

PROVISIONAL INSTITUTIONS OF SELF-GOVERNMENT

MINISTRY OF EDUCATION, SCIENCE & TECHNOLOGY

Kosovo School Funding Handbook

Financial Management Information
for Municipal Education Directors
and School Directors

First Edition
Prishtina, May 2002

Kosovo School Funding Handbook

*Financial Management Information for
Municipal Education Directors and School
Directors*

Ministry of Education, Science and Technology
World Bank Education Project
Prishtina, May 2002

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Contents

Introduction.....	iii
List of Abbreviations.....	iv
1. The School Funding System in Kosovo	1
1.1 The Division of Responsibility for Schools.....	1
Diagram of School Funding Arrangements	2
1.2 Kosovo Budget Funds for Schools.....	2
1.3 Calculating the Municipal Education Grants for 2002.....	3
1.4 Other Funds for Schools	7
2. Municipality Budgets	9
2.1 The Composition of the Municipality Budget.....	9
2.2 Planning the Municipal Education Budget	11
3. Implementing the Municipal Education Budget	13
3.1 Authorising and recording budget transactions.....	13
4. Managing payments to staff	16
4.1 Overview	16
4.2 Planning the salary budget.....	16
4.3 Staff Performance and Attendance.....	17
4.4 Payment of Salaries.....	17
5. Monitoring and Reporting.....	19
5.1 Overview	19
5.2 Monthly monitoring and reporting.....	19
5.3 Reports to the Municipality and to parents.....	21
5.4 Joint Quarterly Report on Municipal Education Performance	21
5.5 Annual Report on Education	21
6. Procurement	22
6.1 Overview of procurement arrangements	22

6.2	<i>Municipal procurement</i>	22
6.3	<i>Goods and services purchased directly by the school</i>	23
7.	Fees and charges for education services	24
8.	Contributions and donations	25
8.1	<i>International Donors and Non-Government Organisations</i>	25
8.2	<i>Parent and community voluntary donations</i>	25
9.	School Buildings	26
9.1	<i>Building Maintenance and Repairs</i>	26
9.2	<i>Major Capital Projects</i>	26
10.	Inspections and Audits	27
10.1	<i>Inspections</i>	27
10.2	<i>Role of the Ministry of Education</i>	27
10.3	<i>Role of the Ministry of Finance and Central Fiscal Authority</i>	27
10.4	<i>Audit</i>	27
11.	School Budgets	28
11.1	<i>Planning the school budget</i>	28
11.2	<i>Voluntary Contributions and Donations</i>	28
11.3	<i>Implementing and Monitoring the School Budget</i>	29
11.4	<i>Reports, Inspections and Audits</i>	30
12.	Planning the Budget for Future Years	31
12.1	<i>Budget Cycle</i>	31
	<i>Key Budget Cycle Activities</i>	32
13.	Annexes	1
	<i>Annex I: Memorandum of Understanding</i>	1
	<i>Annex II: Budget Forms</i>	6

Introduction

From the start of the 2002 Financial Year, budget responsibility for most of the costs of education at primary and secondary schools and preschools in Kosovo has been transferred to Municipal governments. Funds will be provided by the central government of Kosovo to each Municipality in the form of a grant to help the Municipality with its responsibilities. The Municipality may also use its own revenue sources to support schools.

The arrangements for implementing the transfer of financial responsibility to Municipalities are set out in a Memorandum of Understanding signed by the UNMIK Department of Education and Science, the Department of Local Administration and the Central Fiscal Authority in October 2001. A copy of the MOU is at Annex I.

Under the new arrangements, Municipalities are expected to transfer some financial responsibility and authority for making decisions about the budget for the school to School Directors and School Boards. Municipalities will also be expected to report to the local community about the use of the education budget to support the schools.

This Handbook provides information to Municipal Education Directors and their staff, particularly Education Finance Officers, and to School Directors and School Boards, about managing the budget for education in the Municipality. It explains what MEDs and School Directors must do, but also sets out broad principles of financial management and provides ideas and suggestions about how Municipalities and School Directors can organise their work on implementing the budget.

The purpose of this Handbook is to ensure that education funding is managed effectively. The Handbook is also about planning the budget for future years. As well as implementing the Municipal budget for 2002, each Municipality should be planning the budget for the 2002-2003 academic year and beyond. Each Municipality should have, or should be developing, a Strategic Plan for Education and a multiyear budget forecast based on the plan.

The information in this Handbook cannot cover everything the MEDs and School Directors need to know about financial management. They should also read and follow other instructions and guidelines issued by the Central Fiscal Authority, the Department of Local Administration and the Ministry of Education, Science and Technology and should attend training courses on finance management.

The Handbook is up to date in March 2002, but new regulations or instructions may be issued after this date and Municipalities should make sure they are aware of any changes to procedures. In particular, the creation of the Provisional Institutions of Self Government and the transfer of functions to the Ministry of Finance and Economy may change some of the reporting arrangements. The Handbook will be updated from time to time to include new information.

List of Abbreviations

CFA	Central Fiscal Authority
DES	Administrative Department of Education and Science
DLA	Department of Local Administration
EDO	Education Development Office
EFO	Municipal Education Finance Officer
MDE	Municipal Directorate of Education
MED	Municipal Education Director
MEST	Ministry of Education, Science and Technology
MOF	Ministry of Finance and Economy
MOU	Memorandum of Understanding between DES, DLA and CFA 24 October 2002
MPS	Ministry of Public Services
SEO	Senior Education Officer
SRSG	Special Representative of the Secretary General of the United Nations
UNMIK	United Nations Mission in Kosovo

1. The School Funding System in Kosovo

Responsibility for schools in Kosovo is shared between the Ministry of Education, Science and Technology, the Municipalities, the School Directors and the School Boards. From the start of 2002 most budget responsibility has been transferred to the Municipalities.

The decentralisation of budget responsibility has a number of benefits:

- Decentralising responsibility for school finances to the Municipality, and from the Municipality to the School, makes it easier for the Municipality and the School Director to respond to the needs of the school, the pupils and the parents, and to make decisions about the development of the schools in the Municipality.
- It increases local democracy. If a larger responsibility for running the school is transferred to the local residents, through the Municipal Assembly and the School Board, the parents will have more influence and their interest will increase.
- It increases the motivation of employees. Experience in other countries has shown that when the employees can make their own decisions and work more independently, the pleasure taken in their work is increased and consequently the quality of their work increases.
- It encourages better use of resources. When the Municipal Assembly, the Municipal Education Director and the School Directors have more responsibility, their financial awareness is increased. Expenses which were formerly taken for granted are critically reviewed. For example, the school may realise that heating costs could be reduced or staff time used more efficiently. In this way resources can be saved and used to fund other necessary costs. The MED and the School Directors will have incentives to make efficient use of the funds available for education and they will have to report to the local population on the use of education funding.

1.1 The Division of Responsibility for Schools

The proposed *Regulation on Primary and Secondary Education* sets out the broad responsibilities of the Ministry, the Municipalities, the School Directors and School Boards. A Handbook on Municipal Education Governance provides more information on how these responsibilities should be carried out.

At the local level, specific responsibilities are allocated to the Senior Education Officer (SEO), the Municipal Education Director (MED), the Education Finance Officer (EFO), the School Director and the School Board.

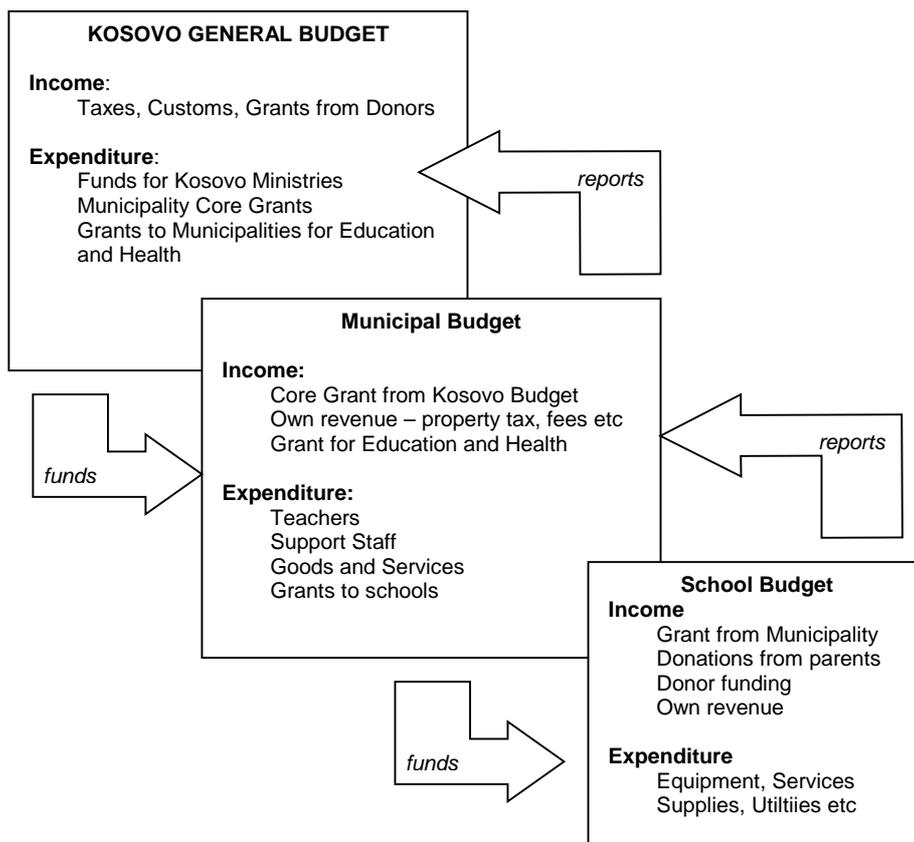
The Senior Education Officer (SEO) represents the Ministry of Education, Science and Technology at the local level and is responsible for monitoring implementation of Ministry policies at the preschool, primary and secondary levels of education. The role of the SEO is focused on curriculum matters and other issues concerning the quality of education in Kosovo.

The Municipal Education Director and the Education Finance Officer are part of the Municipal Administration. The MED reports to the Municipal Assembly through the Chief Executive Officer and is responsible for the material and logistical support of schools, and for maintaining the physical environment of the education system. During 2002 the MED will also become responsible for administration of the staff budget for schools. Managing the Municipal Education Budget is one of the most important roles of the MED.

The School Director is responsible to the Ministry for the quality of the education provided to students, and to the MED for the management of the school buildings, equipment and services, and for the management of school staff. The School Director will also be responsible for the management of financial resources that are provided to the school by the Municipality or by donors.

The School Board represents the parents of the school and develops school policies about curriculum delivery, personnel, student welfare, funding and property stewardship.

