PERFORMANCE AUDIT REPORT

“EFFECTIVENESS OF SPECIFIC HOUSING PROGRAMS”

Prishtina, October 2018
The Auditor General of the Republic of Kosovo is the highest institution of
economic and financial control which, according to the Constitution and domestic
laws, enjoys functional, financial and operational independence.

The National Audit Office undertakes regularity and performance audits and is
accountable to the Assembly of Kosovo.

Our Mission is to contribute to sound financial management in public
administration. We perform audits in line with internationally recognized public
sector auditing standards and good European practices.

The reports produced by the National Audit Office directly promote accountability
as they provide a base for holding managers’ of individual budget organizations
to account. We are thus building confidence in the spending of public funds and
playing an active role in securing taxpayers’ and other stakeholders’ interests in
enhancing public accountability.

Performance audits undertaken by the National Audit Office are independent,
objective and reliable reviews that assess whether government actions, systems,
operations, programs, activities or organizations operate in accordance with the
principles of economy\(^1\), efficiency\(^2\) and effectiveness\(^3\) and whether there is room
for improvement.

The Auditor General has decided on this Report “Effectiveness of Specific
Housing Program” in consultation with Assistant Auditor General Vlora
Mehmeti, who supervised the audit.

The team producing this report is composed of:

  
  Myrvete Gashi, Audit Director
  Fikret Ibrahimi, Team Leader
  Ardiana Miftari, Team member

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1 Economy - Principle of economy means minimising the cost of resources. The resources used must be available in a timely
   manner, in the right quantity and quality and at the best price possible
2 Efficiency - The principle of efficiency means getting the most out of the available resources. It has to do with the link between
   the resources involved and the outcome given in terms of quantity, quality and time.
3 Effectiveness - The principle of effectiveness implies achievement of predetermined objectives and achievement of expected
   results.
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<th>Description</th>
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<tbody>
<tr>
<td>AI</td>
<td>Administrative Instruction</td>
</tr>
<tr>
<td>ECHR</td>
<td>European Charter of Human Rights</td>
</tr>
<tr>
<td>ICHR</td>
<td>International Conventions on Human Rights</td>
</tr>
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<td>MESP</td>
<td>Ministry of Environment and Spatial Planning</td>
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<tr>
<td>MLSW</td>
<td>Ministry of Labor and Social Welfare</td>
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<tr>
<td>NAO</td>
<td>National Audit Office</td>
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<tr>
<td>POA</td>
<td>Publicly Owned Apartments</td>
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<td>SHP</td>
<td>Specific Housing Program</td>
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Executive Summary

The National Audit Office has examined the performance of the Specific Housing Program. This program aims to provide housing for all citizens who are in need of social housing. The program is managed by the Ministry of Environment and Spatial Planning and the Municipalities.

The Specific Housing Program does not perform well. A majority of those who need social housing are not given it and too little is done to significantly improve the situation. Based on the available information’s, only one quarter of those who have sought for help have received it. In addition there is a large number of citizens who are in need but not aware that they are eligible for receiving help, as well as those who can’t receive help due to complex administrative process. As a consequence of not benefiting from this housing program many citizens will continue to live in hazardous or improper housing facilities.

There are several reasons why the program is not performing well.

Firstly, the program is not sufficiently funded and available resources are not effectively allocated. The success of the program is to a large degree depending of the extent of new (and costly) housing construction. It is consequently difficult for the municipalities to generate sufficient funding to meet to all housing needs. Moreover, available resources are not consistently allocated to the most needed citizens, and it happens that ineligible people live in apartments dedicated for the program. Alternative solutions, such as municipalities using own land to increase housing fund dedicated for social housing, are rarely used which could help municipalities increase their housing fund.

Secondly, the performance and practice varies significantly among municipalities and on the other hand the rather complicated national criteria are not consistently applied, resulting in frequent irregularities and not intended outcomes. The outcome is hampered by different local ambitions and regulations (regarding e.g. administrative procedures, documentation and control). This means that citizens with similar needs will be treated differently. It is only possible to seek help locally from this program, and if the applicant can prove residency otherwise he or she is ineligible to benefit for help. Apartments being used for this program are built mainly in urban areas, consequently applicants living in rural areas have very limited chance to get a house in the area where he lives.

Thirdly, there are shortcomings when it comes to information system, monitoring and inspection. Neither the government nor the municipalities have developed a system to identify the needs for social housing and as a consequence there are no accurate data about the number of needs for this program. Lack of proper monitoring, inspecting and reporting process makes planning and decision-making more difficult. The information to citizens about the housing programs is poorly developed. There are citizens which given their very serious health or socio-economic situation are not able to be informed neither apply for social housing in municipality.
We recommend the Ministry of Environment and Spatial planning to consider the following:

Based on the findings in this report, review and improve the current program and how it is implemented. Develop relevant and measurable objectives, simplify the criteria, define the division of responsibility between central and local authorities and insert measures to ensure that the program for social housing is effectively, consistently and efficiently operating, with specific emphasizes:

- All needs for social housing are identified and that municipalities report on a regular basis how they have been able to meet the objectives of fulfilling the needs. Develop capacity the evaluate program effectiveness and knowledge sharing.
- The national criteria for social housing are consistently complied with and develop proper systems for inspection and monitoring of local practices.

We recommend the municipalities to consider the following:

Seek ways to improve the performance, and give special attention to the following:

- Establish a way to identify citizens with high priority needs for social housing and strive to find affordable and immediate solution for them.
- Ensure increased utilization of alternative sources which might help municipalities to increase housing fund and use these resources solve their housing needs.
- Give consideration for citizens living in urban or rural areas while designing social housing programs.

Improve the system for monitoring, documentation, control and reporting. Give special attention to the following:

- Establish a process for inspecting and reporting through which results can be documented and serve as a basis for future planning and decision-making.
- Provide the Ministry of Environment and Spatial Planning with information on a regular basis on demand and supply of social housing.
- Establish a process which ensures that only those eligible for social housing live in apartments within the social housing programs.
1 Introduction

Specific Housing Programs (Hereinafter: SHP) implies appropriate and affordable housings for families or Individuals who are not economically able to afford free market offers and they need state aid. The right to housing means the right to use the space in the course of the overall development of the society, respectively developing the living standard. The right to housing is one of the fundamental human rights guaranteed by the Constitution of the Republic of Kosovo, the International Conventions on Human Rights (ICHR) and the European Charter of Human Rights (ECHR). As a social issue and strategic planning issue of a country, addressing the housing issue appropriately ensures sustainable social and economic development.

Difficulties increased after the war when nearly one-third of houses were destroyed. The war period in Kosovo had heavily burdened the housing issue of many families. Based on domestic and international data, the number of damaged houses was around 120,000, of which 45,000 were totally damaged, while after the war there was a large donor activity rebuilding around 60,000 residential homes.

Ministry of Environment and Spatial Planning (Hereinafter: MESP) as the main central governance stakeholder in charge of SHP should propose, draft, approve and ensure the implementation of policies - strategies and legislation, monitoring and reporting. Municipalities are responsible for identifying housing needs within the area of responsibility, developing housing programs, provisioning of construction sites, creating and administering of database, administration and maintenance, monitoring and reporting.

The selection of this audit topic is important given that ensuring housings for all residents has a broad social impact and high public interest. Based on the applications submitted in the municipalities and summarized in the reports of the Department of Housing and Construction within MESP, the housing situation is severe as a result of a considerable number of families who have not solved their housing issues. In Kosovo, the housing issue has been a continuous challenge from previous periods and the requests for solving the housing issue have an ongoing increasing trend. In addition to the increasing trend, socio-economic changes have a particular impact on increasing the housing demand in Kosovo.

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4 Concept Paper of MESP for Social Housing, 2015 page 3
1.1 Audit Objective and Questions

The objective of the NAO is to assess whether the central and local government has effectively managed and achieved the expected results from the SHP for families in need. In this context, we have assessed whether MESP, municipalities and other relevant institutions in charge of managing SHP have coordinated activities between them, have implemented their programs based on available resources and have installed reporting and monitoring mechanisms to ensure that program achieves the desired results.

The main questions of this audit are:

- Whether SHP are properly managed; and
- If resources for managing specific residential programs are used optimally.

This audit scope covers the period 2015-2017 including planning, coordination, monitoring and reporting, related to SHP. The subject of this audit from the central level of governance is MESP as the bearer of the SHP process. From the local level of governance five (5) municipalities are selected as case studies to illustrate how these programs are managed locally. The audited municipalities are: Obiliq, Gjakova, Ferizaj, Mitrovica and Pristina.

