capital project		Adopt an instruction for a proper classification of capital expenditures.	The administrative instruction is implemented	Budget Department Treasury Department	
6.4 PIP system maintenance and development		Recruit 3 IT officers for system maintenance and development		Budget Department	IT Department, MoF
Pillar 3: Operational efficiency					
Priority 7: Public Procurement					
Objective	Indicator(s) to measure achievement of the objective			Baseline	Target 2020
Ensure an efficient, transparent, and fair use of public funds and the apply the core “value for money” principle in public procurement	- Share of negotiated procedure without announcement			12,98%	7%
	- Share of monitoring of contract notices			5%	100%

Activities	Milestones			Institutions	
	2016	2017	2018	Lead	Support
7.1 Establish the e-procurement system to carry out procurement activities:	<p>Pilot the e-procurement platform</p> <p>Train 10 trainers in the area of e-procurement</p> <p>Implement mandatory e-procurement at the central level</p>	<p>Implement mandatory e-procurement at all budget organisation (local and central).</p>	<p>Implement mandatory e-procurement at all budget organisation (local and central)</p>	<p>Public Procurement Regulatory Committee (PPRC)</p>	<p>Kosovo Government, the Procurement Review Body (PRB), Central Procurement Agency (CPA), and the Contracting Authorities (CA)</p>
7.2 Development and implementation of centralized procurement activities:	<p>Carry out three centralized procurement activities at the central level (Ministries and Central Institutions)</p> <p>Carry out seven centralized procurements at the local level (municipalities)</p> <p>100 % application of procurement procedures for specific goods and</p>	<p>Carry out three centralized procurement activities at the central level (Ministries and Central Institutions)</p> <p>Carry out seven centralized procurements at the local level (municipalities)</p> <p>100 % application of procurement procedures for specific goods and services of contracting authorities</p>	<p>Carry out three centralized procurement activities at the central level (Ministries and Central Institutions)</p> <p>Carry out seven centralized procurements at the local level (municipalities)</p> <p>100 % application of procurement procedures for specific goods and services of contracting authorities</p>	<p>MoF/CPA</p>	<p>PPRC, PRB, CA</p>

	services of contracting authorities				
7.3 Monitoring public procurement activities	100% monitoring of procurement activities based on request 100% monitoring of contract notices and announcements Monitoring the contract management processes in 20 contracting authorities	100% monitoring of procurement activities based on request 100% monitoring of contract notices and announcements Monitoring the contract management processes in 30 contracting authorities	100% monitoring of procurement activities based on request 100% monitoring of contract notices and announcements Monitoring the contract management processes in 30 contracting authorities	PPRC	PRB and CPA
7.4 Raising broader public awareness on public procurement rules	Train 4 groups with 30 members each (economic operators, judges, prosecutors, auditors, etc.)	Train 4 groups with 30 members each (economic operators, judges, prosecutors, auditors, etc.)	Train 4 groups with 30 members each (economic operators, judges, prosecutors, auditors, etc.)	PPRC, PLANET Project	KIPA
7.5 Training of procurement officials	330 officers trained at the basic level	330 officers trained at the basic level	330 officers trained at the advanced level	PPRC, KIPA	PRB, CPA
Priority 8: Strengthening internal audit					
Objective	Indicator(s) to measure achievement of the objective			Baseline	Target 2020
Strengthen the internal audit function as a value added service to accountable management	<ul style="list-style-type: none"> • % of certified internal auditors • % Implementation of recommendations by management 			50 % of IA are certified 51 % implementation of the	90% of IA are certified 65 % implementation of the