Diagram of School Funding Arrangements



1.2 Kosovo Budget Funds for Schools

The process for formulating the Education Budget for Kosovo follows procedures set by the Central Fiscal Authority and the Ministry of Finance and Economy for the overall Kosovo Budget. Under the Constitutional Framework for Self Government, the Ministry of Finance and Economy is responsible for preparing the budgets of the Provisional Institutions of Self Government, including the Ministry of Education, Science and Technology.

The Special Representative of the Secretary General (SRSG) has the final responsibility for approving the budget for Kosovo, including the total amount of funding to be provided to Municipalities for schools, and the amounts to be provided to each Municipality.

Decisions about the Kosovo Budget need to take account of

- the amount of revenue that is expected to be available from taxes
- the amount of funding expected to be provided by donors

- the cost of achieving high priority policy objectives such as improved health, better roads and better education.

At this time in Kosovo's economic development there are many demands on the budget and resources are limited so the amount available for any sector will almost always be less than the amount that is sought.

When the amount of the Kosovo budget to be available to support Kosovo schools is known, the share that is to be provided to each Municipality is calculated using a formula based on the number of students enrolled in schools in the Municipality. The purpose of the 'per pupil formula' approach to deciding the Municipal Education Grant is to ensure that each Municipality gets a fair share of the resources that are available for schools.

In 2002, approximately 20 per cent of the total Kosovo budget will be spent on education. The education budget (approximately €74m) includes funds for schools, university education, teacher training, curriculum development and education administration. Forty-six per cent of the total 2002 education budget (about €35m) will be provided to Municipalities as a grant to support schools and a further 25% will be used by the Ministry to pay teachers' salaries for the first six months of the year before the employment of teachers is transferred to the Municipalities.

1.3 Calculating the Municipal Education Grants for 2002

1.3.1 Overview

The amount to be provided to each Municipality is calculated using a formula. Several funding amounts are calculated:

- funding for teaching staff salaries for primary schools;
- funding for teaching staff salaries for secondary schools;
- funding for operating costs for primary schools (including the wages of non-teaching staff); and
- funding for operating costs for secondary schools.

A per pupil amount is calculated for each of these sectors, based on the overall central funding available for schools. Using a 'per student' formula ensures that each Municipality is treated in the same way and receives funding on the basis of objective factors. The basic grant available for each Municipality is equal to the per student amount multiplied by the number of students attending primary and secondary schools in the Municipality.

The most important item in the funding formula is the number of students attending schools in the Municipality. However, additional funding amounts are included to take account of other costs of operating schools such as

- small remote schools and satellite schools
- children with special needs attending normal schools
- minority students

Funds are added for preschools and dormitories for those Municipalities that have them.

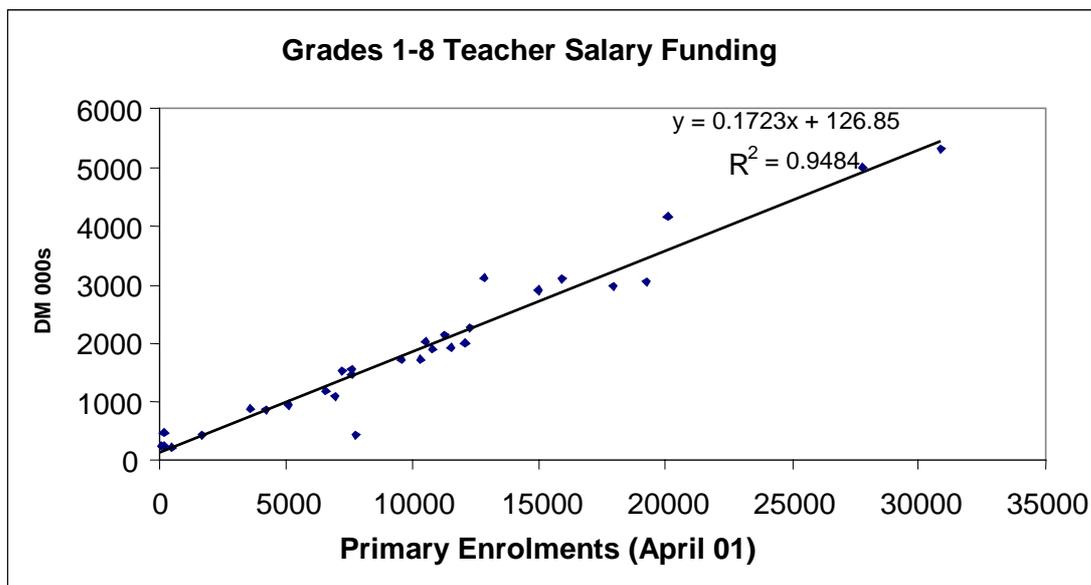
The 2002 financial year is a transitional year and it is the first time that a formula has been used to calculate education grants to Municipalities. Some special funding arrangements have been put in place in 2002 to assist the transition to the new system. These special arrangements include:

- a reserve fund held by the Ministry to deal with unanticipated problems
- transitional funding for teachers for some Municipalities to allow time to adjust staff numbers

1.3.2 How the formula was developed – technical background

The basic formula was developed by collecting information on the existing costs of operating schools in each Municipality and applying mathematical analysis. Data was collected from the payroll database on the cost of school staff and teachers' salaries in each Municipality during 2001. Data on the amount of goods and services funds allocated to each Municipality was collected from DES. Finally information on the number of pupils enrolled in each Municipality was obtained from enrolment data from 2001. To allow for changes in the number of students in 2002, the pupil numbers for all Municipalities were increased by 8%.

This information can be shown on a series of graphs. For example, the graph below shows the approximate amount spent on primary teachers' salaries in each Municipality (on the left axis), compared to the number of primary pupils in the Municipality (on the bottom axis). Each square dot on the chart is a different Municipality.



As would be expected, Municipalities with more students have more teachers and so spend more on teachers' salaries. However, the relationship between the numbers of students and the amount spent on teachers is not the same for every Municipality. This means that the distribution of resources between municipalities at present is not completely equitable.

The straight line on the graph shows the position that each Municipality would be in if existing resources were distributed more equitably. This line has been calculated mathematically using regression analysis. The mathematical formula for this line is:

$$Y = PX + C$$

Y is the amount required for teachers' salaries; X equals the number of students; P is the amount of funding required per student; and C is a constant amount of funding that each Municipality will need regardless of the number of students. The constant amount reflects the fact that there are basic costs that must be met whether there are a lot of students or only a few.

To develop the basic funding formula for Kosovo municipalities, four sets of data were analysed using this method:

- teaching staff costs in primary schools
- teaching staff costs in secondary schools
- operating costs for primary schools

- operating costs for secondary schools

Operating costs include both goods and services budgets and the cost of employing administrative and support staff, including School Directors.

These four budget items were analyzed separately because the factors affecting the costs may be different in each case. The regression analysis of the data for the four items was used to produce four equations which gave an approximate allocation of funds to each Municipality for each of these costs.

However, these equations then need to be adjusted to take account of :

- the actual amount of funding available for Municipal Education Grants in 2002;
- other factors affecting the cost of schools.

1.3.3 Other factors included in the formula

Before the funding formula was finalised, consultations were held with many MEDs and REOs about the factors affecting the cost of operating schools. The main factors identified were: the cost of small and remote schools, and the extra cost of educating minority students.

These costs have been taken into account in the formula.

- For each school with less than 150 students, the Municipality receives additional operational funding
- For each minority student the Municipality receives an extra 25% in operational funding and teachers' salaries. This is mainly to ensure that the majority community is not disadvantaged because of costs such as smaller classes in minority schools, the extra cost of language resources and the difficulty of providing education to small communities and enclaves.

In addition, Municipalities will receive funding to assist with the cost of educating children with special needs who are included in normal classes, or who attend special classes attached to normal schools. This extra funding is intended to cover, for example, the cost of special equipment or building modifications for children with physical disabilities or hearing or sight impairment and the cost of additional teachers and assistants for special education classes.

Funding for separate special education institutions, such as boarding schools for sight impaired or intellectually impaired children, will continue to be a responsibility of the Ministry of Education. Funds for these institutions are not included in the formula.

1.3.4 Preschools

Some Municipalities operate preschools (kindergartens) for children aged from 9 months up to six years. These are non compulsory classes that are separate from primary schools. At present there is no Kosovo wide policy on early childhood education standards such as class sizes, hours of operation and funding levels. There are large variations in the level of resources provided for preschool education in different Municipalities.

Because there is no policy on the level of resources that should be provided by the government to support preschools, the amount of funding to be provided to each Municipality in 2002 has been set at the same level as the funding provided in 2001. This is included in the Municipal Education Grant. Municipalities are now responsible for making decisions about the best use of these resources. Municipalities are permitted to charge fees to help meet the cost of operating preschools.

It is proposed that a new system for funding preschools on the basis of the number of children and the number of hours of care provided will be developed and implemented for the 2003 financial year.

1.3.5 Dormitories

Several Municipalities operate dormitories to provide accommodation for students who attend high schools in the Municipality. As with preschools, not all Municipalities have dormitories, and there is no Kosovo wide policy on the amount of government funding that should be

provided to support dormitories. Until there is a clearer policy on government support for dormitories, the level of funding for dormitories has been set at the same level as the amount provided in 2001. Options for funding dormitories on a per-student basis will be considered for implementation in 2003.

1.3.6 Transitional Arrangements

For the first six months of 2002 some adjustments have been made to the funding provided to some municipalities to assist them make the transition to the new arrangements. For the Municipalities that will receive a reduced level of funding under the per student formula system, some additional funding has been provided to allow these Municipalities time to adjust their staffing levels without disrupting classes during the current academic year. From the middle of 2002 however, funding allocations for these Municipalities will be based on the formula amount. The MED will need to plan the level of staffing for the 2002-2003 school year carefully to ensure that sufficient funds will be available to pay staff. If necessary the Municipality will need to reduce staff numbers.

The Formula for grants in 2002.

The variables used to calculate Municipal Education Grants for 2002 are explained below.

For primary school teachers' salaries each Municipality received

- For each 'non-minority' student 150 DM (€77),
- For each minority student 25% extra - 187.5 DM (€95.86)
- For children with special needs in attached classes funds for one teacher for every 5 children; and
- each Municipality received a lump sum amount of 116,000 DM (€59,300).

For secondary school teachers' salaries each Municipality received:

- For each 'non-minority' student 115DM (€59)
- For each minority student 25% extra – 143.75 DM (€73.5) and
- Each Municipality received a lump sum amount of 54,000DM (~~€27.610~~)

For primary school operating costs (support staff and goods and services) each Municipality received:

- For each 'non-minority' student 58 DM (€30)
- For each minority student 25% extra – 72.5 DM (€37)
- For each school with less than 150 students, an extra 750 DM (€383) and
- Each Municipality received a lump sum amount of 23,200 DM (€11,862)

For secondary school operating costs (support staff and goods and services) each Municipality received:

- For each 'non-minority' student 72.5 DM (€37)
- For each minority student 25% extra – 90.62 DM (€46.33) and
- Each Municipality received a lump sum amount of 23,200 DM (€11,862)

Each Municipality with Preschools received funding based on the amount they received in 2001.