Our procedures included a review of activities related to Specific Housing Programs to the extent considered necessary for the effective performance of the audit. The audit findings should not be regarded as representing a comprehensive statement of all the weaknesses which exist, or all improvements which could be made to the systems and procedures applied.

Detailed audit methodology applied during this audit, audit criteria, scope and limitations are presented in the Annex 1 of this report.
2 Description of the System and relevant stakeholders

This program for social housing started on 2010 what is a continuity of previous activities by the MESP related to the social housing started on 2002. The purpose of this housing program is addressing housing issues based on housing policies aiming the creation of conditions for adequate and sustainable housing in order to enable housing needs to be resolved for citizens that don’t have economic strength to solve this problem according to market principles. Housing solutions provided by the municipalities are mostly ad-hoc, same as identifying needs. Based on this program, accommodation is provided through financing of renting apartments, where are included:

- Apartments built by the Municipality, Government and donors which apartments are being leased;
- Existing apartments owned by private individuals or legal persons, which can be leased for households who have a housing bonus\(^5\);
- Other apartments owned by municipalities, which can be adapted for the use of SHP.

MESP should establish mechanisms of cooperation between responsible actors, based on functional systems, transparency and accountability, coordinating its activities with implementing institutions of the SHP. Other responsible actors directly associated with the SHP are the municipalities, respectively the municipal directorates responsible for this process.

A special chapter over the system how is regulated by the current framework is presented in the Annex 2 of this report.

2.1 Duties and responsibilities of MESP

MESP as the main stakeholder in charge of SHP within central governance level and it is in charge over coordinating and preparing the professional work for the drafting of laws and administrative instructions. The Department of Spatial Planning, Construction and Housing (DSPCH) is directly responsible for preparing and implementing the legal framework for housing. The Ministry has drafted the Law on the Financing of Special Housing Programs (Law No. 03 / L-164) as well as 6 Administrative Instructions which set out the rules and procedures for resolving the housing issue. This ministry coordinates with different stakeholders of public institutions, donors, investors and various NGOs on financing SHP. Besides, supports municipalities in the fulfillment of responsibilities arising from the legislation in force in the housing field, drafts and monitors the implementation of minimum standards for housing. MESP is responsible to develop three (3) year national housing strategy based on three (3) year municipal housing programs.

\(^5\)Law No. 03 / L-164 Article 15: Municipality authorities, with the approval of the municipality Assembly, can allow housing bonus to partly cover renting costs, in order to rent apartments from the market for the families which fulfill conditions as set by the article 4 and 5 of this law.
2.2 Duties and responsibilities of the Local Governance

Municipality is the main stakeholder in managing the housing programs while in practice, within the municipal administration, the responsibility for SHP is delegated to Directorates Municipal Centers for Social Welfare. The responsibilities of the Municipality should be exercised, organized and managed in full compliance with the laws governing the responsibilities of the municipality, the Law on Local Self-Governance, regulations and working procedures in accordance with the Municipal Statute adopted by the Assembly.

Some of the duties and responsibilities of the municipalities related to SHP are:

- Identification of housing needs;
- Designing three (3) year housing programs;
- Provision of construction sites;
- Creating and administering the database;
- Housing administration and maintenance; and
- Reporting to MESP.

Municipalities have their responsibilities for the inspection and implementation of housing programs depending on the guidelines or regulations in force. The commission for evaluating and assessing applications for social housing is appointed by the mayor and which assess the documentation presented by the applicants, as well as verify their housing situation during the field visits. After selecting applicants a preliminary list of beneficiaries is made public in municipality boards and a list of applicants that has not benefited from this program in order to give possibility to unsatisfied parties for complaining. The commission’s for evaluation and selection reports directly to the mayor about the process of selecting beneficiaries. Files of beneficiaries should contain documents that prove the socio-economic status of the beneficiaries.
Findings

This section covers audit findings that relate to the main reasons which have led to low effectiveness and efficiency of SHP. The findings are based on examination and analysis of relevant documents received from the audit entities as well as the interviews conducted with administration of this process and also of analysis to the applicable regulations, plans and directives.

3 The Performance of Specific Housing Programs

According to MESP two third (around 70%) of the applicants for SHP during the last 15 years have benefited from this program. During the same period over 3,600 applications were made, and over 20 million Euros was dedicated for 1,178 apartments (51 collective apartment buildings). See appendix 4. The municipalities have consequently not prioritized to meet these urgent needs for housing, e.g. by seeking cost-effective solutions or been able to increase the social housing fund.

Seen over time, the number of requests for SHP is increasing, and it has becoming more and more difficult and costly for the municipalities to meet the demand. At the same time not all of those who according to national criteria need SHP still benefit from the program.

3.1 Efficiency significantly varies among municipalities

Municipalities are the main stakeholder in identifying housing needs, drafting, financing and implementing housing programs. Some municipalities have been more effective than others in the process of SHP, as seen in the table 1 below.

<table>
<thead>
<tr>
<th>Municipality</th>
<th>No. of demands for SHP</th>
<th>No. of unsettled demands based on municipality lists</th>
<th>No. of Actual beneficiaries</th>
<th>% of program implementation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Obiliq</td>
<td>302</td>
<td>243</td>
<td>59</td>
<td>20</td>
</tr>
<tr>
<td>Gjakova</td>
<td>272</td>
<td>178</td>
<td>94</td>
<td>35</td>
</tr>
<tr>
<td>Mitrovica</td>
<td>98</td>
<td>75</td>
<td>23</td>
<td>24</td>
</tr>
<tr>
<td>Ferizaj</td>
<td>308</td>
<td>218</td>
<td>90</td>
<td>29</td>
</tr>
<tr>
<td>Prishtina</td>
<td>558</td>
<td>360</td>
<td>198</td>
<td>36</td>
</tr>
</tbody>
</table>

Source: Summarized data by KNAO based on information’s and documents received

The number of demands for SHP could be higher than the number presented in the table 1 above. This difference could happen partly because these presented numbers mostly were gathered during the processes of past specific applications, but also because of the fact that there is no ongoing process of identification needs for SHP. In the Table 1 we have summarized data from audited
municipalities where are presented the needs for SHP based on municipality lists of applications and lists of beneficiaries.

**Graph 1:** The percentage of realization and remaining needs for SHP

<table>
<thead>
<tr>
<th>Municipality</th>
<th>Remaining</th>
<th>Realization</th>
</tr>
</thead>
<tbody>
<tr>
<td>Obiliq</td>
<td>20%</td>
<td>80%</td>
</tr>
<tr>
<td>Gjakova</td>
<td>35%</td>
<td>65%</td>
</tr>
<tr>
<td>Mitrovica</td>
<td>23%</td>
<td>77%</td>
</tr>
<tr>
<td>Ferizaj</td>
<td>29%</td>
<td>71%</td>
</tr>
<tr>
<td>Prishtina</td>
<td>35%</td>
<td>65%</td>
</tr>
</tbody>
</table>

Source: Summarized data by KNAO based on information’s and documents received

Graph 1 shows the variation of performance among audited municipalities where it can be noticed that some municipalities have realization of around 35% while there are others with realization of less than 20%. The level of effectiveness in all our sample audit is around 30%, thought very low, in some municipalities there is a better performance than in other. This level of realization of the program with less than one-third of the needs fulfillment can be considered as too low for meeting social housing needs, while around 70% of needy citizens have to wait on the waiting lists until the municipality has the resources to help them solve the housing problem.

- Obiliq municipality has fulfilled less than 20% of needs for social housing by accommodating 59 families, but this number represents only the residents in Plemetin village what was a special investment of Central Government in 2006. This is a prove that Obiliq municipality is lacking efforts to accommodate this category of citizens while a number of 243 other needs are social cases considered by the municipality potentially in a waiting lists.

- This number of 94 beneficiaries or around 35% of total needs in Gjakova municipality it represents 48 of accommodated families in apartment buildings dedicated for SHP and 46 beneficiaries in process to be accommodated. In this municipality based on some registers 178 other applicants are in waiting list until some solution to be found.

- Mitrovica municipality has accommodated 23 of beneficiaries or around 23% fulfillment of total SHP needs while a number of 75 other needs or around 77% are in waiting list until some solution to be found. Based on the list of applications the number of needs for SHP is 98.

