

Funding Devolved Primary, Secondary, Pre-Primary and Pre-School Activities Across Municipalities

Table 19 provides details on budgeted spending on Primary, Secondary, Pre-School and Pre-Primary Education spending for 2002. It shows the breakout across economic activity and level of government.

Table 19
2002 Pre-School Education, Primary Education, and Secondary Education Spending (Euro million)

Category	Total	Ministry	Municipalities	Education Fees & Charges	Net Spending
Wages & Salaries	44.4	18.0	26.4	0.0	26.4
Goods & Services and Capital Outlays	12.1	3.0	9.1	(1.3)	7.8
Unallocated Reserves	6.6	5.7	0.9		0.9
Total	63.1	26.7	36.4	1.3	35.1

The following points stand out most sharply from the table:

First, Central Ministry spending remains high because 2002 is a transition year for this sector. The budget provides the Ministry of Education, Science and Technology with Euro 26.7 million to support Pre-School Education, Primary Education and Secondary Education. The budget is divided in four parts: Wages & Salaries, Goods & Services, Capital Outlays and Reserves.

- The Wages & Salary budget (Euro 18.0 million) is intended to enable the Ministry to pay the teachers in all Municipalities until responsibility for teachers salaries is transferred on July 1st 2002 (the end of the 2001-02 school year).
- The Goods & Services budget is Euro 0.9 million and the Capital Outlay budget is Euro 2.1 million, for a total of Euro 3.0 million.
- The Reserves budget (Euro 5.7 million) will address the overstaffing issue Serbian schools and to fund the exceptional cost of providing education to the children of refugees from Macedonia.

Second, municipal spending is also quite high and changes its functional distribution during the year. The total size of the education grant is Euro 36.4 million, of which Euro 35.5 million is to be distributed to municipalities and Euro 0.9 is to constitute reserves. The distributed share of the municipal grant can be divided into three economic categories: wages & salaries, goods & services, and capital outlays.

For each municipality, the Goods & Services and Capital Outlays portion of its education grant allocation is calculated as being the residual of the grant allocation minus the Wages & Salaries portion. The proportion of Wages & Salaries compared to the municipal grant allocation varies from municipality to municipality, as the actual number of support staff and teachers are not the same from one municipality to another.

Support Staff (all non-teacher school personnel):

From January 1st 2002, it is the municipality's responsibility to pay support staff salaries from the Education Grant, possibly supplemented from the municipality's Own Source Revenues, or from its General Grant.

Teachers:

From January 1st to June 30th 2002, teachers salaries are to be paid by the MEST. From July 1st onward, paying teachers' salaries is the Municipality's responsibility.

Distribution of the Designated Grant: As with Primary Health Care, the designated grant for primary, secondary, pre-school and pre-primary education is distributed across municipalities on the basis of objective criteria. In particular, the grant allocation to each Municipality is based on a minimum level augmented proportionally to the number of pupils enrolled in the Municipality. The amount of the Education grant is based on the overall pupil enrollment of Kosovo. Hence, in a Municipality, the size of the grant allocation $g = K + b \times p$; where "K" is a constant (the absolute minimum regardless of the pupil enrolment) and "b" is a coefficient that is multiplied by "p", the number of pupils enrolled. "K" and "b" are the same for every municipality. As a result, municipalities with high student enrollment numbers receive a larger grant allocation than municipalities with small student enrollment numbers.

The General Grant

As mentioned above, the general grant increased by 70% between 2001 and 2002, or from a level of Euro 14.1 million to Euro 24.0 million. However, not only has the level of the grant increased, but, for the first time an effort was made to distribute the grant across municipalities on the basis of "fiscal need". That is, the grant is distributed across municipalities on a per-capita basis modified by objective criteria that reflect cost differences in providing a similar market basket of locally provided public services. The objective criteria used in determining the distribution of the grant include: population size, population density, number of villages, number of minority villages, levels of utility services, school age population as a per-cent of overall population, and factors related to the impact of the conflict on municipal conditions.

In addition to these "fiscal need factors" there is a small "earmarked" portion of the general grant. This portion is related to the "fixed costs" of maintaining municipal government. It covers some of the costs of wages and salaries for elected municipal officials and municipal assemblies staff and costs for maintaining local community organizations in villages. Also, a flat 100,000 is provided to each municipality regardless of size as a supplemental basic stipend to defray the basic minimum costs of maintaining municipal government.

In the future, as municipal own source revenues become increasingly developed, a municipality's fiscal need should be balanced by objectively measured differences in per-capita fiscal capacity. As municipal own source revenues become increasingly developed, it will become increasingly clear that some municipalities will have a greater or lesser ability to raise revenues from their own citizens because of differential levels of economic activity across Kosovo's regions. These differentials should be factored into grant calculations moving forward. In the future, the general grant should be modified to reflect differences in revenue raising efforts across municipalities, i.e., grant policy should reward municipalities that engage in more intensive revenue raising efforts, after taking fiscal capacity into account.