Each Municipality with a Dormitory received funding based on the amount they received in 2001.

1.3.7 2002 Budget Grants

For the 2002 Budget the total funds to be made available for each Municipality for the coming year were calculated using the method set out above. The total amount available for all costs in each Municipality was discussed with Municipal Education Directors in December 2001. The MEDs were asked to develop their budget for salaries and goods and services within this total amount. For some municipalities the funding level for 2002 is higher than the 2001 level. For a few municipalities, however, the funding level produced by the formula is lower than the resources they used in 2001.

Because teachers' salaries will continue to be paid by the Ministry for the first half of 2002, the funds to cover these salaries in each Municipality were subtracted from the Municipality's funding and appropriated to the Ministry. The balance of the funds is the amount of the Municipality Education Grant shown in the Kosovo Budget.

The funding arrangement for the 2002 Budget gives the Municipalities complete responsibility for making decisions about the amounts that will be spent on teachers' salaries, on support staff salaries and on goods and services, and the amounts to be spent on secondary schools, primary schools and preschools.

However, the formula calculations provide a guide to Municipalities on the amounts that they need to spend on each of these costs. If the decisions made by the Municipality are significantly different from the amounts in the formula calculations it is likely that there will be insufficient funds for the other sectors. For example, if the amount spent on secondary teachers' salaries is increased, there may be insufficient resources to cover teachers' salaries in primary schools, etc.

The Ministry will monitor the allocation of funds by Municipalities to ensure that reasonable standards are maintained.

1.3.8 Review of the formula

The calculation of the funding amount for 2002 was based on student data collected in April 2001. In 2002 new data on student numbers for the 2001-2002 academic year will become available from the Education Management Information System (EMIS). The grant calculations will be reviewed by the Ministry of Education using this updated information. However, the total amount of funds available for schools in the 2002 budget will not change.

The Ministry will also monitor the impact of the funding formula on the operation of the schools. Municipal Education Directors will be involved in assessing the effectiveness of the formula in calculating the distribution of resources to meet the needs of schools. The formula for the 2003 financial year will take account of experience from the implementation of the 2002 budget.

1.4 Other Funds for Schools

There are other potential sources of funds to support school education in Kosovo.

1.4.1 Special grants

The Ministry of Education, Science and Technology may, from time to time, make additional grants to Municipalities for special purposes that are not covered by normal Municipal grants. This includes, for example, funds for major capital projects, special programs for girls, minorities or disadvantaged groups, and funds to deal with emergencies and unexpected situations. These grants should be accounted for as revenue in the Municipal Education Budget. Funds provided as Special Grants must only be used for the specific purpose for which they are provided.

The Ministry must be transparent in the administration of Special Grants. The Ministry must make the criteria for the allocation of these grants public, must give all Municipalities an opportunity to apply for the grants, and must report to the public on the amounts provided and the purposes they were provided for. In future other Ministries, for example, the Ministry of Culture, Youth and Sport or the Ministry of Labour and Social Welfare, may choose to provide

special grants to Municipalities to implement programs at schools, such as cultural activities, sports training or welfare programs for disadvantaged children.

1.4.2 Municipality Revenue

The Municipality receives a core grant from the Kosovo Budget which can be used for any Municipal activities. The Municipality also receives revenue from fees, fines and property taxes. The Municipal Assembly may decide to use some of these funds to support schools in the Municipality.

1.4.3 Donor funds

Donors are a very important source of funds. Donors have provided a considerable amount for school building reconstruction. Donors may provide assistance to the Municipality or directly to the school.

1.4.4 School revenues

Some schools, particularly vocational secondary schools, are able to earn revenue from sources such as the sale of goods produced by the school (eg agricultural products), concerts (by music students), art exhibitions (by art schools). This revenue can be used to support the activities of the school, but it must be reported in the school financial accounts and used for goods and services for the school.

1.4.5 Parents contributions

Parents may make voluntary contributions in cash or in kind to the school. For example, they may help with work to improve the school. The correct handling of these voluntary contributions is discussed elsewhere in this Handbook (see section 11.2)

2. Municipality Budgets

2.1 The Composition of the Municipality Budget

The Municipality Budgets are part of the Kosovo Consolidated Budget and are subject to the same regulations and the same accounting and reporting arrangements.

2.1.1 Sources of Municipal Finance

Municipalities receive funds from a number of sources. The main ones are:

- revenues from fees and charges for Municipal services and local property taxes
- a block grant from the Kosovo General Budget
- specific grants of funds from the Kosovo General Budget for devolved functions such as health and education.

Funds from Municipality revenues and the block grant can be used for any Municipality function (as set out in regulation 2000/45). The funds from specific grants must only be used for the purpose for which they are provided and the Municipality must follow policy guidance from the relevant government Ministry. Therefore, funds from the Education Grant must be used for spending related to the Municipality's education responsibilities and must be spent in accordance with policies set by the Ministry of Education. If the funds are not used for schools, they cannot be used for any other Municipal activity. The Municipality must ensure that complete records are kept of what the funds are used for and must report regularly to ensure that this condition is fulfilled.

The Municipality can, however, make many decisions about how to spend the education grant on schools. For example, the Municipality can decide how much to spend on equipment and supplies and repairs, and how to make the best use of staff resources.

The Municipality can also use its own resources for education purposes. For example, funds from Municipal revenues or from donors can be used to increase the size of the Municipal education budget. If this is done, however, the Municipality must be confident that it will be able to continue to support the higher level of funding in the longer term.

2.1.2 The Municipal Budget process

UNMIK Regulation 45 sets out the processes to be used for the Municipal Budget.

The Municipality's Policy and Finance Committee is responsible for proposing the budget and formulating the strategic direction of the Municipality. The Municipal Statute and Rules of Procedure set out budgetary procedures, financial regulations and procurement rules that meet the criteria prescribed by the Central Authority.

The Regulation requires that the Municipality's budget shall be balanced, prepared in a transparent manner and based on objective criteria. The budget must contain a plan for activities and economic management during the fiscal year, and include all revenue estimates, capital expenditure and current expenditure of the Municipality. It must allocate the funds available to meet the expenditure requirements of the Municipality.

The Municipal fiscal year commences on 1 January and the Policy and Finance Committee must submit the budget to the Municipal Assembly for adoption as soon as practicable after the Municipality has been notified of the amount of the financial transfers for the forthcoming year.

The UNMIK Municipal Administrator is responsible for approving the budget and for ensuring that financial resources are spent in conformity with the budget, that all financial decisions are made in a financially sound and transparent manner, and that all financial transactions are

properly recorded. Decisions to approve or amend the budget cannot enter into force without the co-signature of the Municipal Administrator.

The Municipality must publish an Annual Report after each municipal fiscal year and it must be presented to the Municipal Assembly for approval no later than 30 May in the following year. The report will summarize the objectives of the Municipality in relation to each of the activities for which it is responsible, and assess its performance in relation to those objectives in the fiscal year. It will explain how each of the activities has been funded and set out the financial position of the Municipality at the end of the year. The report will also contain audited financial statements.

The Central Authority will appoint an independent auditor to audit the financial statements of each Municipality, and the auditor must have access to all financial statements, books or papers and other documents, and may call for all information which he or she requires for the purposes of the audit. The auditor will submit a written report to the Municipal Assembly in relation to each audit and the Municipal Assembly shall decide upon the action to be taken on the recommendations. Each auditor's report will be made public.

2.1.3 Accounting for Municipal Funds

At present, all Municipality spending is processed through the central Treasury Ledger System, and payments are authorised and made by the Treasury. During 2002, Municipalities will start to use their own accounting systems and will, therefore, be able to take more responsibility for processing and recording their spending. The devolved accounting system will enable Municipal Finance Directors and other Municipal staff to:

- record information on the amount of funds available in the budget
- authorise Commitments of funds to purchase goods
- arrange Payments for goods that have been received
- compile information on the amount of funds that have been committed or spent
- prepare reports on revenue and spending by the Municipality to give to the CEO, the Municipal Assembly, the Central Administration and the public.

Regulation 2000/45 (46.2), which sets up the Municipal governments, requires an independent auditor to certify that the Municipality has adequate financial management systems in place, and that the Municipal civil service has the capacity and capability to implement effective financial procedures and controls, before responsibility for financial administration can be transferred to a Municipality.

2.1.4 The role of the Municipal Director of Finance and Budget

The Director of Finance and Budget in the Municipality is responsible for all Municipal finances including funds received from the Kosovo Budget for education and health. The Education Budget is part of the Municipal Budget and the Director of Finance must report to the CEO, the Policy and Finance Committee and the Municipal Assembly on the use of budget resources.

2.1.5 The Education Budget

The Education Budget needs to be approved by the Municipal Assembly. It will include funds provided from the Kosovo budget in the education grant as well as funds from other sources, including the Municipality's own revenue.

2.1.6 School Budgets

Part of the process of devolution of financial responsibility for schools will be the introduction of a separate budget for each school and increased responsibility for the School Director and School Board to make decisions about the budget for the school. This will be implemented gradually.

As a first step, the Municipality should make forecasts of the amounts that will be spent on each school during the financial year and show these estimates in the Municipal Education Budget. The estimates should include forecasts of the amounts that will be spent on staff at the school (teachers and non-teaching staff), and proposed spending on goods and services

and capital outlays. The MED should discuss this budget with the School Director. The MED should then keep records of the amounts that are spent by the Municipality on each school and compare these with the proposed budget for the school.

The next step will be to transfer more responsibility for making decisions about the school budget to the School Director and the School Board. At present many schools have some authority to spend a portion of the Municipal education budget (eg as petty cash). Arrangements for allocating funds to schools as a separate budget for the School are being developed in conjunction with the CFA for implementation during 2002.

In future it is expected that each school will be responsible for meeting the cost of more of the items consumed by the school. For example, costs such as electricity, telephone and heating would become the responsibility of the School. The goods used by the school would then be paid for from the funds allocated to the school by the Municipality.

When the arrangements for implementing School Budgets are in place, the Municipality would decide how much funding from the Education Budget will be provided to each School Director. The Municipality must clearly define the items that the school will be expected to pay for from its funds before the budget is developed. The MED will work with the schools to develop their budgets for the next financial year. Funding for each school should be based on the reasonable needs of the school, including the number of students at the school and other factors affecting the cost of operating the school. Each school should receive an equitable share of the available budget for goods and services, taking account of any special needs including the size of the school, the type of school, and whether it is a remote school.