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6 This level of fulfilling needs is calculated including the current process in Prishtina for selecting of 100 new beneficiaries, Ferizaj 38 new beneficiaries and Gjakova 46 new beneficiaries
• Municipality of Ferizaj has fulfilled needs for 90 beneficiaries or around 29% of total registered applications, 38 of which are in process to be accommodated while a list of 218 demands for social housing remain unsettled until some solution to be found.

• The number of 198 beneficiaries or around 35% fulfillment of total needs in Prishtina municipality it represents 98 of accommodated families in apartment building dedicated for SHP and 100 other beneficiaries in process to be accommodated while 360 other needs are in waiting list till some solution to be found.

In all of our audited sample we have identified that based on allocated and spent budget for the purpose of social housing, but also plans to fulfill this needs, responsible authorities are not giving much efforts conducting activities in spite of high number of needs and objectives set out while they don’t report on the achieved results.

3.2 Assistance for housing is not being offered to all citizens in need while demand increases

Considering that a large number of applications for social housing remain unsettled, and despite not being reduced, the number of applications for SHP is constantly increasing. As a result of increasing number of applications for SHP, applicants are obliged to wait sometimes for long time in order their application to be considered, though many of this applicants have very little chances to benefit from this programs due to limited financial resources and limited housing funds dedicated for this purpose. Out of five audited municipalities there was a number of needs for SHP of 1,519 of which 462 families have been accommodated and 1,057 families couldn’t solve their housing problems what represents that around 70% of which should wait until authorities find a solution for their housing problem.

Annual reports of institutions responsible for SHP show that very little was done in the past period in relation to meeting the demand for SHP. Strategic plans of municipalities as the main institutions in charge for housing and neither their operational plans don’t show any action or plan to effectively manage this problem and no remarks are specified in this reports related to not fulfilling needs for SHP. During the interviews with responsible officials of sampled municipalities it was estimated that authorities don’t have any specific action strategy or action plan to solve this societal problem and neither to address poor performance of having a long waiting queue for SHP unaddressed.

7 Analyzing the allocated budget and strategic plans of municipalities it was noted that no steps have been taken in direction of increasing housing funds.
3.3 Few municipalities have utilized of alternative ways to increase housing fund

Local governance is responsible for securing construction areas and equipping with adequate infrastructure in order to create possibility for building apartments. In general terms authorities didn’t create much opportunities for alternative ways to use its resources for increasing of housing fund. Identifying of land owned by municipalities which might be used for the purpose of constructing apartment buildings and equip this land with respective infrastructure in order to help implementation of SHP could help municipalities to use their non-financial assets to increase their housing fund and use this assets to solve their housing needs. Municipalities didn’t put much efforts to identify the areas of land and other non-financial assets which might be used for the purpose of constructing apartment buildings which would help in implementation of SHP. In one case municipality of Ferizaj has increased its housing fund based on a signed agreement with private construction companies to build apartments in municipality land receiving back a number of apartments from the apartment building as compensation for the given land.

Gjakova municipality has identified 131 publicly owned apartments (Hereinafter: POA) being used by beneficiaries who don’t have renting contracts with municipality and neither pay for their rent. The process of identification of this residential assets has not yet been finalized, thought one municipality commission lead by one political advisor of ex-mayor has conducted a process of identification but no final results are published yet.

Ferizaj municipality has identified a number of apartments in public property which are being used by beneficiaries who don’t have renting contracts with municipality.

Municipality of Mitrovica in 2010 had leased to a contractor municipal land for a certain renting fee, while part of the contractual agreement was commitment for building of ten (10) houses dedicated for social needs by the year 2012. The municipality of Mitrovica didn’t provide any document’s to prove that this social houses in a value of 161,000€ were built. The only documents that have been provided to the auditors are the municipal land lease contract of 2010 and a notice letter sent to the contractor on 2013 reminding him that he didn’t fulfill contractual obligations which were supposed to be concluded by the year 2012. Authorities in Municipality have stated during the audit interviews that this contractual article is implemented in time as contracted thought they couldn’t provide audit proves that this houses were built by the contractor as agreed. As a consequence of this houses not being built as contracted, 10 social families could not solve their housing problem and continue to live in improper housing facilities. Furthermore the renter continues to use public property without fulfilling contractual commitments. The municipal initiative was good, however the implementation of this contract has failed to conclude this agreement.

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8 KNAO Audit Report 2016 of Financial Statements of Obiliq municipality has identified that the municipality still does not have all the lands owned by the municipality recorded.

KNAO Audit Report 2016 of Financial Statements of Mitrovica municipality did not manage to fully register owned assets, land and buildings.

9 Information collected during interviews with the commission for identifying of Apartments in Public Ownership (POA) in Gjakova municipality.
Renting of publicly owned apartments to parties which have incomes higher than the limit set in regulations

Examining incomes of SHP beneficiaries from public institutions we have found that there is a number of tenants who receive salary higher than 300€ what is the maximum limit set with Law on SHP, considered a sufficient amount of incomes to afford commercial housing market prices (Table 2).

Besides beneficiaries from SHP, Mitrovica and Prishtina municipality have registered in municipality lists of tenants a number of beneficiaries of (POA) which are not included in SHP. In the Mitrovica and Prishtina municipality, continue to live a number of citizens who have benefited from housing in public property not in line with SHP which are the only programs that regulate the benefit of housing in public property.

In all of audited municipalities, their responsible officials have informed us that they have a fund of apartments which according to law in force it is municipality property and it should be used for accommodating social families\textsuperscript{10} while some of this apartments are being used by the staff of public institutions. Municipalities have rented this POA to this other social categories relying their decisions on law on Local governance and the law on allocation for use and exchange of immoveable property of municipality. Based on this regulations renting of immoveable property of municipalities should be based on this basic principles: the principle of protection and provision of the public interest; the principle of protection and increase of the value of the municipal public property; the principle of protection of characteristics and unique values of property and the principle of environment protection. Audited municipalities didn’t provide any document to prove that this principles have been applied when renting POA to this beneficiaries.

Table 2: No. of SHP beneficiaries with incomes >300€ and No. of SHP beneficiaries aside from SHP

<table>
<thead>
<tr>
<th>Municipality</th>
<th>No. of actual beneficiaries\textsuperscript{11}</th>
<th>Beneficiaries receiving salaries &gt;300€</th>
</tr>
</thead>
<tbody>
<tr>
<td>Obiliq</td>
<td>59</td>
<td>5</td>
</tr>
<tr>
<td>Gjakova</td>
<td>48</td>
<td>3</td>
</tr>
<tr>
<td>Mitrovica</td>
<td>23</td>
<td>3</td>
</tr>
<tr>
<td>Ferizaj</td>
<td>52</td>
<td>7</td>
</tr>
<tr>
<td>Prishtina</td>
<td>98</td>
<td>12</td>
</tr>
</tbody>
</table>

Source: Summarized data by KNAO based on information’s and documents received

While analyzing SHP beneficiaries we have found that there is a number of SHP beneficiaries who earn incomes higher than €300 from public institutions. In the table 2 is presented the number of SHP beneficiaries in five of the audited municipalities and the number of identified beneficiaries who earn salaries higher than 300€ from public institutions in these municipalities is 30. Lack of

\textsuperscript{10} Law no.03/L-164 on financing SHP [Apartments build by international humanitarian Organisations before 1999 and apartments build by state institutions or donors after 1999 are municipal property].

\textsuperscript{11} Number of beneficiaries presented in this table are only current residents excluding beneficiaries from the recent selection process which has not been finished at the time of audit
accurate asset registers has caused difficulties in identifying all beneficiaries of POA in other audited municipalities. None of the municipalities is monitoring and controlling previous contracts related to the economic situation of beneficiaries.

3.4 Municipalities don’t prioritize the most urgent needs for social housing

The application for social housing of those in need should be a continuous process what should serve as basis for future planning of needed resources in order to meet this needs. During this process authorities can identify and the most urgent needs for social housing and what enables them to take emergent measures based on urgency.

Pic 1. SHP apartment building in Mitrovica and ‘DES’ barracks of some families living next to SHP apartment building in this municipality

In Mitrovica municipality there are 8 families with 31 family members accommodated in ‘DES” barracks which are considered not to fulfill minimum criteria (Pic 1). Four of the photos above with the barracks show the buildings where eight families with 31 dependents are living at in highly improper and hazardous buildings. The two other pictures with the apartment building shows the building dedicated and used for social housing in Mitrovica municipality. This is just one sample

13 ‘DES’ is the name used by the municipality of Mitrovica for one of the settlements.
14 Three years housing program of Mitrovica municipality.
showing improper and hazardous resident buildings used as illustration and which doesn’t mean that there are no other similar cases in other municipalities in Kosovo.

