Public financing in healthcare-The case of Kosovo in theory and practice
Prof. Assis. Dr. Nerimane Bajraktari
E-mail: nerimane.bajraktari@uni-prizren.com
Eco. Ali Ahmeti, MSc.
E-mail: ali.ahmeti@mcfood-ks.com

ABSTRACT

The man by nature tries and develops his activity for a better, richer and happier life, which in its essence means fulfilling diversified material, spiritual and cultural needs.\(^1\) Government, social-political communities or public legal entities, contemporary entities and institutions with forms of organization, with mechanism, and their instruments based on laws, must offer an organized life and opportunities for fulfilling general and common needs. Up to date, theoretical and practical knowledge shows that basic needs (security, education, healthcare, protection, jurisprudence, etc.) can be fulfilled more easily, faster, and more successfully, more rationally and continually, with higher quantity and quality with better and fairer organizing of the state and of the public legal entities of the institutions that respond to requests on realization of the new social and economic order of the world.\(^2\) The healthcare sector in Kosovo is financed mainly on income taxes, taxes, and co-payments, whereas out-of-pocket private payments are very high and include about 40% of costs for healthcare services.\(^3\) The budget for healthcare allocated by the government in the year 2015 was in total 163,760,703 million €, whereas the participation of budget for healthcare out of Kosovo’s total budget is 9.73%, and 2.79% of GLP, that provided 90.72 € per citizen within one year! PHC is financed through transfers from the central budget to municipalities on specific grant form, on the amount 42,085,036 € that includes 28% of the budget provided for healthcare. SHC and THC are financed by the Ministry, and it includes over 72% of the budget provided for healthcare. (PHC-primary healthcare, SHC-secondary healthcare, THC-tertiary healthcare).

The purpose of this paper

The purpose of this study is to explore the theoretical and practical aspects of public health financing and its impact on a specific environment, in particular the health sector in Kosovo, the positive and negative factors, efficiency, and application of public financing standards in the health department in Kosovo.

The study is intended to answer some research questions, such as
● What are the effects of public health financing in Kosovo?
● Health Development Factors in Kosovo?
● What are the key distinguishing features of health in Kosovo?
● The role of public finance management in Kosovo?
● To what extent is the legal aspect respected in the public health financing system in Kosovo?

Objectives

• OBJECTIVE I: Maintain and Improve Health in Kosovo
• OBJECTIVE II: Ensure sustainable health financing in Kosovo
• OBJECTIVE III: Reorganizing the health sector in Kosovo
• OBJECTIVE IV: Management and control of public health finances in Kosovo

Objectives:
OBJECTIVE I: Maintaining and Promoting Health in Kosovo-aims to ensure, through sustainable financing, health based

---

\(^1\) Prof. Dr. Sabri Kadriu: Public financing with special observation in Kosovo, p.14, 2002, Prishtina

\(^2\) HYMAN, David N: Public finance, a Contemporary Application of Theory to Policy, Copyright 2010 Cengage Learning. North Karolina, State University

\(^3\) World Bank Group in Western Balkans, Washington D.C., August 2005
on laws and regulations where the primary concern should be the health of the population and the health care where every citizen has guaranteed health insurance.

**Specific Objectives**

- Promoting healthy living
- Implementation of the action plan for health education and promotion
- Improving maternal and child health
- Implementation of an action plan for improving maternal and child health
- Implementation of HIV/AIDS action plan
- Health policies for all
- Implementation of mental health strategy
- Functional State Committee on Environmental Health

**OBJECTIVE II: Ensuring Sustainable Health Financing Kosovo**- Aims for health institutions to be guaranteed health financing with good salaries for human resources, facilities, good hospitals, advanced medical equipment, etc so this infrastructure meets standards EU and international public health standards.