					recommendat ions by management	recommendat ions by management
Activities	Milestones			Institutions		
	2016	2017	2018	Lead	Support	
8.1 Revise the Law on the internal audit function	Law on PIFC adopted by the Assembly	Adoption of sub-legal acts Train 70 IA on the Law on PIFC (FMC and IA)	Train 75 IA on the implementation of the sub-legal acts	CHU	Treasury, Budget, MPA, MLGA, OPM, OAG, Kosovo Assembly, IA, BO	
8.2 Update Internal Audit manual			Update Internal Audit manual	CHU	BO/IAU	
8.3 Establish a national Internal Auditors' Certification Program and train accordingly	National scheme on IA certification established	IA trained in the national certification scheme 70% of IA certified	IA trained in the national certification scheme 90% of IA certified from national certification scheme	CHU/KIPA	BO	
8.4 Training of internal auditors on auditing EU funds.		CHUIA staff trained on auditing EU funds 10 IA trained on auditing EU funds	EU funds audited by local internal auditors	MoF/CHU	Technical Assistance, BO	
8.5 Monitoring implementation of	Annual report on the functioning of PIFC system	Annual report on the functioning of PIFC system	Annual report on the functioning of PIFC system	IAU/ CHU	IAU	

recommendations of internal audit					
Priority 9: Strengthening external audit					
Objective	Indicator(s) to measure achievement of the objective			Baseline	Target 2020
Develop a Well Performing Supreme Audit Institution carrying out audits in accordance with internationally recognized public sector auditing standards.	• Percentage of reviewed audit reports by Committee for Oversight of Public Finance (COPF)			10%	50%
	• Percentage of addressed recommendations issued by the Auditors General Office			32%	60%
	• Percentage of not addressed recommendations issued by the Auditors General Office			37%	20%
Activities	Milestones			Institutions	
	2016	2017	2018	Lead	Support
9.1 Secure institutional independence	New Audit law is endorsed by the Assembly New AG is appointed	Secondary legislation is drafted		OAG, MF	Assembly
9.2 Address the gap between OAG audit practice and the ISSAIs		Asses the compliance of audits performed by OGA with ISSAI by conducting a KMF SAI assessment (SAI Performance Measurement Framework)	Prepare the strategy on institutional capacity building Develop procedures on performing audit through the computerized audit tool (CAAT)	OAG	Assembly
9.3 Regularity Audit Guidance updated		New regularity audit guidance in compliance with ISSAIs	Revise audit procedures Train human resources, total 100 auditors	OAG	Assembly, Kosovo Government,

		Train human resources, total 100 auditors.			Audited entities
9.4 Further develop the Performance Audit practice of the OAG	Finalize the updated performance audit guideline Staff training, total 30	Incorporation of IT audit guideline in the current performance audit guideline. Human resource training and certification by further developing and implementing a certification scheme for performance ¹ auditors.		OAG	Assembly, Kosovo Government, Audited entities, civil society, universities
9.5 Outreach to the Assembly	Increased number of audit reports reviewed at the Assembly, in particular performance audits Increased number of public hearings to hold the government accountable. Follow up of recommendation 2 Day conference with 200 participants	Develop joint workshops for further development of relations Organize study visits with members of relevant committee (in one year) 2 Day conference with 200 participants	Increased percentage of addressed recommendations 2 Day conference with 200 participants	OAG	

¹ During 2015 PIFC has reviewed 12 regulation audit reports, 4 performance audit reports and Annual Audit Report for 2014

Pillar 4: PFM related matters					
Priority 10: Enhancement of IT systems					
Objective		Indicator(s) to measure achievement of the objective		Baseline	Target 2020
Enhancement of IT systems operational at the Ministry of Finance to improve quality of financial information.		<ul style="list-style-type: none"> No. of integrated systems 		0	7 (TAK, SIGTAS, BDMS,PIP, Free Balance, Pay Roll, Property Tax)
Activities	Milestones			Institutions	
	2016	2017	2018	Lead	Support
10.1 Integration of IT System of MF and its subordinate Agencies	Development of terms of references for systems integration Completion of procurement procedures and documentation of needs and work processes	Completion of development data ware house	Integration of systems or development of interfaces Development of the reporting system	MoF/DIT	Treasury, Budget
10.2 Modernization of the KFMIS, enhance Treasury IT capacities	KFMIS integration – automated interface module with the new CBK payments and revenues system – ATS (RTGSACH)	Hardware capacities and full operation of the data centre.		MoF/Treasury	CBK, BO
10.3 Establishment of an electronic archive for the	Needs specification to meet the requirements of infrastructure support	Preparation of procurement documentation Complete procurement	System is fully operational	MoF/Treasury	BO