In Mitrovica region, Authorities have identified one urgent situation in Stan-Tërg where a number of families were living in highly hazardous buildings near Trepça mine (Pic 2). The photo below taken during the audit visits are showing the hazardous barracks - building where this residents live and some views from newly built apartments next to it dedicated for them.

**Pic 2.** Apartment buildings for SHP, Stan-Tërg near Trepça mine, Mitrovica municipality

![Pic 2](image)

Funds for building of this apartment building were allocated by central government institutions dedicated for accommodating of this citizens living in one hazardous building in Stan-Tërg village, while this finalized apartments are waiting for administrative procedures of municipality to accommodate new beneficiaries.

In the three-year housing programs municipalities should disclose the number of social housing requirements by categories. In practice the needs for social housing are recorded in ad-hoc bases only when there is a call for application in the situations when the certain municipality has built own apartments for this purpose. As such, the process in place for identifying the needs for SHP doesn’t guarantee that all needs are being identified particularly taking in account individuals which given their serious health or socio-economic situation is considered that they might not have the opportunity to be informed in time by the media or announcements in municipalities and neither are able to apply for SHP. Of the total number of social housing needs we have noticed that only the number of completed applications for social housing is counted in the lists of housing needs. Thought that it is considered that all applicants are considered to be living in bad conditions,

15 This buildings do not fulfill minimum criteria of living and due to this emergency situation Central Governance institutions have financed urgent construction of an apartment building for this families.
there is no distinction among the applicants to select the needs for social housing and very urgent needs which need urgent solution. The actual solution for the most urgent needs for social housing is payment of rent for a period of six months from the budget of subsidies which process is an ad-hoc process and doesn’t guarantee that all urgent needs will be met in time.

Central authorities neither local authorities don’t have plans neither have allocated budget for addressing urgent needs for SHP. Besides, there is no exchange of information with other relevant local or central institutions related to identification of most urgent needs and crosschecking of information’s between institutions which deal with social issues.

3.5 Irregularities in the selecting process of beneficiaries

The purpose of SHP is to create conditions for sustainable housing for citizens who are not in a viable economic position to afford the free-market housing. The demand for social housing is much higher than the authorities could provide help for this purpose. Due to lack of resources to meet all needs for social housing until now, it is expected that the most urgent needs to be solved by this housing program. Many of municipalities have applied additional criteria which have left many citizens in bad socio-economic situation without help for housing while some other social categories have benefited housing from public institutions thought based on the legislation in force they are not entitled to benefit.

In one call for applications in Ferizaj municipality out of 52 beneficiaries only seven (7) were identified among social category. The number of waiting list if to consider applications received for SHP in year 2017 in Ferizaj it was 218. Ferizaj municipality hasn’t allocated any budget for this purpose for the coming years.

From previous existing contracts for social housing in the municipality of Prishtina we have noticed that out of 98 beneficiaries only 48 were from the social category. Besides this number, in 2016 and 2017 Prishtina municipality has announced call for applications for its fund of 100 available newly build apartments in what process it has awarded 50 contracts for social cases out of 331 applicants and 50 other contracts to other social groups like veterans, families of heroes and other categories out of 129 applicants.

MESP doesn’t exchange informations on living conditions with institutions who might have informations about residents living in very bad conditions and particularly the Ministry of Labor and Social Welfare – MLSW which ministry is entitled to manage the social assistance.
Graph 2: Prishtina municipality - Beneficiaries from social category/Beneficiaries from other social categories SHP

Graph 2 shows the percentage of beneficiaries from the social category and compared with the percentage of SHP beneficiaries from other social categories. In this call for application for apartments dedicated to veterans, families of heroes and other categories the assessment process was not with the same criteria as the process of selecting social cases while 50 applicants have been awarded with renting contracts. Furthermore municipality of Prishtina in 2011 has established an internal regulation for renting apartments to veterans, families of heroes, thought the basic regulations in force regulates that this category to benefit from housing programs. The basic regulation which determines the order of priority it has six criteria and one out of this six criteria (1 out of 6) gives additional scoring points is for this social category.

Prishtina, Ferizaj and Gjakova municipalities did have a process of call for applications in the past two years. Based on the interviews with respective officials we have been informed that many applicants are disqualified from the selection process due to not fulfilling some of basic administrative criteria. Evaluation and selection committee has conducted also field visits to crosscheck the living conditions of the applicants. We have been informed by the evaluation and selection committee members that one of the criteria disqualifying applicants was prove of residency for the certain period as determined by the internal regulation of municipality, as in the case of Prishtina or Ferizaj.
3.6 Renting contracts longer than the time period set in regulations

Basic regulation for determining the order of priority for the categories of the families that can benefit from the SHP regulates that the contracts for renting apartments should be for the period of one (1) year with possibility of renewal followed by respective re-assessment.

Renting contracts in Obiliq, Gjakova and Mitrovica municipalities for social housing are signed for an indefinite period of time as long as tenants meet the criteria for social housing. This renting contracts regulate that there should be reassessment of socio-economic situation of the beneficiaries in biannual bases in order to continue / terminate the contract for the use of the apartment. Internal regulation in Ferizaj municipality defines that renting contracts should be in a period of three years with possibility of renewal after a re-assessment process. During the audit, Ferizaj municipality couldn’t provide files with contracts of previous beneficiaries what unable auditors make an assessment of previous renting contracts, while the current process of selecting beneficiaries was ongoing and auditors could assess only the application files. Renting contracts of Prishtina municipality are signed in two different durations depending on the period when this contracts were signed. Contracts issued in 2016 for the lease of apartments for social housing purposes have been signed for a period of 3 years, whereas, contracts issued in 2011 for leasing of apartments for social housing purposes have been signed for a period of 10 years.

None of the audited municipalities has applied any form of reassessment of socio-economic situation of benefiting family. Renting files of none of municipalities audited contain document to prove the reassessment of the household’s economic situation which is regulated with the renting contract.

3.7 Poor documentation proving the eligibility of Specific Housing Programs beneficiaries

Based on the current system when a call for application is announced for SHP by municipality, the announcement foresees the necessary documents for application proving socio-economic situation of the applicants. Those documents are forwarded to the competent municipal committee appointed for evaluation and selection. This committee should assess the household's housing status, verify the economic and social situation and the data of the applicants during the field visits. Files of beneficiary of social housing should prove eligibility for this programs by proving socio-economic situation of the family unit. This files should contain identification documents of the applicant, identifications documents of the family members, documents proving incomes of beneficiaries, salary, business or social assistance, documents proving health disabilities when applicable and other documents proving beneficiaries eligibility. It was noted during the audit that files of beneficiaries don’t prove clearly the urgent need for SHP.

Obiliq, Mitrovica, Gjakova and Prishtina municipalities have archived document files of beneficiaries from the housing program.
Municipality of Ferizaj doesn’t have a proper archiving system for SHP files, while all the documentation is kept by the evaluation and selection committee located in the files of technical workers office of municipality assembly. Directorate of social welfare neither legal office didn’t have information’s that this files exist. Files of beneficiaries besides documents proving their socio-economic situation contain also a document proving that the applicant doesn’t possess any property what criteria is considered overlapping of the law on SHP. The Municipality of Ferizaj doesn't have files of beneficiaries or files of rejected application from the previous processes of the selecting of SHP beneficiaries.

Files of beneficiaries in Mitrovica municipality are incomplete because they contain only the contract between the beneficiary and the municipality but this files don’t contain other supporting documents to prove socio-economic status. Based on the leasing contracts between parties, a reassessment of the socio-economic situation must be made on a two-year basis but these files do not contain any documents to prove this reassessment of the economic situation of the household, which is regulated by the lease contract.
4 Implementation of Housing Programs

Local governance in Kosovo is in charge over identifying housing needs, developing housing programs, managing housing programs in local level including evaluating and selecting applicants. Municipalities do not have a system of continuous identification of social cases that need solving the housing problem. The entire process of identifying and evaluating citizens in need of housing is done within call for applications. However, even after call for applications the evaluation and selection process of beneficiaries is not done with long delays, including some delays lasting more than one year.

4.1 A long lasting process for selecting and evaluating applicants

During the period 2015-2017, three out of five audited municipalities did have activities for selecting beneficiaries of apartments from SHP. During the audit we have noticed that the process of evaluating applicants and selecting beneficiaries is very long lasting (Table 3).