**Reorganizing health financing**

- Functionalized Health Financing Agency
- Functionalized Health Insurance Fund
- Effectively used public financial resources
- Involvement of the population in compulsory health insurance
- The delivered basic package of health services
- Providing accessible and equitable health services
- Signed contracts with the three levels of health institutions

**OBJECTIVE III: Reorganization of the Health Sector in Kosovo**- to be organized according to the health law in Kosovo; below we will present the specific objectives of health reorganization in Kosovo:

- Human resource plan and development plan
- Empowered staff capacities
- Coordinated health sector partnership
- Functional monitoring mechanisms
- Physical infrastructure for all secured
- Functional administration
- Empowered Management Structures
- Advanced health inspectorate capacities
- Professional capacity building based on identified needs
- Integrated IT infrastructure in all health institutions
- Integrated applicative software in all healthcare institutions

**OBJECTIVE IV: Management and control of public finances in health in Kosovo**- There should be accountability and transparency in spending public finances on health. Internal and external audits Managerial audits and financial, reporting according to the aspects of applicable laws in Kosovo:

- Continuous improvement of quality and safety, standards and accreditation
- Implemented health care standards
- Drafted national accreditation plan
- Improving the provision of health services

---

4 http://msh-ks.org/departaments/departament-of-strategic-medical-development
Integrated health services at all levels of health care
Build functional health infrastructure
Capacities for the evaluation of advanced medical technology
Improved medical product management

PUBLIC FINANCES AND THEIR IMPORTANCE TO DEVELOPMENT
Finance can be conceived as the art and science of money management and administration. All organizations and individuals spend invest and make money. Finance encompasses the entire process related to the use, administration, and transfer of money through financial institutions to money markets, individuals, businesses and government. It studies the methods and methodologies, concepts and categories used in financial decision making. Finances, in general, originates in the presentation of commodities in the market and the development of commodity-money relations. The term Finance as a scientific discipline broadly encompasses major financial disciplines such as:

- Sciences in Finance or Public Finance (State and other legal entities-public)
- Business Finances (Individuals and Enterprises)
- Monetary finances (insurance companies, central banks, and businesses)

Finance as a scientific discipline in a narrow sense includes the science of finance which studies the financial activity of the state and other public-legal bodies.

PRINCIPLES OF PUBLIC EXPENDITURE
Given that public spending in all countries is steadily increasing, financial theory has formulated the principles of public spending that must be adhered to when spending public revenue. When formulating the principles of public spending we may also encounter changes in different states which are the logical consequence of the specifics in their social, political and economic systems. But even against these changes in all countries, we may come across some principles that are acceptable as basic principles of public spending. These are:

- Principle of public interest
- The principle of saving
- The principle of advantage and proportionality
- Principle of the source of funds
- The principle of the legal basis for expenditure
- The principle of cost productivity and
- The principle of consistency between revenue and expenditure.

STATE BUDGET AND BUDGETARY PRINCIPLES
"The state ... arises, when the individual is no longer self-sufficient because he needs many things" (PLATO)

"There is no state without a budget, no budget without a system of public revenues based on the law."
without financial means in the budget.\(^{17}\) Budgetary principles are basic rules that are known to be adhered to when drafting, approving and executing the budget. These are the rules that have been verified during many years of application\(^{18}\) Changes in social and political-economic relations have led to major or minor changes to budgetary principles. It is not uncommon for the names of some budget principles to be identical to those used at the beginning of the century, but the content of these principles has changed radically. In contemporary budget theory and practice, the notion prevails that budgetary principles cannot be regarded as something acceptable and unchangeable, but as something subject to appropriate change.\(^{19}\) The Classic Budget Principles are oriented on:

- Controlling the work of the administration in collecting and spending public revenues
- In the defense of Parliament's budgetary law
- Restriction of state activity

Classical budgetary principles were introduced in the era of liberal capitalism when the view was that the smaller budget is better. The formal static budgeting principles are:

1. Providing budgetary unity
2. Providing budgetary completion
3. Providing budget clarity

Among the fundamental principles of dynamic material are:

1. The principle of budgetary accuracy
2. Principle of Prior Approval of the Budget
3. The principle of budget specialization
4. The principle of budgetary transparency
5. The principle of budgetary equilibrium
6. Principle of budgetary periodicity

Contemporary Budgetary principles are divided into:

1. Basic contemporary principles of which they are part
2. The budgetary principle of executive power
3. The principle of accountability of executive power
4. Principles of competence within which:
   1. The principle of operability
   2. The principle of autonomous placement
   3. Principle of amended deadlines
   4. Principles of access within which:
      1. The principle of vertical information
      2. The principle of the pluralistic method