Budget Organizations		Training for staff that will deal with the management of the system			
Priority 11: Transparency of budget					
Objective		Indicator(s) to measure achievement of the objective		Baseline	Target 2020
Ensure compliance of Kosovo budget information with the IMF/ standard 2001 GFS		<ul style="list-style-type: none"> Budgeting and reporting to be done based on the account table complying with GFS 2001 		NA	Standard GFS 2001 in use
Activities	Milestones			Institutions	
	2016	2017	2018	Lead	Support
11.1 Modification of the KFMIS to enable automated preparation of budget reports in compliance with the GFS	Adopt a new Chart of Account in line with GFS 2001	Incorporate new chart of account in KFMIS Prepare manual Conduct training		Treasury	
11.2 Review of government Chart of Accounts.	Review regulation on Chart of Account and harmonising it with GFS classification.	Application of regulation on Chart of Account in the process of budgeting and execution.	Reporting based on legal requirements and reporting standards.	Treasury/Budget	IMF, EC
11.3 Adoption of a new structure of Accounts harmonised with IPSAS and GFS and incorporated into the KFMIS.	Preparation of a document based on Chart of Account and which harmonises classifications with IPSAS and GFS.	Preparation of KFMIS to generate this two reports through Cristal reports by harmonising data from the same database with structure based on two standards.	Automatic generation of reports from KFMIS.	Treasury	IMF, EC

11.4 Translation of the Manual on government financial statistics and training of officers for new accounting structure	Training of MoF staff on GFS and then preparing a matrix with codes according to GFSM 2014 and linkage with GFSM and chart of accounts by providing written comments for each code.	Training of MoF staff for GFS and then inclusion and training of BOs to know and implement each code starting from budgeting to execution, eliminating mis-categorisation of expenditure by BOs	Monitoring of BOs for implementation of chart of accounts	Treasury	MoF, BO USAID EC
11.5 Publication of time series of revenues and expenditure of general government	Preparation of format and retroactive fulfilling of time series/ monthly starting from 2014. Publication in the second half of 2016.	Continuation of publication of time series by advancing the reporting format according to standards.	Continuation of publication of time series	Treasury/ Macro	MoF/ USAID
11.6 Drafting Friendly Budget Document (Narrative)		Friendly Budget Document (Narrative) for 2018 is drafted. Narrative document is sent to Budget and Finance Committee and is published online for citizens.	Friendly Budget Document (Narrative) for 2019 is drafted. Narrative document is sent to Budget and Finance Committee and is published online for citizens.	Budget Department	
Priority 12: Sustainable capacity building in PFM					
Objective	Indicator(s) to measure achievement of the objective			Baseline	Target 2020
To obtain a systematic, sustainable and integrated way of increasing knowledge of civil servants in Public Finance Management using local and external expertise of the public administration	<ul style="list-style-type: none"> Number of PFM training programs Number of officials trained in the PFM area 			Number of programs	Xx programs from the PFM area
				Number of trained officials	Xx officials trained in PFM

Activities	Milestones			Institutions	
	2016	2017	2018	Lead	Support
12.1 Carrying out a feasibility study on PFM Training Centre including training needs assessment	Training needs assessment	Feasibility study carried out		MoF	DEIPC, Budget, Treasury, CHD, TAK, KC, PPRC etc.
12.2 Preparation of the curricula for the Public Finance Management		Development of Curricula Development of Training Modules Training of Trainers		MoF	
12.3 Delivery of Training to public officials on the field of PFM			Training delivered to public officials on the field of PFM	MoF KIPA	DEIPC, Budget, Treasury, CHD, TAK, KC, PPRC