<table>
<thead>
<tr>
<th>Municipality</th>
<th>Timeline for applying</th>
<th>Time selection process</th>
<th>No. of applicants</th>
<th>No. of selected beneficiaries</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gjakova</td>
<td>1 month</td>
<td>8 months</td>
<td>220</td>
<td>42</td>
</tr>
<tr>
<td>Ferizaj</td>
<td>1 month</td>
<td>12 months</td>
<td>256</td>
<td>37</td>
</tr>
<tr>
<td>Prishtina SHP</td>
<td>1 month</td>
<td>10 months</td>
<td>331</td>
<td>50</td>
</tr>
<tr>
<td>Prishtina (Not SHP)</td>
<td>1 month</td>
<td>5 months</td>
<td>129</td>
<td>50</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
<td>939</td>
<td>183</td>
</tr>
</tbody>
</table>

Source: Summarized data by KNAO based on information’s and documents received

The evaluating and selection committee for assessment of applications for social housing in Ferizaj has selected 37 beneficiaries out of 256 applicants leaving one of available apartments vacant. Signing contracts with this beneficiaries in Ferizaj is temporary lifted by municipality due to numerous complaints and until to be solved by the local court. The evaluating and selection committee for assessment of applications for social housing in Gjakova has selected 42 beneficiaries out of 220 applicants leaving four (4) of available apartments vacant without selecting beneficiaries considering that there might be possible complains. The process of signing contracts with beneficiaries in Gjakova is temporary lifted by the municipality due to the fact that the awarded apartments are occupied by some third parties which are not vacating this apartments.

Procedures for evaluating of applications for SHP by the appointed evaluating and selection committee in Prishtina municipality have lasted 10 months and for non SHP applicants have lasted 5 months. Procedures for evaluating of applications by the appointed committee in Ferizaj municipality have lasted 12 months while in Gjakova municipality have lasted 8 months.
4.2 No integrated monitoring, controlling and evaluation process

Monitoring, controlling and evaluating process of SHP are some of the key functions of central government and local government. MESP as the main stakeholder in charge of specific housing programs should propose, draft, approve and ensure the implementation of policies - strategies and legislation, monitoring and reporting on these programs. Municipalities should apply this processes and in addition apply inspecting function to.

**Pic 3. Apartment buildings for SHP in Plemetin village – Obiliq municipality**

![Apartment buildings for SHP in Plemetin village – Obiliq municipality](image)

The photo above show the two apartment buildings in Plemetin – Obiliq municipality which are dedicated and used for social housing (Pic 3). This pictures show improper maintenance of surrounding area where this apartments are located and one of the pictures shows the burned roof of one of the buildings what shows lack of maintenance by the authorities while due to what damage the leaking water is making impossible to use the top floor apartment.

- One ad-hoc commission of Obiliq municipality has conducted a control of apartments on 2016 dedicated for social housing in Plemetin village and has found the following:
  - These apartments, neither their residents were never monitored before by the municipality or MESP since the construction of these residential buildings in 2006;
  - Out of the 60 apartments 59 are in use out of which 37 were being used by families who had a decision since this buildings were constructed, three (3) have new inhabitants based on mayors decision and 19 of them were being used by families without a decision or contract signed. Decisions by the mayor for the new residents were taken without one assessment of criteria applied based on SHP;
- Living conditions of this apartment buildings was concluded to be not good and due to the roof destroyed by a fire months before one apartment was out of use and on another was leaking roof what was estimated also during the audit field visits.

Social welfare officer of the Municipality of Gjakova municipality has conducted a control of apartments on January 2018 dedicated for social housing and has found that this buildings are not in good technical conditions. Out of 94 apartments in use for social housing 33 apartments have changed tenants while the municipality didn’t conduct an assessment procedure for this new beneficiaries.

**Pic 4. Apartment buildings for SHP in Gjakova municipality**

![Picture of apartment buildings](source: Pictures taken during audit field examination in Gjakova municipality, January 2018)

The photo above show the two apartment buildings in Gjakova municipality which are dedicated and used for social housing (Pic 4). In one of the photos below it can be seen that isolation in one of the walls is almost completely destroyed and no measures have been taken by the municipality to maintain this building properly.

Municipalities neither MESP have been effective in properly monitoring the process of SHP neither progress achieved. Lack of a verification process of data received by municipalities and the lack of inspection process on fieldwork confronts MESP with crucial difficulties during the monitoring process. Current monitoring process by MESP is done through reports received by municipalities, but no crosschecks is regulated or any other advice whether reports of municipalities are complete or accurate. In practice there was some monitoring mainly related to the physical conditions of the apartments designated for SHP based mainly on the ad-hoc bases. Existing reports produced doesn’t provide information’s about identifying needs for SHP and doesn’t provide information about the changes in the socio-economic situation of the families who are renting based on SHP. Out of the 38 municipalities, only one municipality\(^\text{17}\) has reported on the implementation of the SHP, but this report was not comprehensive and doesn’t contain information on how the SHP is being implemented.

Lack of regular monitoring, controlling and evaluation process of residents in apartments dedicated for social housing it creates difficulty of having information’s about the utilization of this apartments.

\(^{17}\) Klina municipality
while on the other hand it lacks information on socio-economic situation of beneficiaries and the living conditions in this buildings.

**Renting contracts not being monitored**

Beneficiaries of social housing through SHP haven’t been monitored in relation to reassessing their socio-economic situation since they have been awarded renting contracts.

In all five audited municipalities we couldn’t find any payment made by tenants of apartments. Furthermore none of audited municipalities is recording this receivables in their financial records and neither are identified as uncollected debts. Total absence from financial management of renting contracts besides not collecting funds for maintenance of collective apartment buildings dedicated for social housing it makes it more difficult also for the controlling purposes of this publicly owned property.

Besides rent for apartments we couldn’t find any payment made by the renters of business premises located in the apartment buildings dedicated for SHP. Mitrovica municipality has never received payments from renters of business premises located in the apartment buildings dedicated for SHP thought it has registered in its account receivables.

Municipalities which own business premises located in buildings dedicated for SHP didn’t put much efforts to rent all business premises which incomes would provide funds to cover the costs of administration, maintenance, amortization, regular and investment repairs of this buildings. Furthermore none of audited municipalities has established procedures neither guidance’s on how to manage with the incomes from apartments dedicated for SHP neither business premises located in buildings dedicated for SHP.
4.3 No functional information management on housing needs and housing funds

This process for SHP should be organized at local governance level from municipalities and at central governance level from MESP based on information’s received from municipalities based on internal monitoring and reporting systems, and there should also be a plan for the integration of these systems. MESP has contracted development of an electronic database which will enable management data needed for SHP including easier and timeliness monitoring by central governance. This database doesn’t have a module which would enable sharing information’s with other institutions considered relevant for better management of SHP especially sharing information’s with MLSW.

<table>
<thead>
<tr>
<th>Municipality</th>
<th>1. Needs based on housing programs</th>
<th>2. Needs based on audit evidence</th>
<th>Difference (2-1)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Obiliq</td>
<td>150</td>
<td>240</td>
<td>90</td>
</tr>
<tr>
<td>Gjakova</td>
<td>1,265</td>
<td>300</td>
<td>(965)</td>
</tr>
<tr>
<td>Mitrovica</td>
<td>150</td>
<td>363</td>
<td>213</td>
</tr>
<tr>
<td>Ferizaj</td>
<td>143</td>
<td>260</td>
<td>117</td>
</tr>
<tr>
<td>Prishtina</td>
<td>98&lt;sup&gt;18&lt;/sup&gt;</td>
<td>460</td>
<td>362</td>
</tr>
<tr>
<td>Total</td>
<td>1,806</td>
<td>1,623</td>
<td>(183)</td>
</tr>
</tbody>
</table>

Source: Summarized data by KNAO based on information’s and documents received

Municipalities draft their housing programs for their citizens which programs are approved by the respective municipal Assembly, and the following housing strategy, plans and the budget should support the realization of this programs. In practice demand for social apartments is much higher than authorities can provide and government doesn’t have a plan or strategy on how to face all this high demand and accommodate all citizens in need for SHP. Three (3) year housing programs serve as a document prescribing housing in general in the area of responsibility of respective municipality and the number of demands in the respective municipality based on applications or sometime summarizing applications for the past 15 years. This housing programs are not harmonized with strategic plans of municipalities and neither in harmony with operational plans and budgets. Not having coherent and comprehensive housing programs including the sources and a time schedule of solving housing problems it makes impossible to know the realistic intentions of respective institution.