The principle of integrated budget management\(^{20}\)

The role of the state budget

The state budget represents the governmental legal program that is approved by the budget law of the highest state body-parliament. The state budget drafts all types of revenues and at the same time sets the maximum amount of all expenditures that can be incurred within a specified one-year period.\(^{21}\) The state budget is a project, government program, or financial statement, consisting of planned financial means, both expenditure and public revenue, which is approved each calendar year by the country's highest legislative body. There are many different understandings of the state budget in the

\(^{17}\) Prof.dr. Sabri Kadriu, Public financing Prishtine, sabrico shpk 2016 faq 291

\(^{18}\) Prof.dr. Bedri Peci, Science and Financial Law 2017, University of Prishtina "Hasan Prishtina, Faculty of Law Prishtina page: 359

\(^{19}\) HYMAN, David N: Public finance, a Contemporary Application of Theory to Policy, Copyright 2010 Cengage Learning. North Karolina, State University

\(^{20}\) Prof.dr. Bedri Peci, Finance and Financial Sciences 2017, University of Prishtina "Hasan Prishtina, Faculty of Law Prishtina page: 361

\(^{21}\) HYMAN, David N: Public finance, a Contemporary Application of Theory to Policy, Copyright 2010 Cengage Learning. North Karolina, State University
Understandings on the state budget rather differ only theoretically but not practically. Thus, understandings on the state budget vary depending on the reviews and treatments that are made to this problem, it depends on which budget is concerned, the central budget or the budget of any administrative unit or institution, while the goals and objectives are not any significant change in handling this problem. Also, the problem of understanding and reviewing the state budget is addressed from a financial, economic and social point of view, as well as from the historical, political, legal, and other elements and characteristics of the budget itself. According to Vasil Grivchev, "The budget is an act of financial and legal plan that the parliament prepares, including the social-political balance, in which, on the one hand, it allocates certain revenues of the political social balance, according to the resources and amount they would have to realize in the budget year concerned, and, on the other hand, determine the costs that bodies and organizations and social and political parties and other persons may incur in the full execution of the budget as desired in that budget year." Among the common features of the definition and meaning budget are:

1. That a budget is a public act,
2. That the budget is one year,
3. That the budget is a forecast of revenue and expenditure plan,
4. That the budget contains the characteristics of certain socio-economic and political relations of the country in which it is approved.
5. The budget is approved and controlled by the representative bodies

The budget remained the same because there was no economic growth. Budget Functions Given the role and importance of the state budget in-state activities, the development of economic processes, social affairs and many other economic, political and legal issues, as a government economic and financial document performs numerous functions. Among the main and most important functions of the budget are:

- Economic function;
- Political function and
- Legal function.

PRACTICAL PART

DEMOGRAPHIC CHARACTERISTICS AND VITAL POPULATION STATISTICS

The Republic of Kosovo has an area of 10,908 km² and 1,804,944 inhabitants, an estimated 40,196 persons from the northern municipality who were not included in the 2011 census were added to the total population. The population density is 162.41 inhabitants. Per km² (December 31, 2015). Of the total population, 28% are under the age of 15 and half of the population is younger than 28.2. The average age of the population is 30, 2 years. The percentage of the population living in rural areas for 2011 was 61, 7% while the percentage of the population living in urban areas for 2011 was 38.3% (2011).

---

22 KOMONI, Dr. Sabahudin: Public finances, Prishtinë, 2008
23 Refik Kryeziu, Developing Public Finances in the Republic of Kosovo Tirana page 173
24 KOMONI, Dr. Sabahudin: Public finances, Prishtinë, 2008
25 D. I.Trotman, Dickinson; B. Com. Economiks of the Publik Sector, First publisced 1996, Printed in Malaysi, faqe 267.
The average life expectancy in Kosovo for 2011 was estimated to be 76.7 years, for males 74.1 years, and females 79.4 years. However, life expectancy values for 2011, based on the calculated life expectancy table, differ from World Bank data. The reason is that the World Bank has calculated that there is a sub-registry of deaths in Kosovo.