2.2 Planning the Municipal Education Budget

2.2.1 Long term planning for education

Section 12 of this Handbook discusses the need for a long term plan for education in the Municipality which will provide a basis for developing the annual education budget. The plan will set out the Municipality's proposals for improving the education of children in the Municipality and these proposals will help the Municipality to make decisions and choices about the use its financial resources each year.

2.2.2 The annual Education Budget plan

A suggested format for preparing a multiyear Education Budget is provided in Annex II. This format is based on the forms used by the Central Fiscal Authority for developing the Kosovo budget. This form shows the major items of expenditure as well as the sources of funds to pay for this expenditure over a three year period. The level of spending in the previous financial year is also shown to allow comparison of this year's plan with what was done last year.

The Budget should identify all potential **sources of funds** to support the schools. This will include the grant from the Kosovo Budget for education, but it will also include other sources of funds such as:

- funds from the Municipality's own revenue from fees, charges and taxes;
- donations from NGOs or from the community,
- fees for preschools or dormitories.

In the past some sources of funds, such as fees or donations, may not have been included in the accounts of the Municipality. This means that there is incomplete information on all the resources available to support schools.

The Budget should identify all the **costs** of operating the schools. The budget should give a full picture of what it costs to operate schools in the Municipality. Information on the level of spending on different categories of goods and services in the previous financial year should be used to ensure that sufficient funds are available to cover the essential costs for the coming year. Basic costs such as electricity, heating fuel, cleaning supplies, stationery etc must be covered. These will not usually change very much from year to year although they should be

adjusted to take account of known changes, such as the extra cost of operating a new school that has been built by a donor. Because the academic year runs from September to June, but the financial year starts in January and finishes in December, the budget should take account of the effect of changes that will happen in the next school year, for example, expected increases in enrolments or changes in the curriculum.

Costs that are met directly from donations or fees should also be shown in the budget. For example, the cost of food for preschool classes is sometimes met directly from preschool fees. In this case both the fees and the cost of the food should be shown in the budget. This gives the Municipal Assembly full information on the real cost of the preschool and an opportunity to decide whether the amount collected as fees and the amounts spent on food are acceptable.

Some costs vary from year to year. The School and the Municipality should have a multiyear budget plan to deal with them. The budget should include **forecasts** of the amounts that will be required in future years. A forecast should be made of expected costs over the next three years for general wages and salaries and goods and services. For some costs, such as major building works, or capital items such as furniture, equipment etc, the forecast should be made for a longer period.

The budget must ensure that the level of spending does not exceed the amount of available revenue. If costs exceed the available funds the Municipality will need to look for ways to reduce the cost of operating schools (for example, making better use of staff) or increase the funds that are provided from Municipal revenues.

3. Implementing the Municipal Education Budget

3.1 Authorising and recording budget transactions

The CFA Treasury has issued instructions on the processes that are to be used for spending Kosovo budget funds. Municipalities and schools must use these processes and follow the applicable rules. These rules are necessary to ensure that the amounts spent are the same as the amounts and purposes approved in the Budget, and to prevent fraud and misuse of public funds.

There are several stages in the process of spending funds from the Education Budget. The following section gives a brief outline of the process.

The expenditure processes are under review and may change from time to time as the capacity of the Kosovo administration to manage its financial affairs increases. The processes set out below are in operation at the time of preparing this Handbook but Municipalities should be prepared to implement new procedures if necessary.

3.1.1 Appropriations

The annual Kosovo Budget regulation is the legal document that sets out the amount of the Education Grant to the Municipality and gives the Municipality the authority to spend that amount on education. The budget regulation must be signed by the SRSG. The regulation may set out other conditions on spending. No public money can be spent unless there is an appropriation in the budget.

The Municipality Budget must also be approved by the Municipal Assembly.

Municipal revenues, such as preschool fees, must also be appropriated by the CFA before they can be spent. The Municipality must therefore report its revenue amounts to the CFA each month so that they can be appropriated for spending.

3.1.2 Allocations

Even though a budget regulation has been passed, Kosovo government funds cannot be spent until the Head of the CFA issues a Funds Allocation.

For Education Grants to Municipalities the Funds Allocation is issued directly to the Municipal Administrator.

For other education funds, the Funds Allocation is issued to the Ministry of Education. The Ministry of Education may then allocate some of these funds to the Municipalities through Funds Warrants. For example, funds for major capital projects will be issued by the Ministry to the Municipalities through a Funds Warrant.

The Municipality may therefore receive both Funds Allocations from the CFA and Funds Warrants from the Ministry to cover different education costs.

The Funds Allocations may provide sufficient funds for one month or for several months at a time. The MED should make a forecast of when the funds from the appropriation will be required. The CFA can adjust the amount in each Funds Allocation to make sure enough funds are available when they are needed. For example, schools usually need to spend more in August and September, at the start of the school year, to make repairs to the school buildings before the term starts, to buy firewood for heating in winter, and to make other preparations for winter. This can be forecast and the MED and the Municipal Finance Director can arrange with the CFA to allocate more funds in these months and less in other months. The total amount allocated during the year will be the same as the total amount of the appropriation. If the CFA does not receive a cash flow forecast from the Municipality, the amount allocated in each

Funds Allocation will usually be calculated on the basis of the total amount of the appropriation for the year divided into twelve equal monthly amounts.

After funds have been allocated by the CFA, the Municipality may issue Funds Warrants to designated Authorising Officers. For example, warrants may be issued to different officers within the Municipality, or to School Directors. The Authorising Officer can only authorise expenditure up to the amount of the Warrant and the total of all Warrants cannot exceed the amount of the Allocation received.

3.1.3 Commitment Authorisation

As soon as a decision is taken that will lead to the expenditure of public funds it is necessary to have authorisation to commit the funds required. A commitment can only be authorised by the 'Authorising Officer'. Authorising Officers are designated by the SRSG in an Administrative Instruction.

The purpose of the Commitment Authorisation is to ensure that funds are available, ie:

- that there is an appropriation for this purpose
- that a Funds Allocation has been received to cover this amount
- that the funds have not already been committed for something else and
- that the total amount committed does not exceed the total budget available.

A Commitment Authorisation is not needed for the payment of salaries and allowances. The processes for salaries are discussed below.

3.1.4 Commitment and Payment Orders

The Commitment Authorisations, and other approvals, are recorded on a form called a Commitment and Payment Order (CPO). The CPO is a complete record of all the authorisations and approvals, and all the documents needed, for spending public funds. It shows what the money was used for, who authorised and approved the transaction, and where the funds came from.

Detailed instructions on filling out a CPO are provided by the CFA.

The CPO must record all the information that will be needed to identify the transaction when the MED or the Ministry of Education analyses the education budget.

The information that must be provided on the CPO for a Commitment Authorisation includes:

- the correct codes to show where the funds come from, the organisation responsible for the spending, and the type of spending (the economic category)
- information on the cost of the proposed purchase
- a description and justification of the proposed spending
- the signatures of the responsible officers to confirm that the spending does not exceed budget limits; that the proposal is in accordance with government policies; and that the proposal will make good use of public funds.

The information on the CPO is recorded in the Treasury Ledger System (FreeBalance). At present this is done by the Treasury at its offices. The system checks that the Appropriation and Allocation limits have not been exceeded. The Treasury Officer signs the CPO to confirm that the information has been recorded. In future the Municipalities will have their own accounting systems and may be able to record the commitment without going to the Treasury office.

3.1.5 Procurement and purchasing

When the commitment has been authorised the Finance Director or the School Director may begin the process of purchasing the goods or services. The processes for doing this are set out in CFA instructions. This is discussed in more detail in the section of the Handbook on

Procurement (Section 6). Procurement instructions issued by the CFA must be observed by every government agency.

3.1.6 Arranging payment of accounts

When the goods (eg firewood) have been received or the services (eg repairing school windows) have been completed, a Purchase Order/Receiving Report will be completed by the appropriate officer to indicate that the goods and services have been received under the terms of the purchase order.

The CPO is then used to arrange payment for the goods. The amount of the payment is filled in and the supporting documents are attached.

The Certifying Officer must then check that:

- the claim amount is correct
- the expenditure has been approved
- the payment is made out to the correct person
- it has not been paid already
- it is charged to the correct appropriation item, and
- that all the contract requirements have been fulfilled.

The Treasury then authorises the payment and arranges for the supplier to be paid.

All invoices are to be paid by the due date. The due date is usually within 30 days from receipt of the invoice.

From 1 April 2002, all payments over €100 must be paid by direct transfer to a bank account. Suppliers of goods to schools must therefore have an account at a licenced bank and must include details of the bank account on the invoice.

Petty cash may be used for small purchases under €100. No cash payment over €100 may be made from petty cash. Receipts must be kept for all purchases made from petty cash and be submitted to the Treasury when acquitting the petty cash account.

3.1.7 Recording transactions

All budget transactions are recorded in the accounting system so that there is a single and easily accessible record of what the budget funds have been used for, how much has been spent, how much has been committed and how much remains available to be spent. This information is used for monitoring the progress of budget implementation, and for preparing reports on the budget.

All Municipalities will use the same accounting system, coordinated by the CFA, and the same account structure. This will make it possible to compare the finances of Municipalities, and to prepare consolidated reports on spending on education for the whole of Kosovo.

4. Managing payments to staff

4.1 Overview

Salaries of teachers and support staff are the largest item in the budget for schools. More than 80% of the cost of operating schools in Kosovo is salaries. It is important that these funds are managed effectively to achieve the best education outcomes with the resources that are available.

During the 2002 Financial Year, responsibility for employing and paying teachers and school support staff will be transferred to the Municipalities. However, these staff will still be Kosovo Civil Servants and will be subject to the same rules and conditions that apply to all Kosovo government employees:

- salaries and employment conditions for school staff are set by the Ministry of Public Services (MPS) and are the same for teachers in all Municipalities
- salary payments are administered by MPS using the central payroll database
- all payments to staff must be made from funds appropriated in the Kosovo Budget for the purpose of paying salaries and must be recorded in the Treasury central ledger.

4.2 Planning the salary budget

After responsibility for staff salary budgets has been transferred to the Municipalities, the MED will have more responsibility for deciding how many staff will be employed and in which positions. However, the decisions of the MED must follow Ministry guidelines and must ensure that education standards are maintained. The Ministry has the authority to regulate the way in which Municipalities employ staff, and sets rules for appointment, dismissal, promotion and discipline of staff. A Committee representing the Municipality, the Ministry, and the school is responsible for the appointment of School Directors and teachers. The SEO is responsible for ensuring that Ministry guidelines are met and is therefore involved in decisions on the employment of teachers.