Differences in the number of needs within the same municipality have come as a consequence that none of municipalities is applying a consistent and integrated system of identifying, addressing and reporting needs for SHP. MESP didn’t establish a functional management of information’s which

<sup>18</sup> Pristina’s housing program has not yet been finalized and is in the preparatory phase
would provide with reliable data on housing needs, housing fund (apartments in stock to be used for social needs), the number of accommodated families, the areas of land which might be used for the purpose of constructing apartment buildings, and other relevant information’s. The needs for social housing are identified only at the moment when there is a call for applications and applicants are considered eligible for SHP only if their application file is submitted in time and complete with all required documents. The data presented in existing housing programs is not in full compliance with information’s gathered from the application processes and other municipality reports.

Municipality of Obiliq and Mitrovica did not have any process in recent years of selecting apartments by the SHP. Municipality of Obiliq has presented in the SHP the number of 150 requests while based on the audit evidence gathered during the audit, there are 240 cases that need the help of the institutions to solve the housing issue. Gjakova Municipality based on the audit evidence had 300 requests for SHP, but in housing programs submitted to MESP it had introduced 1,165 requests, which in fact were a summarized number of all applications for the last 15 years. Based on the three year housing programs of Mitrovica municipality submitted to MESP we have noticed that this municipality has 150 applications for SHP. Based in a list of social housing applications in the municipality of Mitrovica for the years 2014-2016 it has been noticed that the demand has dropped significantly if compared to 2014 with 139 applications, in 2015 there were 88 applications and in 2016 in 58 applications. The authorities in the municipality of Mitrovica could not explain why there is such a huge decrease in social housing applications, while no applicant for SHP has been accommodated with the help of the Municipality during this period. Based on audit evidence gathered during the audit in the municipality of Ferizaj we have been informed that the number of needs for SHP is 260, while in the housing programs were presented 143 requests.

Prishtina municipality has presented two lists with 96 beneficiaries while in the last call for applications have applied a number of 460 applicants. In the municipality reports related to this category there is a number of 48 beneficiaries from the category of social cases and 50 beneficiaries from the category of veterans what makes the total of 98 apartments.

In this regard KNAO has conducted an electronic survey with a number of municipalities representing about half of total number of municipalities (Annex 3). Based on the conducted survey and based on information’s gathered during the audit and crosschecking with latest applicants for SHP by crosschecking with housing programs there is a discrepancy in number of applicants creating a confusion on the real number of needs for SHP (Table 4).
5 Inconsistency of Applying Regulations

Municipalities are obliged to report on annual bases about the results achieved while so far only one municipality has reported about the status of SHP, thought their report was not fulfilling minimum reporting requirements, while other municipalities have not reported. The issue of social housing is an ongoing problem for many years now and there is no national strategy on how to solve this problem. Lack of a national strategy addressing needs and resources for social housing it makes difficult to address this problem and have a roadmap toward finding solutions.

**Table 5: The status of preparation ‘housing programs’ by municipalities**

<table>
<thead>
<tr>
<th>Status of SHP</th>
<th>Municipalities</th>
<th>Nr.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Approved of 3 - year SHP by Municipal Assembly</td>
<td>Kamenicë, Ferizaj, Graçanicë, Rahovec, Klinë, Podujevë, Hani i Elezit, Shtërpçë, Gjakovë, Viti, Lipjan, Obiliq, Vushtri, Shtime, Mitrovicë and Malishevë.</td>
<td>16</td>
</tr>
<tr>
<td>Municipalities in process of drafting SHP</td>
<td>Pejë, Novo Bërđë, Deçan, Ranillug, Gjilan, Fushë - Kosovë and Prishtinë.</td>
<td>7</td>
</tr>
<tr>
<td>Municipalities which didn’t start preparing SHP</td>
<td>Drenas, Dragash, Istog, Kaçanik, Leposaviq, Prizren, Skënderaj, Suharekë, Zubin Potok, Zveçan, Junik, Mamushë, Partesh, Kllokot and Mitrovicë Veriore.</td>
<td>15</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>38</td>
</tr>
</tbody>
</table>

Source: Summarized data by KNAO received from MESP, December 2017

Inadequate planning process considering needs and available resources for SHP creates difficulties to achieving best results and creates deviations from the plans. Based on the applicable law, municipalities are obliged to draft 3-year municipal housing plans where the social housing needs are presented. The 3-year housing plans were not integrated into a country-wide summary document to address the problem in full. Only four out of 38 municipalities have established their housing sector who would be responsible for managing of this programs and also coordinating between the municipal directorates. 16 out of 38 municipalities have drafted their housing programs, 15 municipalities have not drafted their housing programs, while 7 other municipalities are in the process of drafting their housing plans (Table 5).
5.1 Regulations not effectively addressing key issues over SHP

The law on Financing of SHP (Law No. 03 / L-164) provides the basis for the housing sector, which is complemented with six (6) AI regulating procedures defining the rules and procedures, criteria and bodies competent for the implementation of this programs. The Law on SHP and AI provide broad powers to the local governance in identifying, planning, executing and monitoring SHP, based on what powers municipalities operate and some of which have issued internal regulations for this programs. Some of municipalities have drafted their internal regulations defining procedures for the administration of SHP. During the audit we have found that some provisions of central and local regulations have created ambiguity and as consequence confusion among institutions implementing SHP.

Regulation in force which determines the order of priority doesn’t set urgent priority for citizens who live in hazardous buildings neither priority for citizens with serious health disabilities and who might need continuous care of another person. The criteria determining the order of priority related to financial incomes for family units are not reviewed accordingly with the inflation rate in the country\(^1\). Current assessment system which awards points based on incomes of applicants per family unit it creates disadvantage for family units with more family members but less incomes per family member. This assessment system doesn’t multiply points for the families who are under guardianship of more than one family member with health disabilities what creates disadvantage for family units which have more than one family member with health disabilities. Current scoring system for family units who have more than one orphan under care creates disadvantage for family units which have more than one orphan under their care. The scoring system based on the age of applicant’s family members within one age group it creates disadvantage for family units which have more than one dependent within the same age group. Placing one certain age in two groups within the assessment system\(^2\) it might create confusion among evaluation and selection committees on how many points the applicants have scored while different applicants of the same age might be awarded different score.

Apartments being used for social housing predominantly located in urban areas offer only the option of collective apartments in urban areas, while the socio-economic and cultural differences of different regions in Kosovo are not taken into account. Particularly there is a lack of attention for citizens living in rural areas, while most of Kosovo’s population lives in these areas (61.7%)\(^3\), where they conduct various agricultural activities as a means of providing family welfare. The BWPs do not offer the opportunity to the needy citizens living in rural areas to solve their housing problem within the areas where they live, where they would also be able to continue their activities in agriculture. By offering of housing for this category of citizens in the urban areas would mean solving of their housing problem, but on the other hand difficulty for exercising of their working activities with what mean they provide welfare for their families.

\(^1\) Based on World Bank statistical data on inflation indicator the inflation rate in the country for the period since this regulation in force was around 3% [https://data.worldbank.org/indicator/NY.GDP.DEFL.KD.ZG?locations=XK](https://data.worldbank.org/indicator/NY.GDP.DEFL.KD.ZG?locations=XK).

\(^2\) AI No 21/2010 for determining the order of priority has set the criteria of 18 years in two groups of the scoring system in place (Annex 5).

5.2 Burdensome criteria set by local authorities

Municipalities have defined criteria of eligibility for special housing some by defining their internal regulations and some by defining this criteria in their call for applications. The process of announcing, assessing and contracting social houses in most of cases happened years ago and very few calls for applications were announced in the past years.

Internal regulation of Ferizaj and Prishtina municipality for SHP determine that eligible applicants are heads of family or individuals who doesn’t own personally or by their family members a house, apartment or other immoveable property. Differences on criteria for eligibility for SHP are overlapping provisions of the basic regulation which provides eligibility of applicants owning immoveable property but with certain specific criteria.

Municipality criteria and also the basic regulation for determining the order of priority is limiting the eligibility of application for SHP with the residency within the municipality area. This limitation it is considered to be creating difficulties to the applicants who have changed residency from one municipality to another, but also it creates difficulties to the applicants who are renting apartments in one municipality and applicants who have difficulties obtaining documents proving residency in respective municipality.