**Economic indicators**

Kosovo is one of the poorest countries in Europe with Gross Domestic Product (GDP) of € 3,084 per capita or € 257 per month. Economic growth in 2014 was 1.2%, while overall poverty in 2014 was 29.2%, while extreme poverty was 8.2% (KAS 2014). The real GDP growth rate for 2013 compared to 2012 was 3.2%., according to estimates of the Macroeconomics Unit at the Ministry of Finance. Whereas, according to the World Bank Report on Poverty Assessment in Kosovo for 2011, the level of absolute poverty, although still high, is significantly lower compared to 2005-2006. In 2011, 29.7% of the population lived below the poverty line of € 1.72 per day for adults and 10.2% lived under the extreme poverty threshold of € 1.2 per day for adults. 27

**POPULATION HEALTH CONDITION**

Analysis of the population health status shows that the morbidity rate in Kosovo is lower with a total of 422 cases per 100,000 inhabitants in 2011 compared to the EU with 663 cases per 100,000 inhabitants. The most common diseases in Kosovo are diseases of the respiratory tract, digestive system, bloodstream, and musculoskeletal system, as illustrated in the Graph.

26 Source: Census Data and Census by Age and Gender (Kosovo Agency of Statistics)
27 Consumption Poverty in the Republic of Kosova 2011, WB
Population health state

Financial sources

The health sector in Kosovo is mainly financed by income tax, taxes, and co-payments, while private out-of-pocket payments are very high and cover about 40% of health care spending.

The budget allocated by the government for health in 2015 was in total € 163,760,703 million, where the share of the health budget from the total budget of Kosovo is 9.73, and 2.79% of GLP, which provided € 90.72 per citizen per year! The PHC is financed through transfers from the central budget to the municipalities in the form of a specific health grant, amounting to 42,085,036, which comprises 28% of the total budget allocated for health. The SHC and the THC are funded by the Ministry and comprise over 72% of the budget allocated for health.
We will continue to present health spending per capita, 2010 in some countries, in graphical form and their comparisons:

![Per capita health expenditure, 2010]

**Health financing in Kosovo**

Financing Kosovo's health policy is fundamentally determined by the small existing budget. The total budget of the HM amounts to 74 million euros and the per capita income does not exceed 70 euros, with public revenues comprising only 35 euros and direct patient payments, whether additional payments or full costs for treatments represent an important source of health financing in Kosovo. Questionnaires have shown that people spend a total of over € 45 million annually, i.e. 2.5% of the country's gross income on medical care (Bislimi et al. 2006, p. 15) direct payments are made either in the form of official health service fees or as informal “under-the-table” payments to staff. Health insurance should help overcome the health misery and at the same time enable contractual freedom. Such an insurance system (système d'assurance maladie) could bring in a further 25 million euros to finance medical care and medicines, as well as enable better or more services. On 22 February 2006, parliament passed an SS law, which follows the Croatian example and allows for private health insurance. But the Provisional Prime Minister and the Provisional Cabinet did not give much importance to this introduction of health insurance.29

Public funding of different areas of health care is done in different ways. In secondary care, the hospital needs planning and budgeting are guided by historical experiences and results from previous years; budget planning for each hospital includes personnel costs, a projection of the following costs, and the planned investment costs. The Ministry of Local Government (MLGA) is responsible for allocating funds for basic health care, which gives money to municipalities that in the process of decentralization have taken over responsibility for basic education and health. In the context of this assessment, it was not possible to obtain reliable and unanimous assertions about the criteria for funding from the MLGA. This is apparently due to a very unclear code and not at all verified as a rounded amount per head, which due to the lack of current data on the inhabitants of the country, can only be investigated in advance. Also, the MLGA and municipalities are responsible for only 60% of the financing of the FHC; the HM is in principle responsible for transport.

29 Source: World Bank 2006b1, p. 51
Conclusions

- Based on health sector analysis reports, special attention should be paid to the maintenance and advancement of population health.
- Based on performance analysis, an alternative remains the rational use of the current budget, increasing the productivity and efficiency of health institutions to continuously increase quality and safety that will affect patients' satisfaction with the services provided. Health in Kosovo.
- Health care reform policies must rely on government decisions to give these reforms the proper understanding in terms of finances, legislation, and timing.
- The paper will serve as a professional guide in the development of the health sector that aims to preserve and improve the health of the population by providing accessible and affordable quality health services to all citizens of the Republic of Kosovo.