The decisions of the MED and the SEO about employment of staff must also take account of the amount of funding available in the budget to pay salaries. When the Municipal Education Budget is being developed the MED should calculate the total amount that will be required to pay the salaries of all existing staff and any proposed new staff for the whole year. Information from the most recent payroll, or other records on staff held by the MED, should be used for this purpose. This calculation should include an estimate of other factors affecting the total salary budget, for example: the likely cost of maternity leave, medical leave and other paid leave; the cost of replacement staff for people who are on leave; any reduction in staff numbers resulting from staff retirements; possible promotions during the year; and extra staff that may be required for a new school or new classes.

If the forecast of the total cost of staff salaries for the year, including all these extra costs, is higher than can be met from the available funding, the MED and the School Directors will need to consider options for reducing the salary costs. Options that should be considered include:

- reviewing the hours worked by each staff member to make sure they are paid for the hours that they work, and are working for the hours they are being paid,
- reviewing average class sizes,
- using multilevel teaching in small rural and isolated schools,
- moving teachers between schools to achieve better class sizes,

- requiring teachers to teach different subjects or more classes, and
- terminating the contracts of staff that are excess to needs.

Changes in staff arrangements are difficult and take time to implement so it is important to plan well ahead.

The MED may also consider other options for funding the salary budget such as:

- reducing spending on non staff costs, *but only if this can be done without adversely affecting the quality of the school environment*
- seeking additional sources of funds for the education budget such as from the Municipality's own revenue.

4.3 Staff Performance and Attendance

The Ministry for Education and the MED both have a responsibility to ensure that teachers are properly qualified and are able to do their job, and that School Directors are selected on the basis of merit. The Handbook on School Governance sets out the arrangements for sharing responsibility for recruitment and dismissal of teachers and School Directors.

Administrative and support staff appointments are the responsibility of the Municipality but these staff should also have the proper qualifications or experience to do their work and should be selected only on the basis of their ability to do the job.

The MED also has an ongoing responsibility to protect the Municipal Education Budget by ensuring that staff who are paid by the Municipality are performing effectively in their jobs, that they are doing the work that they have been employed to do, that they are paid the correct salary for the work they are doing according to the approved salary scales, and that only those who have been correctly appointed are paid a salary.

The MED should keep an independent record of all approved employees and their salary level. This should be used to check payroll records each month to make sure there are no errors. The MED and the School Director must monitor the performance of staff, and should take steps to discipline or dismiss staff who are not working effectively.

4.4 Payment of Salaries

In order for staff to receive their salary each month, information on their position and salary must be recorded in the payroll database held by DPS. Detailed information on completing payroll forms is available from the payroll office.

The SEO is responsible for ensuring that all people who are employed as teachers are properly qualified for their job and have been appointed through the proper processes. The SEO should therefore countersign all forms for adding new teachers to the payroll.

After financial responsibility for salaries has been transferred to the Municipality, the MED will be responsible for ensuring that payroll information is correct. That is:

- that only staff who are currently working or on paid leave are on the payroll
- that staff who are no longer working are deleted from the payroll list from the date they stop working
- that requests for back payments are genuine and supported by evidence.

If this payroll information is incorrect the monthly cost of salary payments may exceed the amount budgeted and the Municipality may not have sufficient funds to pay its staff. The CFA will monitor monthly salary spending by Municipalities to ensure that the salary budget for the year will not be exceeded.

From 1 May 2002, all education employees, both in the Ministry and in Municipalities, whose place of work is less than 40km from at least two bank branches will receive their salary by direct transfer into their bank account. This will remove the need for the handling of large amounts of cash and reduce the possibility of theft. It will also make the salary payment process quicker and more efficient. All payments of salaries in cash will be eliminated from 1 June 2002.

5. Monitoring and Reporting

5.1 Overview

The quality of school education in Kosovo is a very important issue and many people will have an interest in what is happening in Kosovo schools. For example:

- parents will want to know how well their children are being taught and whether the buildings and equipment are of a high standard;
- Kosovo tax payers will want to know that the taxes they pay are being used effectively to benefit the future of Kosovo;
- international donors want to know that the money they have invested in Kosovo is being well used;
- the Municipal Assembly will want to know that its decisions about the Municipal Education Budget have been implemented;
- the Ministry of Education will need information from the Municipality's Annual Report so that it can prepare reports on education in Kosovo; and
- the Kosovo Assembly will want to know that the funds they have provided to the Municipality are being used for the purposes that they intended.

MEDs should therefore expect to receive many requests for information on education outcomes and the use of the education budget. Monitoring the budget and preparing reports for different stakeholders is a very important part of the the MED's role.

5.2 Monthly monitoring and reporting

All budget transactions in Kosovo, including allocations, commitments, payments and receipts are recorded in the *Free Balance* Treasury Ledger System. Reports from the system can be used to monitor the spending of the budget and to prepare reports on progress in implementing the budget. *Free Balance* is now being implemented at the Municipal level so Municipalities will have easy access to records of their own budget transactions within the Kosovo accounts.

The budgets assigned to each school by the Municipality will also be recorded in *Free Balance* and all budget transactions for the school will be recorded. The MED and the School Director will be able to use this information to prepare reports on each school..

In addition to the *Free Balance* records, it may be useful for the MED staff to record information on budget allocations, commitments and payments in spreadsheets, or in account books. These records should be compared with the records in the CFA system regularly to make sure that there are no mistakes in either set of data.

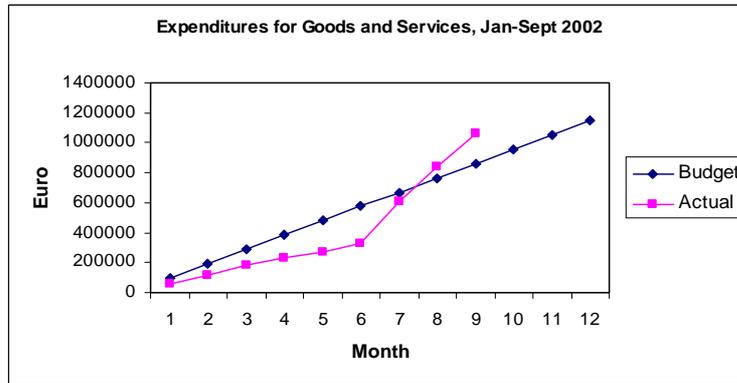
If the Municipality has a bank account for depositing revenue and donations, bank account records should be reconciled with other records on a regular basis.

Whatever recording system is used, the MED and the EFO are responsible for

- monitoring and controlling the use of funds
- reporting on what has been done with the funds.

EXAMPLE OF MONTHLY MONITORING

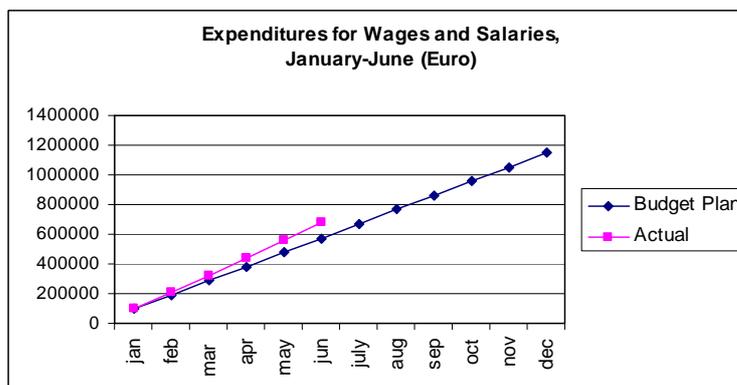
One way to monitor spending is to prepare a graph showing expected cumulative spending levels at the end of each month compared to actual spending. Two examples are shown below:



The straight line on the graph above shows the total amount that would have been spent on goods and services by the end of each month if the budget was divided into equal monthly amounts. It is unlikely, however, that exactly the same amount would be spent on Goods and Services each month.

The curved line shows the amount that was actually spent. In this example, in the first six months, the amount spent each month was less than the amount forecast; ie less than 1/12th of the total. If this pattern continued all year the Municipality would not spend all its budget.

However, the amount spent in July, August and September was higher. If this rate of spending continues in coming months the Municipality will run out of funds.



The second example shows spending on wages and salaries for the first six months of the year. It shows that this Municipality is already spending more each month than was forecast. If this rate of spending continues the Municipality will not have enough funds to pay salaries.

Records should be kept of

- the amounts appropriated in the Municipal Budget for Education for each category of spending
- the amounts of Funds Allocations (or Funds Warrants) received
- amounts that have been committed
- amounts that have been paid
- the balance of the budget that remains to be spent or committed.

The MED should check the progress of budget implementation at least every month and prepare a report showing whether the amounts that have been spent are consistent with the amounts that were forecast in the budget. If there are differences between the budget forecasts and actual spending the MED should determine what caused the difference and decide what needs to be done about it.

The CFA currently monitors expenditure by all Kosovo Ministries and Municipalities each month and prepares reports which it provides to the Municipal Administrators. If the CFA is concerned about the level of expenditure in any part of the budget it will raise the matter with the responsible officials.

5.3 Reports to the Municipality and to parents

The Municipality will decide how often the MED and the Education Finance Officer should provide reports to the Municipal Assembly. It is recommended that the MED provides a statement to the Assembly every month about actual expenditure against approved spending plans during the past month.

5.4 Joint Quarterly Report on Municipal Education Performance

As agreed in the MOU on devolution of school funding (Annex I), the MED and the EDO must produce a joint report every three months on the performance of school education in the Municipality, including information on education spending during the period, the number of people employed, and capital works undertaken. The report must be submitted to the Ministry of Education and to the Municipal Assembly.

5.5 Annual Report on Education

The Municipality is required by Reg 2000/45 to prepare an annual report after each financial year on each of the activities for which it is responsible. The Education Annual Report and Financial Statement is part of this Annual Report. It will be a summary of the Municipality's education activities for the year including information on the Education Budget.

The format for presentation of financial statements must be consistent with the structure of the accounts in *Free Balance* to ensure consistent reporting from all Municipalities. The Municipality may provide additional detail on spending if it has recorded this information in its accounts.

The Annual Report should also include information on education policy and objectives for the year, education outcomes such as the performance of students, employment policies, capital development plans, and financial performance indicators such as teacher-pupil ratios, average salaries, and average costs per pupil.

Information in the Municipality's School Report will be consolidated into a Kosovo wide report by the Department of Education.

6. Procurement

6.1 Overview of procurement arrangements

The rules for buying goods and services using money from the Kosovo Central and Municipal budgets are established by the CFA. All public entities including schools and Municipalities must follow the Kosovo procurement rules. MDE staff and School Directors should read the guidelines and instructions provided by the CFA. Information, assistance and training are available from the Public Procurement Regulatory Authority in the CFA.