Basic regulation for determining the order of priority for the categories of the families that can benefit from the SHP regulates that the contracts for renting apartments should be for the period of one (1) year with possibility of renewal. Internal regulations of Ferizaj and Prishtina municipality define the duration of renting contract to be in period of ten (10) years with possibility of renewal. Mitrovica, Gjakova and Obiliq municipality thought they didn’t establish internal regulations, the time period of renting contracts in this municipalities are for unlimited time period.

According to basic regulations in force applicants should prove residency at the respective municipality in order to be considered eligible for SHP by not setting any time duration of residency. Internal regulation of Ferizaj municipality defines that applicants should prove duration residency in the municipality since 1995 in order to be considered eligible for SHP while Prishtina municipality defines a minimum of 10 years duration of residency in order to be considered eligible for SHP.

Internal regulation of Prishtina and Ferizaj municipality regulate that complains for not benefiting from SHP should be submitted to the Committee for complains at the respective municipality while based on AI 22/2010 as the basic regulation against the decision of the evaluation and selection committee, unsatisfied parties may file a complaint within 30 days at the MESP.
5.3 Irregular composition of evaluating and selection committees

AI No. 22/2010 for procedures to benefit from SHP regulates that the Mayor decides on the composition of the evaluation and selection committee composed of three (3) to five (5) members. This AI doesn’t regulate the structure of the evaluation and selection committee by creating confusion if members of municipality assemble could be members of evaluation and selection committee.

Some of municipalities have appointed members of evaluation and selection committee for SHP representatives of organizations of veterans, organization of ex-political prisoners while many applicants for this program are family members of this social categories.

Municipality of Ferizaj in 2015 has appointed evaluation and selection committee for assessment of applications for SHP chaired by a member of local assemble. This municipality on 2012 has appointed 11 members of evaluation and selection committee for assessment of applications for SHP composed of one (1) municipality officer, five municipal assemble members and five other were representatives of veterans. During this process of assessing applications in 2014 only seven (7) out of 52 beneficiaries were selected among social category. Municipality of Prishtina has appointed evaluation and selection committee for assessment of applications for SHP in 2012 having in its composition mostly members of local assemble. The selection committee for assessment of applications for SHP of 2016/2017 calls for applications was composed of municipality officers and none of the members was from municipality assemble.

- Appointing evaluation and selection committee in larger number than five is in contradiction with the AI on the Benefit Procedures from the SHP\(^2\).
- Mixing of competencies between the legislative and executive bodies within the local governance institutions for evaluation of applications creates confusion between legislature and executive powers.
- Having composed evaluation and selection committee for assessment of applications with members of a particular social group creates advantage for this group while other social groups might feel not represented properly and equally in the particular evaluating process.

\(^2\) AI No. 22/2010 on the Benefit Procedures from the SHP in paragraph 1 of Article 5 regulates that the Mayor decides on the composition of the commission, while under the same article in paragraph 2, it is noted that the commission consists of three (3) to five (5) members.
6 Conclusions

The Government has not managed to install sustainable mechanisms that would assist in the implementation, coordination and monitoring of Specific Housing Program. This applied model by building publicly owned apartments typically in urban areas as the mainly one solution for social housing is considered not the most appropriate solution to solve the housing problem to the majority of needs for social housing in Kosovo. The system in place has not been able to establish basis for obtaining resources neither create basis for proper coordination in order to meet the social goal for providing housing to the families in need, moreover it left room for missuses of available resources, thought they are very scarce compared to the needs.

By building public owned apartments from the scarce state budget as the only source of increasing apartment resources to be used for social housing it is considered to be very expensive model but also difficult to be managed by the authorities. Despite not providing resources for accommodating families in need, this program by offering opportunities only to collective apartments in urban areas, it doesn’t considered socio-economic and cultural differences of the different regions in Kosovo. The program didn’t provide opportunities for families who live in rural areas and neither to families who own some land despite the fact that the largest number of Kosovo population lives in rural areas where they exercise different agricultural activities as a mean of providing well-being for the family.

Specific Housing Program not performing well

As a result of the large number of applications for SHP, applicants are obliged to wait for long time in order their application to be considered, though many of this applicants have very little chances to benefit from this programs due to limited financial resources and limited housing funds dedicated for this purpose. Despite the fact that a large number of applicants for SHP remain unsettled, no measures are taken to improve their living conditions and as a consequence many families will continue to live in unsuitable buildings. Given the available resources and the lack of appropriate plans and based on analysis of SHP it is difficult to have accurate estimates of meeting objectives and fulfilling of the objectives for these programs, although it is evident that results are very little about this process in general.

By comparing the number of applications from municipal registers with an electronic survey conducted by the NAO (Annex 3) we have noticed that it does not correspond to the number of applications provided by the municipalities and in some cases the difference is two times bigger than the number in the data summarized by MESP, which it makes more difficult to properly address this issue.

Performance of the housing program is very low considering that in our sample audit we have found a level of implementation at around 30% of current applications. Some municipalities have achieved better implementation with around 35% of current applications while there are other municipalities with around 20% implementation. While a considerable number of applications for social housing remain unsettled due to poor system in place for identifying and implementing needs
for social housing there are serious difficulties to address poor performance and creates obstacles for authorities to plan and execute proper programs for social housing.

Though the law is regulating that authorities should secure construction areas and equipping this construction sites with adequate infrastructure in order to create possibility for building apartments by donors or investors, only few municipalities have applied this alternative ways of utilizing municipality non-financial assets to increase housing fund and in this direction to help in solving needs for social housing.

In Mitrovica municipality there is no implementation of a 10 year contract for leasing of municipality land foreseeing construction of 10 houses dedicated for social housing. As result of not monitoring the implementation of this contract, ten (10) houses dedicated for social housing are not built while as a consequence 10 social families couldn’t benefit social accommodation. The deadline for building of five of this houses was year 2011 while for the other five it was 2012. Besides a warning letter to the contractor for not implementing of all contractual provisions dated May 2013 no other action is documented by Mitrovica municipality related to this contract while the contractor is continuing to use municipality land.

There is no system applied to accommodate with housing citizens in urgent need neither there is a system in place to identify the urgent needs and try to find some solution for them. Concerns are also for citizens living in hazardous housing facilities which given their serious health or socio-economic situation is considered that they might not be able to get informed in time by the media or announcements in municipalities and neither are able to apply for SHP. Citizens in urgent need for social housing have received short term measures by being paid rent to a limited number from the budget dedicated for subsidies. There is no sustainable system in place of prioritizing urgent needs for social housing what leads to consequences that many families will continue to live in unsuitable or hazardous buildings. Municipalities are managing housing programs in ad-hoc bases by registering needs for this program only when there is call for applications and accommodating citizens in need for social housing only when there are available publicly owned apartments.

Selecting of beneficiaries among other social groups than social category it’s not just a breach of law but also this breach leads to leaving many citizens in more serious need for social housing without proper shelter or leaving in hazardous buildings. Not applying priorities when renting POA it creates difficulties to proper and coherent taking care about families who need institutional help for their appropriate housing. Disqualifying applicants for social housing for the reason of not fulfilling some administrative documents like proving residency within municipality or other administrative reasons it creates burdensome to citizens with more serious socio-economic problems. The criteria of residency limits within the municipality is considered to be a very difficult to be proven considering that many citizens have moved from one region to another and they might

23 Ferizaj municipality has signed agreement with construction companies to build apartments in municipality land receiving back a number of apartments as compensation. Mitrovica municipality has leased municipal land to a contractor who besides renting fee has committed construction of 10 social houses.

24 Law No 03/L-164 on Financing Specific housing Programs.
be renting or live at relatives. This criteria limits chances for citizens who live in small municipalities to benefit from SHP due to the fact that this municipalities have smaller budget in general.

Municipalities having many POA being used by beneficiaries who don’t have renting contracts with municipality while all municipalities have many unsolved requests for social housing it creates obstacles to this local institutions utilize all their own housing fund for the purpose of social housing. During the audit, few databases are crosschecked in order to come to the conclusion that a number of actual beneficiaries are not eligible for renting of POA. This crosschecks if extended might come across to a larger number of tenants who are not eligible for renting POA in the audited municipalities but also it can be a case in other municipalities which are not audited. Renting POA dedicated for social housing to other social groups which have high incomes and who are considered able to afford market prices of housing in a situation when municipalities have lack of apartments dedicated for social housing it limits the resources for solving housing problem to many citizens who cannot afford housing market prices.