Recommendations:

1. Looking at history from ancient times to the present, human being by nature strives, develops activity and work to ensure a better, richer and happier life. This happy and rich life, in essence, implies fulfilling a variety of material, spiritual and cultural and developmental needs in all fields

2. This paper addresses the issues of public finances, with a particular focus on Kosovo's health, public financing, and development. This paper presents the theoretical and practical aspects of public finances in the Republic of Kosovo with particular emphasis on health. The Role of the State Budget in Sustainable and Strategic Health Financing in the Public Sector.

3. We recommend changing the structure of public spending for each budget year by reducing spending on goods and services, while increase capital investments to improve infrastructure in general, increase capital investment in the health sector and invest in training and education of specialist physicians and these human resources to be safeguarded and avoid their departure from our hospitals.

4. Construction and reforms in the field of public finances and health financing in Kosovo should be in line with the applicable laws and their further reform, while for taxpayers and citizens in various forms to be in function of increased transparency to fulfill their obligations and meet their needs.

5. Increase even more the health budget where health is a top government priority in infrastructure investments, hospitals, education, etc. so that health is at the level of national and international health standards to provide to citizens of the Republic of Kosovo the level of health care they need.

6. Increase even more transparency in spending public money and have control over spending public money so that these funds are properly managed and based on the constitution and applicable laws

7. Decentralization of public revenues, wherein the part of the budget allocated for health, will be managed by health institutions in hospitals and hospital centers based on annual needs and planning and budgetary requirements.

8. Eliminate family principles and corruption in health employment, tenders, specializations and increase work performance based on the design of applicable health programs, so that the health system can be developed and provided to citizen’s health care.

Literature and bibliography

Prof. Sabri Kadriu, University of Prishtina, Special Focus Public Financing in Kosovo Prishtina 2002
Prof. Bedri Peci, Finance and Financial Sciences, University of Prishtina ”Hasan Prishtina, Faculty of Law, Prishtina, 2017
Prof. Sabri Kadriu, Public Financing, Prishtina, sabrico ltd 2016
Prof. Dr. Sabahudin Komoni - Public Finance, Pristina, 2008
Refik Kryeziu, Development of Public Finance in the Republic of Kosovo, Tirana
L. ELMAZI, B. Hasani - Research Methods, 2009
Kosovo Budget Process and Planning Guide, December 2008; Ministry of Economy and Finance, monthly publication
Budget Review 2010, Law: No: 03L-218 4. Finance, Sheriff Bundo, 2010
Annual Report of the Auditor General for 2010
Progress Report on Kosovo - European Commission, 2010
Financial Management, H. Xhafa & B. Ciceri - Tirana 2006
“Finance” - Sheriff Bundo, 2010
Prof. Dr. Ali Jakupi Scientific Research Methodology, Authorized Lectures for Professional Master Studies, Finance and Banking Department, Prishtina, 2005

SECTORAL HEALTH STRATEGY 2017-2021 NOVEMBER 2016
Republic of Kosovo Government
http://www.freeeurope.org/a/28093344.html
http://msh-ks.org/wp-content/uploads/2013/11/Strategy-on-improving-quality-and-safety-SHSH-2012-2016.pdf

CORRUPTION RISK ASSESSMENT IN KOSOVO HEALTH SECTOR 2014
https://www.rks-gov.net/sq-AL/Citizens/Health/Payment/Health Insurances.aspx
http://msh-ks.org/wp-content/uploads/2013/11/Law-on-health-2013.pdf

Ministry of Health
http://msh-ks.org/departaments/departament-on-strategic-development

KOMONI, Dr. Sabahudin: Public finances, Prishtinë, 2008
Health in Kosovo. An overview Jens Holst Excerpt from the evaluation report with the Luxembourg Foreign Ministry order