The aim of the procurement process is to achieve maximum value for money for the available funds: that is, to buy the best quality goods and services at the best price.

Purchasing goods and services for schools is an important task. Each Municipality should appoint at least one specialist Procurement Officer to manage the purchasing process in the Municipality. The Procurement Office may organise purchases for all Municipal Directorates, including Education and Health. Payment for the goods will be made from the budget for each sector.

6.2 Municipal procurement

As far as possible, each school should be responsible for deciding on the type of goods and services it needs, within the overall financial limits set by the Municipality. This encourages the School Directors to make the best use of resources provided by the Municipality and gives the school flexibility to decide what it needs.

However, most School Directors do not have the time or the administrative support staff to do the work required to purchase all the things they need. Many items that schools need can be bought at lower prices if the procurement is done at the Municipal level on behalf of all the schools in the Municipality. At present, therefore, most goods are purchased by the MED's office and distributed to schools according to their requests or based on the number of students.

When greater responsibility for managing the school budget is transferred to the School Directors, responsibility for coordinating the purchasing of most goods for schools should still remain with the MED, in order to obtain the best price. However, the School Director should be responsible for ordering the amount the school needs, when it is needed, and the cost of the goods the school uses should be met from the school budget.

The following sections explain how the Municipality can enter contracts to purchase goods and services on behalf of the schools, and the schools can order the items they need and pay for them from their budgets.

The MED should implement bulk procurement processes for defined categories of goods and services required by schools, for example:

- Heating and fuel supplies
- Teaching materials (blackboards, chalk, duster etc)
- Classroom furniture (chairs, table, desks etc.)
- School sanitation and hygiene supplies (cleaning materials, soap, towels, toilet paper etc.)
- Office supplies (board markers, attendance rolls, paper etc.)
- Equipment including: science equipment and materials; musical instruments; sports equipment; computers, UPS and printers, photocopiers; generators; audio-visual equipment (tape recorder, TV, VCR, etc.)
- Learning materials (notebooks, pencils, erasers, textbooks etc.)

- Books
- Office furniture (cabinets, desks etc)
- Maintenance and security services such as electrical and plumbing repairs, gardening, cleaning etc.

The relevant person in the Municipal Administration (for example, the Municipal Procurement Officer) should coordinate the procurement process according to the rules set by the CFA. The Procurement Officer should determine the goods and services required, and the amounts that are needed, from records of the amounts consumed by schools during the previous year, or from forecasts by School Directors. The Procurement Officer should then seek quotes for the supply of a similar quantity for the coming year. The procurement process can take some time and should be started as early as possible so that the goods can be available when they are required.

Through this tender process, the Municipality will identify the best value suppliers of items, materials and services based on the anticipated volume required by all schools during the financial year. The Municipality will then sign a contract with the supplier to guarantee that the goods will be available to schools at that price.

The Municipality will inform School Directors of the selected supplier, the agreed prices and the arrangements for requesting goods or services from the supplier. School Directors must use that supplier for the purchase of those goods or services.

Each school will order the amount of the goods they require, for example, the cubic metres of firewood required, or the number of notebooks, the number of pencils, etc., either directly from the supplier, or through the office of the MED.

It is likely that the Municipality will arrange for the supplier to be paid on behalf of the school. The Municipal Education Finance Officer will work out the cost of the goods provided to the school and the amount will be recorded as spending against the school budget. The School Director can be held accountable for the cost of the items the school uses.

The aim of these procurement arrangements is to encourage School Directors to take responsibility for the needs of the school and to use goods and supplies efficiently.

6.3 Goods and services purchased directly by the school

The school may need to buy small quantities of some items without going through the Municipal procurement arrangements. The MED must inform the School Directors of the items that may be purchased by the school using funds allocated to the school by the Municipality. The correct procurement process, as set down in the procurement rules, should be followed by the School Director and the school administrative staff. In these cases the School Director will be responsible for meeting the cost of the goods from funds available to the school.

7. Fees and charges for education services

An Instruction issued by the Department of Education (No DES 38/2001 on 12 December 2001) authorises Municipalities to charge fees for preschool education, preschool kindergartens, childcare and dormitories operated by the Municipality.

No other compulsory fees may be charged for any education service unless legally authorised, at a future date, by the Ministry for Education, Science and Technology.

The instruction on preschool and dormitory fees sets out the conditions that must be met by the Municipality when it charges fees and the records that must be kept. Revenue from fees can be used to increase the amount of resources available to operate the preschools, or the dormitories. They must not be used for any other purpose. In particular they cannot be used to increase the wages of staff above the level set by the Ministry of Public Services.

If the Municipality decides to impose a fee, the fees must be made public in a Schedule of Fees. The Schedule must show the amount of the fee and explain what it is for. A copy of the Schedule must be given to every parent or student who may be subject to the fees.

The fees must reflect the actual cost of providing the service. The maximum allowable fee for public preschools is DM 70 (€35).

Preschool and Dormitory fees are Municipal Revenue and must be reported and accounted for in the same way as other Municipal fees and charges:

- Receipts must be provided to the person paying the fee showing the amount, the date and what the fee was for
- All funds received should be deposited in a bank account as soon as possible
- All fee income received is to be reported in the appropriate Municipal accounts.

Municipal revenues such as preschool fees need to be reported to the CFA so that action can be taken to record the revenues, make an appropriation and issue a Funds Allocation to allow the funds to be spent.

A parent or student suffering economic hardship may apply for a waiver or a reduction of the scheduled fees.

8. Contributions and donations

8.1 International Donors and Non-Government Organisations

International donors are important sources of funds for schools in Kosovo. Most of the capital funding needed to build new schools, refurbish old schools, and buy equipment for schools will come from donors over the next few years until the Kosovo Budget is able to provide more funds for capital spending.

These donated resources are part of the Municipal Education Budget and should be accounted for correctly:

- If donors provide funds to the Municipality or school to pay for the purchase of goods, this should be recorded as both revenue and as spending in the Municipality accounts.
- If donors buy the equipment, goods, buildings or supplies themselves instead of providing funds, the Municipal Finance Director should estimate the value of the donation and keep a record in order to report the real value of resources received, the total value of assets belonging to the Municipality and the real cost of delivering education services in the Municipality.

The cost of operating and maintaining donated assets will need to be met from the Municipal Education Budget and the MED should take this into account when accepting donations. For example, the cost of fuel and maintenance for vehicles, and the cost of operating and maintaining a new school building will increase the demands on the Education Budget. These costs will have to be met either from the Municipal Education Grant or from other Municipality sources.

The Municipality will also need to pay to replace the asset when it reaches the end of its life. For example, computers or vehicles usually need to be replaced after 3-5 years. Budget planning should take care to cover this cost so that the efficiency and quality of education is maintained.

8.2 Parent and community voluntary donations

Parents and members of the community may also make voluntary contributions to support the school. These voluntary donations are different from the fees that may be charged for education services such as preschools.

Most of these donations are made directly to the local school. The management of voluntary donations is discussed in Section 12 on School Budgets.

9. School Buildings

9.1 Building Maintenance and Repairs

The Education Grant includes funds for ongoing repair and maintenance of school buildings and facilities. This covers work that would normally be required to maintain the buildings in an acceptable state. For example, repainting the school building, making minor repairs to the roof, or servicing the heating system every year are things that are done regularly. They are classified as repairs and maintenance. Major work, such as replacing the roof or installing a new heating system, are classed as major capital projects because they are not required very often.

Regular repair and maintenance of buildings and equipment can reduce the need for expensive major repairs. The MED should prepare a timetable for regular inspections and maintenance work such as painting and cleaning, and should make sure that the Budget makes enough resources available for this regular maintenance work. Resources should also be available to make urgent repairs to the school buildings.

The Handbook on Municipal Education Governance provides more information on the MED's responsibilities for building ownership and maintenance.

9.2 Major Capital Projects

The Handbook on Municipal Education Governance provides advice to MEDs on the development of capital investment projects for schools. The Municipal Education Director should develop a multi-year plan for the improvement of the school buildings and premises. This plan should be developed in conjunction with the Municipality's Directorate for Urbanism and Public Works. The plan should include the estimated cost of each proposed project, and a full justification for the project.

Many of these major projects will be eligible for funding from the capital fund for investment in school building and facilities that is managed by the Ministry of Education. Major capital projects require high levels of funding that may be difficult to meet from the budget available to a single Municipality. The Ministry will be responsible for ensuring that the highest priority projects are funded each year. This means that capital funds will be distributed on the basis of need and not necessarily on the basis of the size of the Municipality.

The Ministry has established a process for the allocation of the Capital Fund for the 2002 financial year. The Municipality may submit high priority projects to the Ministry for consideration. Proposals will be reviewed by a committee and examined by a technical team in the Ministry. When the decision is made about the allocation of capital funds a Funds Warrant will be issued to the Municipality and the MED will be responsible for implementing the project.

Capital projects can also be funded by donors, or by the Municipality if sufficient resources are available. The cost can also be shared between the Ministry and the Municipality or between the Municipality and a donor, or the community.

10. Inspections and Audits

10.1 Inspections

The MED is responsible for ensuring that the Municipal Education Budget funds provided to schools are used efficiently and effectively and that they are used for the purposes for which they are provided. The MED should therefore inspect the accounting records of schools, including stores and inventories, to ensure that funds and assets are accounted for correctly. The MED should raise any concerns with the School Director and try to have the situation rectified before taking further action.

10.2 Role of the Ministry of Education

The Ministry of Education is responsible for ensuring that public funds provided to Municipalities for education are used efficiently and for the purposes for which they are provided. The SEO represents the Municipality in carrying out this responsibility. The reports and financial statements provided by the MED to the SEO provide a means of accountability and an assurance to MEST that money has been spent responsibly.

The MEST will review the reports and financial statements to see whether there have been any significant variations from the expected levels of expenditure or types of expenditure.

10.3 Role of the Ministry of Finance and Central Fiscal Authority

The CFA currently monitors spending of all public entities in Kosovo on a monthly basis. Responsibility for monitoring the Provisional Institutions of Self Government may pass to the Ministry of Finance and Economy. The monthly monitoring process makes sure that spending is consistent with planned cash flows. If there are major differences between the plan and the actual spending, the Municipality may be asked for an explanation.

10.4 Audit

Under Regulation No. 2000/45 Section 43 "Independent Audit", the Central Authority shall appoint an independent auditor to audit the financial statements of each Municipality. This function will be undertaken initially by the Netherlands National Audit Office. When the Auditor-General's Office of Kosovo is established it will take over this responsibility. Regulation 45 prescribes that the auditor shall have access to all financial statements, books or papers and other documents, and may call for all information which he or she requires for the purposes of the audit. On this basis the Municipal Education Budget funds will be audited annually.

Under the draft provisions of the Auditor-General's Regulation, the Auditor-General may also undertake performance audits that focus on the efficient and effective use of education resources. The Auditor-General will provide a report of these audits to the SRSG with a copy to the Kosovo Assembly.

In addition, it is envisaged that the Municipal Education Budget will be subject to internal audits. These audits will be conducted by staff from the Ministry of Education, Science and Technology or from the Municipality. If the audits are conducted by the Department then the report will be forwarded to the Secretary of the Department. If they are conducted by the Municipality then the report will be forwarded to the President of the Municipal Assembly with a copy to the Ministry.

11. School Budgets

Decentralisation of budget planning and implementation to Municipalities will improve the efficiency of the administration of education budget funds. Similarly, devolving some budget responsibilities to schools will have the same benefits:

- Schools are able to make decisions about what the school needs
- School Directors and other school staff and the parents feel a greater sense of responsibility and interest
- The school staff will have more incentives to take care of the school and reduce costs

It is therefore proposed that schools should gradually take more responsibility for budget decisions affecting the school.

11.1 Planning the school budget

As discussed in other sections, each school will be allocated some budget resources and the School Director will be responsible for managing the School Budget. In the long term it is expected that School Directors and School Boards will be responsible for a major part of spending on schools.

The budget for the school will be based on a School Development Plan which sets out the aims and objectives of the school. The Handbook on Municipal Education Governance provides more information on the School Development Plan.

The School Director should follow instructions issued by the CFA, the Ministry of Finance, the Ministry of Education or the MED about the preparation of a budget for the school. These instructions will specify the extent of the budget responsibilities of the School Director, the costs that will be met from the School Budget, and the timetable and process for preparing the budget.

The School Director should prepare a draft budget which identifies spending required to implement the School Development Plan. The Municipality must inform the school of the amount of funds that are expected to be available for each school and the proposed School Budget must take account of the amount of funding the Municipality will provide to the school. The School Director should consult with school staff and parents on the preparation of the budget, identify areas requiring more resources and areas in which savings can be made, and forecast the number of new enrolments and graduating students in the coming school year. Because the academic year runs from September to June and the financial year starts in January, the School Director should ensure that the effect of changes in enrolments, curriculum and other factors in the next school year are taken into account.

The School Director should also try to forecast when the funds will be required during the year on a month by month basis. This information will be used by the Municipal Education Director to prepare the cash flow forecast for the CFA.

11.2 Voluntary Contributions and Donations

People in the community, such as the parents of children attending the school often make contributions to meet the costs of repairs, rebuilding and equipment for schools, or for extra activities such as school excursions or sports activities. These contributions are voluntary. They are not the same as fees which may be charged by the Municipality for some education services, for example for preschools.

Under the draft Education Law, the School Board, which represents the parents of children attending the school, has the right to decide on the allocation of funds contributed to the school by parents and the community. If there is no School Board, the School Director is not authorised to accept donations from parents. The School Board must keep proper accounts of the funds received from contributions, must deposit them in a bank account, and must report to the School Director and to the Municipality on the amounts received and what they have been used for. The funds donated by parents must be used to support the school, for example, for equipment or repairs and maintenance, or for extra education activities such as excursions or sport.

Financial donations from international bodies and NGOs made directly to the school should be deposited in a bank account and recorded as revenue in the school accounts.

Donations from parents should be deposited in a separate account controlled by the School Board.

Both categories of funds can only be used for the purpose for which they were provided, and that purpose must be for the benefit of the school and the students. Donations cannot be used to increase salaries or make extra payments to school staff, or for any purpose that is not related to education.

11.3 Implementing and Monitoring the School Budget

The processes for spending school budget funds will be the same as the processes for spending Municipal Education Budget funds set out in other sections of this handbook.

In larger schools it may be appropriate for the administration staff to have access to the Municipality accounting system and to control their own commitment and payment processing. However, most schools will use the resources of the Municipal Education Directorate, or the Municipal Directorate of Finance and Economy, to process spending from the school budget.

The School Director should however keep records of amounts allocated in the budget, the amounts allocated in Funds Warrants, amounts committed, and payments made. This information can be kept in a simple spreadsheet.

School purchasing should follow the procedures set out in Section 6 on Procurement.

The cost of all goods and services used by the school should be recorded as expenditure by the school, whether they are procured directly by the School or by the Municipality. The School Director is thus responsible for the efficient and economic use of all goods and services. For example, the School Director should make sure the school does not waste electricity, water or heating fuel, and that all items purchased from the school budget are used by students or teachers for education purposes.

The School Director should keep records of the goods delivered to the school. When goods are delivered, a responsible person must inspect the goods, check that they have been delivered according to the order and that they are the required quality and quantity, and then sign to acknowledge that they have been received. The school must report any problems with the delivery, such as damaged items, to the purchasing officer. The school must also ensure that there is space to store the goods safely when they are delivered.

It is important that purchasing of supplies by the school follows the practice of 'separation of duties'. This means that several responsible staff must be involved in the purchasing process and must sign documents at different stages: that is, one officer signs the purchase order; a different officer signs for goods received; and a third person authorises the payment of an invoice. This is designed to stop conflicts of interest developing within an organisation. At small schools with not many administration staff it may be necessary to designate teachers to perform some of these roles.

The School Director is also responsible for the security of assets and supplies purchased by or on behalf of the school. The school should keep records of what was purchased, where it is

stored, and who used it. Major items such as computers, photocopiers, etc must be listed in the asset register and labeled with an asset number. The school administrator or the School Director should check the assets against the asset register on a regular basis.

11.4 Reports, Inspections and Audits

A number of authorities have the right to inspect the accounts of the school. The MED must ensure that funds allocated by the Municipality, or that are received by the school as donations, are accounted for correctly. The MED should also check that equipment and resources provided to the school are looked after and used properly, and that the staff who are on the payroll for the school are performing the work for which they are paid.

The Kosovo Government (the Ministry of Education or the Ministry of Finance) may also from time to time wish to inspect or audit school financial records to ensure compliance with good financial management practices.

12. Planning the Budget for Future Years

12.1 Budget Cycle

The process for preparing the budget for the next year begins almost as soon as the 2002 Budget has been decided.

The annual budget should be part of a longer term financial plan – a three year plan that is updated each year. The financial plan, in turn, should be based on a multi-year Education Strategic Plan – and the Education Strategic Plan should be part of the Municipality's Strategic Plan. The Education Strategic Plan should focus on improving the education outcomes for children in the Municipality. It should set out the goals over the coming years and how they will be achieved. This long term plan should reflect the views of the community as well as the policies of both the Municipality and the Ministry of Education.

The following guidelines are helpful for both municipalities and schools when developing their financial plans for future years:

- Describe the long-term plan for improving the quality of education at the school, or in the Municipality
- Define the goals and priorities for pupils, teachers and the school to achieve the long term plan
- Identify the steps that will be needed to achieve the goals. These steps are the objectives for each year.
- Estimate the cost of meeting the objectives.
- Identify all the resources and funds that will be available
- Adjust the long term plan to fit the available resources and funds
- Identify things that could go wrong and make a plan for these events
- Develop program measures that will show the progress that is being made towards achieving the objective.

Once the strategic directions and objectives of the Municipality have been agreed, decisions can be made about the allocation of available resources to the activities and projects that are needed to implement the plan.

Example of Objectives, Goals and Measures

Objective: To increase the number of girls who complete secondary school.

Goal. To increase the proportion of girls from the final year of primary school who enrol in the first year of secondary school by 5% a year over 3 years.

Measure: Number of girls in class 10 in relation to the number in class 9 in the previous year.

Key Budget Cycle Activities

The process and timetable for developing the annual Kosovo budget varies from year to year and the Ministry of Finance and Economy will issue instructions to Municipalities each year setting out their requirements. The following are some of the key events in the annual financial management cycle.

KEY DATES

January

CFA makes the first Funds Allocations from the budget for the new financial year

February

March

April

Schools submit EMIS data on student enrolments in March to the SEO

First joint MED-SEO quarterly report due.

May

SEOs submit EMIS data to the Ministry

30 May deadline for submitting the Annual Report for the previous year to the Municipal Assembly

June

Mid Year review of the Kosovo Budget

Preparation of the budget for the next financial year commences

July

Second quarterly report by the MED and SEO

August

September

New school year commences

April EMIS data is used to calculate Municipal grant amounts for the next year

October

Schools submit EMIS data on student enrolments in September to the SEO

Third quarterly report by MED and SEO

November

SEO submits EMIS data on student enrolments in September to the Ministry

December

Kosovo Budget for the next financial year is approved by the SRSG

13. Annexes

Annex I: Memorandum of Understanding

With a view to ensuring a successful decentralization of certain financial and budgetary responsibilities from the Department of Education and Science to the Municipalities of Kosovo, the Department of Education and Science (DES), the Central Fiscal Authority (CFA), and the Department of Local Administration (DLA) agree on the following Memorandum of Understanding:

Devolution of school funds to Municipalities

1. The purpose of this Memorandum of Understanding is to provide information on the gradual transfer of responsibilities for school finances, from the Department of Education and Science (hereinafter referred to as the Ministry of Education), to the Municipalities.
2. From 1 January 2002, a major part of the operating funds for Primary and Secondary schools, Pre-primary classes (for children aged 5) and Pre-Schools (for children aged 0 to 5) will be provided directly to Municipalities. The funds will be appropriated as a grant from the Kosovo Budget to the Municipality.
3. Responsibility for employing and paying teaching staff at public education institutions should be transferred to the Municipalities during 2002.
4. The staff decentralisation operation should be implemented in two phases:
 - Responsibility for all education employees, except teachers (mainly support and administrative staff of the schools, including directors) will be transferred as of 1 January 2002.
 - Responsibility for teaching staff will be transferred to the municipalities as of 1 September 2002.
5. A special Education Budget grant will be earmarked by the central government for minority communities, under the supervision of the Regional Education Officer and the Local Community Officers, until sustainable inter-ethnic agreement on budget and personnel management modalities is reached. From the total budget of education, a specific grant, equivalent to about 15 % for salaries, goods and services and capital outlays, may be apportioned for the minorities.¹
6. Arrangements and conditions for the transfer of budget funds for teachers' salaries are being developed.
7. The purpose of this change in funding for schools is to enable the Municipality to make the most efficient possible use of education funds, taking account of local particularities and constraints. When the transfer of responsibilities has been completed, the Municipality will be responsible for making budget decisions about education in the Municipality including spending on school supplies, services and equipment, and school maintenance and refurbishment and, in coordination with the Ministry, the employment of teachers.