Fiscal Transparency in Theory and Practice: The Case of Kosovo - Bedri PECI

STRATEGY FOR HEALTH INFORMATION SYSTEM IN KOSOVO 2010 - 2020

LAW ON THE BUDGET OF THE REPUBLIC OF KOSOVO FOR

BANKING SUPERVISION AT THE CURRENT DEVELOPMENT STAGE IN THE BANKING SYSTEM
http://msh-ks.org/wp-content/uploads/2013/11/Health-Sectorial-e-System-2010-2014.pdf
http://msh-ks.org/wp-content/uploads/2013/11/2014-_04L-249-Law-p%C3%ABr-Insurance-Sh%C3%ABndet%C3%ABsore.pdf

Arënliu, Aliriza (2006). Strengthened quality of Reproductive Health services through improved provider’s competence. July 2004 - June 2006. Final Evaluation Report Swiss Red Cross/UNFPA, Pristina.

JELÇIÇ, Barbara: Public Finances, Zagreb 1996.
26. JELÇIÇ, Bozhidar: Finance Science and Financial Law Pristina, 1985.
27. JOVANOVIÇ, Dr. Ristić Z: Comparative Fiscal System (Public Tax Sector), System and Buxhet Policy, Belgrade, 1992.

KADRIU, Mr. Sabri: The Relationship between National Revenue and Public Revenue, "Perparimi" scientific journal, no. 1, 1985.
Krajewski, Piotr; MACKIEWICZ, Michal: Fiscal deficit, size of the public sector and investment rate. 30. KRAUGMAN, Paul R; OBSTFELD, Maurice: International Economics, Theory and Policies, Third Edition, Copyright 1994.

Kleinevvesfer Haner/Pfifer Regula: Die Schweizerische Volkswirtschaft Verlag hauber freundfeld, 1978. 32. KOMONI, Dr. Sabahudin: Financies, Prishtinë, 1983. 33. KOMONI, Dr. Sabahudin: Public Finances, Prishtinë, 2008.

KRYEZIU, Mr. Refik: Public Finance System Policy in the Republic of Kosovo, Function and Development Opportunities, Masters Thesis, 1997

Azémar, Serge (2004). Rapport final de Handicap International South East Europe (HI SEE). Lyon.

Bislimi, Besnik; Muaxheri, Edmond; Demukaj, Venera; Bislimi, Florin (2006). Financial Sustainability of a Health Insurance Fund for Kosovo. Consultancy work on the “Strengthening capacity in the Ministry of Health, Kosovo” programme MoH - HLSP – RI INVEST Project. Pristina.

HILMIA, Sabah; ANGJELI, Anastas: Public Finance (First Element of Finance Science), Tirana, 1994, p 14

HENDERSON, David: Classics of Economic Thought, From the Earliest to the Present, 2007

HYMAN, David N: Public finance, a Contemporary Application of Theory to Policy, Copyright 2010 Cengage Learning. North Karolina, State University. USA, faqe

ROSEN, Harvay S: Public Finance Department of Economics, Piketon University, altin, Tirana, 2003.

Kosovo Health Law 2004

By-laws of the MoH 2002 -2004

World Bank Group in the Western Balkans, Washington D.C., August 2005, p. 20-21.

UNDP: Kosovo Mosaic 2006, Index Kosovo, October 2006,

Report, World Bank: Poverty Assessment in Kosovo, June 2005

World Bank Doc: Poverty Assessment in Kosovo, June 2005, p. 29

http://data.euro.who.int/hfadb

Kosovo Population Health Analysis, 2006: NIPHK, Pristina, 2007.

http://www.ks-gov.net/ESK/

Kosovo Health Strategy 2005-2015

See section 13.2 (g) of the Law on Internal Audit, no. 02 / L-74.

According to Article 5 of the Law on Internal Audit, no. 02 / L-74, the Audit Committee shall consist of the Chief Administrative Officer, and at least three other members of the senior management of the budget organization concernedInterview with Mr. Kosum Aliu, Director of the Central Harmonization Unit. 20 August 2009.

See Section 5 of UNMIK Regulation 1999/16 on the Establishment of the Kosovo Central Fiscal Authority and other related matters.

Articles 136 and 137 of the Constitution of the Republic of Kosovo regulate the functioning of the Office of the General Auditor. Section 2 of Law 03 / L-075 on the Establishment of the Office of the General Auditor also regulates the establishment and operation of the OAG.