¹ Serbian enclaves education staff should be treated as special cases

8. The major challenge associated with this operation is that municipalities manage to keep a balanced budget over the fiscal year, without overspending.
9. The total amount of funds to be provided for schools will be decided during the process of developing the Kosovo Budget for 2002. These funds will be divided every year between Municipalities, mainly on the basis of the number of students enrolled in schools in each Municipality, based on calculations provided by the Ministry of Education's Education Management Information System (EMIS) Unit, and other factors agreed upon by DLA and the Ministry of Education. Information on the actual amounts to be provided to each Municipality will be issued when the Kosovo Budget is finalized.
10. The funds provided from the Kosovo Budget to the Municipality for municipal education functions shall only be used for specified education purposes. The Funds are not to be used for any purpose not related to purposes set out in paragraph 21.
11. Once the grant to the Municipality for schools for 2002 has been appropriated it will be fixed for the remainder of the budget year. Additional funds will only be available for the following year if there is a significant increase in the number of students enrolled at schools in the Municipality. The Ministry of Education EMIS Unit will collect enrolment data in April and October each year and use this to calculate the amount of funds to be provided.
12. Progressive funds allocations, up to the limit of the grant, will be made during the year by CFA, based upon commitment and cash flow forecasts to be provided by Municipalities and the available cash in the Kosovo Consolidated Fund. These Funds Allocations will be made directly to the Municipalities.

Ministry of Education's Budget Responsibilities

13. In accordance with UNMIK Regulation 19/2001 on the Executive Branch of the Provisional Institutions of Self-Government in Kosovo, as well as Chapter 3 of the Draft Regulation on Primary and Secondary Education in Kosovo, the Ministry of Education has the overall responsibility for education in Kosovo.
14. In order to implement its Education mandate, the Ministry of Education will retain responsibility for the following components of the budget, at least for the 2002 fiscal year:

Capital outlays:	75 %
Goods and Services:	10 %
15. By keeping 75 % of the Capital Outlays budget, the Ministry will be able to finance major construction works at the municipal level, according to priority needs, which a single Municipality could not realise given the limited size of its budget. These funds may also be used to provide matching funds for donations. The education grant to Municipalities will include capital funds for the repair and maintenance of school buildings.
16. .By retaining 10% of the Goods and Services budget, the Ministry will be able to finance expenditure of common education interest, to support some Municipalities in case of unsolvable financial crisis, and to be able to respond to any unforeseen events.
17. In addition, the Ministry of Education will continue to receive the central education administration budget to cope with its central operational and salary costs.
18. The Ministry of Education will continue to set education policies to apply across Kosovo. It will be responsible for the funding of tertiary education, teacher training, curriculum development, central administration and related education policy matters.
19. The Minister of Education may also have responsibility for managing targeted funding programs for specific purposes. These programs may include, for example, special assistance for minority schools, targeted scholarships or grants.
20. Funding arrangements for the existing special education institutions are being developed and will be finalized before the start of 2002.

Municipal Education Budgets

21. Funds for education will be appropriated from the Kosovo General Budget to the Municipality. Kosovo General Budget funds may only be used for the following purposes:
 - Goods and services and minor capital expenses for schools;
 - School maintenance and refurbishment;
 - Wages and salaries for teachers;
 - Wages and salaries for school support staff and administrative staff;
 - Wages and salaries for the Municipal Education Director and staff;
 - Goods and Services and Wages and Salaries for dormitories and boarding facilities.
22. Arrangements for the transfer of teacher salary funds are discussed in detail below.
23. Municipal officials and administrators should develop a proposed Education Budget for the schools in their Municipality. Senior Education Officers (SEOs) should be consulted on the Municipality education budget. The budget should be balanced and should be linked to the realistic needs of each school.
24. The Municipal Education Budget will be approved as part of the Kosovo Budget process. The Budget will specify the amounts that will be spent on wages and salaries, goods and services and other categories of spending. Revisions to the budget and transfers between categories are to be reported and explained by the Municipality in the regular reporting process. Ceilings and floors will apply to the revision of budget components during the year.

Fees for Pre-Schools and Dormitories

25. Under the Regulation on Primary and Secondary Education in Kosovo, Municipalities will be authorized to collect fees from parents to help cover the cost of operating preschools (kindergartens and day nurseries) for children aged from 0 to 5 years. Municipalities may also collect fees from students living in dormitories or boarding facilities. An Administrative Instruction on arrangements for collecting and reporting on fees charged by the Municipality will be issued by the Ministry of Education after agreement with CFA. Such fees and charges are to be included in the own source revenues of the Municipality but earmarked for preschools and dormitories.

Managing Kosovo Budget funds for schools

26. The Municipality will keep accounts of Kosovo Budget funds for education. The CFA, DLA and the Ministry of Education will agree on arrangements for keeping records of municipal spending on education and inform Municipal Finance Directors and Municipal Education Directors (MEDs) before the start of 2002.
27. The education funds are part of the Municipality budget and the Municipality will provide information on the use of its budget to the CFA.
28. The Municipality shall ensure that there is a Finance Officer who is responsible for managing and reporting on education funding.

Employment of staff

29. Salary decentralization can only be effected provided that the Municipality develops an efficient payroll management system (eg. a spreadsheet), in order to ensure that payment of education employees is done in a timely and accurate manner. The Ministry of Education and DLA will assist, in coordination with the Department of Public Services, in developing such systems.²

² The pilot study on decentralization of support staff, undertaken by DES/World Bank project, has however indicated that some Municipalities do not meet the minimum requirements for managing such facility, and that they are therefore not willing to accept this additional responsibility.

30. The recruitment and dismissal of School Directors and teachers will follow the procedures set out in:
- The draft *Regulation On Primary and Secondary Education in Kosovo*
 - The DSRSG's Administrative Instruction on the '*Division of Responsibilities between the Municipalities and the DES*', of 18 July 2001;
 - The Joint Administrative Instruction by DLA/DES of July 2nd 2001 on the '*Distribution of Tasks between the Municipal Education Directorates and Education Development Offices*'
 - Any other relevant Ministry of Education administrative instruction.
31. The payroll forms for all education staff will bear the signature of the Municipal Education Director and of the Senior Education Officer, after staff employment is devolved to the Municipality.
32. Arrangements for the transfer of the employment of teachers and the salary budget for teachers will be developed and implemented during 2002, in order to become effective on 1 September 2002. Arrangements for the transfer of support and administrative staff will be developed by the end of 2001, in order to become effective on 1 January 2002.

Education Performance Standards

33. The Ministry of Education will set performance standards for all schools in Kosovo. Funds from the Kosovo Budget to support Municipal Education functions are provided subject to Municipality and School Director compliance with Ministry of Education Performance Standards and instructions. Performance Standards and instructions may cover issues such as:
- education standards eg curriculum, minimum health and safety standards for school buildings;
 - reporting and accountability requirements;
 - teacher qualifications and appointment processes;
 - equity, poverty alleviation and minority rights.
34. The SEO will monitor Education Performance Standards in the Municipality. The MED and SEO will prepare a joint report every three months on the performance of school education in the Municipality. The report will include information on education spending during the 3 month period, the number of people employed, capital works implemented by the Municipality, and a narrative report showing whether the Municipality has met the standards set by Ministry of Education. The format for this report will be agreed between the Ministry of Education and DLA.
35. The MED will also provide data on school and municipal spending for the Education Management Information System.

Inspections

36. Section 13.3 of the Draft Regulation on Primary and Secondary Education in Kosovo requires the Ministry to undertake periodic inspection of educational institutions. In order to carry out this function the Ministry of Education will establish a procedure for inspections. This will include inspections of schools and school records to verify information in the quarterly report, including financial information.
37. If Ministry of Education inspections show that the Municipality is failing to provide school education and facilities of a suitable standard; or that there are problems in the management of school funding; or if the Municipality fails to provide reports when required, the department may request a joint investigation by the Ministry of Education, CFA and DLA. The Ministry of Education and the CFA may audit municipal records of education spending if there is a concern that the funds have not been used for education purposes, or have been misused.
38. The joint inquiry may lead to a recommendation that the Ministry resumes direct responsibility for the funding of schools in the Municipality until adequate policy measures are undertaken by the Municipality or the identified problems are rectified.

School Budgets and the responsibilities of School Directors

39. The Municipality shall provide a budget to each school. The school budget shall be equitable and sufficient to enable the school to meet the minimum standards for buildings and facilities set by the Ministry of Education.
40. Municipality shall ensure that School Directors manage their budget effectively and keep appropriate accounts. The Municipality shall ensure that procurement processes in schools follow Kosovo Budget rules and Ministry of Education guidelines. The Municipality may coordinate certain kinds of procurement on behalf of schools.
41. The School Director shall develop an annual school budget. The Director shall arrange prompt payment of all invoices and shall keep records and accounts of all school income and spending in a form specified by the Ministry of Education and the Municipality. The School Director shall provide regular reports to the Municipality on the school budget and the Municipality may inspect the schools accounts
42. If a School Board, representing parents, teachers and students, is established under the law, the School Director shall provide information to the Board on the accounts of the school budget. The School Director shall consult the School Board on school budget matters.
43. The School Director and, after the transfer of responsibility for teachers, the Municipality, shall be responsible for keeping records of teachers attendance and performance and salary entitlements. The School Director shall keep accurate student enrolment and attendance records.
44. The SEO shall liaise with School Directors to ensure that the budgetary process described above is followed.

Other Provisions

45. This MOU encourages Municipalities to raise local revenue in order to complement resources provided by the Kosovo Budget.
46. This MOU may be debated by the Kosovo Assembly after the elections if needed, in order to ensure full endorsement by the Kosovo elected government.

Entry into Force:

47. This MOU enters into force on the day of signature.

Signed by the parties on the twenty-fourth day of October, 2001:

Michael Daxner
Principal International Officer,
Ministry of Education

Anthony Preston-Stanley
Head, Central Fiscal Authority

Karin Rudebeck
Head, Department of Local
Administration

Annex II: Budget Forms

Municipal Education Budget 2002 - Summary

Municipality Name:

EXPENDITURE

	Budget Code	Previous year	Budget year	Estimate 2003	Estimate 2004
Salaries and Wages	011000				
Salary-Full Time Employees	011100				
Teaching staff					
Non-teaching staff					
Wages-Part Time Employees	011200				
Teaching staff					
Non-teaching staff					
Other Compensation ^{/1}	011300				
Purchased Goods and Services	013000				
Travel Expenses	013100				
Utilities	013200				
Transport and Communication	013300				
Services	013400				
Equip/Property Purchase/Rental	013500				
Supplies	013600				
Other	013700				
Capital	030000				
TOTAL EXPENDITURE					

SOURCE OF REVENUE

		Previous year	Budget year	Estimate 2003	Estimate 2004
General Budget Grant for Education					
Special Budget Grants for Education					
Other Municipal Funds					
Education Fees (Preschool/Boarding)					
Other Funding					
TOTAL REVENUE					