Not having a proper filling and archiving system for beneficiaries neither rejected applicants it creates difficulties to municipalities but also to other authorities for future needs. Keeping files of social housing in inappropriate locations and incomplete files not proving clearly eligibility with supporting documents proving socio-economic status it creates difficulty for future monitoring and proving eligibility of beneficial’s.

Contracts for social housing are regulated with the current regulations should be in one year term, though in practice contracts signed are in term of 10 years or longer contracts. Considering that probability for changes in socio-economic status of beneficiaries in the period of one year as the regulations in force has set up is very difficult, audit came to conclusion that the renting life-time should be analyzed considering probability of changes in socio-economic status of beneficiaries.

Applying different criteria by the local authorities from the criteria set up by the central government regulation and also applying different criteria among municipalities it creates burdensome to the applicants for social housing. The criteria of residency for a large period of time within municipality area is considered difficult criteria to be proven by applicants considering many administrative obstacles. Prove of residency for long period is considered burdensome also for many citizens which have moved from one region to another by renting or living at relatives due to the fact that they might have not changed their personal documents. The criteria of residency is considered also to be limiting chances to benefit from SHP for citizens living in small municipalities due to the fact that this municipalities have smaller budget but also giving more opportunities to citizens living in large municipalities which have larger budget.

**Housing Program not implemented by local authorities as intended**

Inadequate planning process and lack of a national housing program that addresses the issue of social housing at a broader stage it makes difficult to solve this sensitive issue in Kosovo. It is most necessary to analyze priorities, shortcomings, needs for change and analyze opportunities for improving the services provided.
Demand for SHP apartments continues to remain much higher than what authorities provide or plan to deal with this demand. Accommodating of all families in need for SHP – social families might be a continuous challenge also in future, but this current plans don’t have a specific objective to be persuaded. Long lasting process of evaluating applications and selecting beneficiaries for social housing and later the process of signing the contracts is very long lasting what consequence is that many free apartments will remain empty and unused during the process of selection, while applicants will continue living in unsuitable or hazardous buildings. The process is not effective considering that many citizens in need for housing can’t get the help. It is not effective also considering that Gjakova and Ferizaj municipalities have selected less number of beneficiaries than the number of available apartments with the presumption that there might be possible complains which also might lead to misuses of this assets. Selecting of beneficiaries for social housing while not having access to the apartments dedicated for this purpose and without legal clearance of the status of this apartments is time consuming for the municipality and creates legal problems to the process while applicants in need for social housing might not be served in time.

MESP as the main central government institution in charge of SHP did not apply integrated reporting and monitoring mechanisms through which the results would be documented and serve as a basis for future planning and decision-making. This existing mechanisms established by the MESP make it difficult to monitor the progress achieved by the municipalities in reducing the number of cases in need for SHP and are not appropriate to future planning of these programs. Lack of a functional information system has prevented institutions to accurately and timely identify the social housing needs and resources to meet these needs what causes additional difficulties in monitoring, controlling and reporting. Lack of adequate information on SHP affects improper decision-making, increases the risk of not meeting needs in time when needed and fades transparency and accountability. Not developing one appropriate monitoring, controlling and evaluation process, it creates difficulties to central and local level governance have an effective planning and executing of an effective process of SHP. Access and traceability of government information on SHP to the ultimate beneficiary is quite difficult what makes more difficult to exactly know what were the goals and what is the progress of this entire process.

None of municipalities has monitored beneficiaries in relation to reassessing their socio-economic situation since they have been awarded renting contracts. This socio-economic reassessment is regulated with contracts of beneficiaries except in some situations when tenancy is granted with an act decision of the respective municipality. Not monitoring of this contracts can bring the situation that families might improve their socio-economic status but still living in apartments dedicated for SHP instead of vacating apartments dedicated for SHP for other families in need for this apartment.

**Regulations are not consistently applied**

The applied management process of evaluating applications and selecting beneficiaries is proven to be very time consuming and characterized by numerous irregularities in all its phases. Each of procedures applied in the municipalities has been characterized by its own irregularities including renting of existing apartments dedicated for social housing to other social categories. Not regulating the housing problem for other social categories like veterans, families of heroes, ex-political prisoners and other non-social categories it creates problem to authorities especially to
municipalities which authorities thought have very scarce housing fund they have to find solution also to non-social categories.

Applying a scoring system which doesn’t regulate the urgent priority for the citizens who live in hazardous buildings neither priority for citizens with serious health problems but who don’t have proper housing it creates potential health risk to this citizens. Scoring system which doesn’t give priority to families that live together with family members who need intensive care because of their serious health disabilities it creates disadvantage for this families which cannot be equally competitive with the other applicants given they’re extra expenses for medicines and other specific needs related with this group of society.

A system applied in some municipalities which multiplies points per each family member and in some municipalities awarding points for the category by not considering number of family members it creates ambiguity of this assessment system. The same problem is when calculating points for family members based on the age of applicant’s family members within one age group what creates disadvantage for family units with more than one dependent within the same age group. Placing one certain age in two groups within the assessment system as it is the case with the age of 18 years old it leads to awarding different scores for the same age while this criteria within the basic regulation creates ambiguity and creates confusion among evaluation and selection committees. The system awarding points to the applicants for social housing based on incomes of applicants per family unit/individual it creates disadvantage for family units with more family members what simultaneously means less incomes calculated per family member. Assessment system awarding points for families who are under guardianship of family members with health disabilities as set by regulations it creates disadvantage for family units which have more than one family member with health disabilities and the same situation is with family units who have more than one orphan under care.

Not reviewing the criteria of financial limits set in the regulations is affecting negatively the families/individuals living between the maximum of 300€ considering time value of money and changes of inflation rate and other socio-economic factors. Contracts signed for renting apartments from SHP in long duration create obstacles for controlling and monitoring process and especially creates obstacles in situations when beneficiaries during their renting period might change their socio-economic situation while municipalities could re-rent these apartments to other families in need.

The complaining process for not benefiting from SHP in some municipalities it overlaps the basic regulation AI 22/2010 in relation to complaining process of the unsatisfied parties which process is centralized to the MESP. Evaluation and selection committees in larger number than five is in contradiction with the AI No. 22/2010 on the Benefit Procedures from the SHP, while appointing members of municipal assemble to this committees it could lead to mixing of competencies between the legislative and executive bodies.
7 Recommendations

The recommendations below are intended to ensure that the responsible entities, respectively the MESP and the municipalities, implement effective practices and based on sound and functional management of SHP.

We recommend the Kosovo Government:

- To consider the system in place for social housing whether is appropriate to fulfill all the needs for social housing in effective manner and acts to ensure establishment of a functional system for accommodating people in need for social housing.

- Based on past experience including identified shortcomings to design and implement an effective and efficient system for social housing, to investigate the need for amendments to regulations concerns in order to be able to set up accommodation for people in need for social housing.

- To make the chain of responsibility clear for development and implementation of SHP. Thereafter the institutions responsible should be instructed, with support from the appointed government body in charge of overall program to clarify the developments and how this can be best managed.

We recommend MESP:

- To develop a national housing program addressing housing problems with effective, realistic and measureable strategic goals that are implementable in the work of all central and local institutions responsible for SHP.

- To act in direction to ensure the establishment of a realistic plan and functional system for social housing, equally applied in all regions and municipalities, effective and efficient for accommodating of all citizens in need for social housing.

- Help municipalities in direction of utilizing their own assets which might help municipalities to increase their housing fund and use this resources solve housing needs.

- Ensure application of equal criteria’s in all municipalities what system could help the most urgent needs benefit first and also could help this needs get accommodation as well in other municipalities if available housing funds.

- Monitor regularly performance of municipalities as well as look into the process and practices applied ensuring an effective process of evaluation and selection avoiding burdensome criteria and that only eligible applicants are benefiting from housing program.

- Review the eligibility limitations of residency within respective municipality considering that small municipalities might have smaller budget to deal with social housing problem and in this regard families in need for SHP of small municipalities might have very little or no chances to have solved their housing problem.
- Develop guidelines and ensure a comprehensive, integrated and coherent system of monitoring, controlling, evaluating and reporting process.

- Ensure establishing of a functional system for information management which will provide with information on housing needs, housing fund (apartments in stock to be used for social housing), the number of accommodated families, the areas of land which might be used for the purpose of constructing apartment buildings, and other relevant information’s that will help future planning and decision making.

- To develop a system of cooperation which ensures coherent and comprehensive exchange of information’s with other relevant stakeholders like Ministry of Labor and Social Welfare (MLSW) in terms of exchanging information’s about housing needs. This information’s should include families which, given their very serious socio-economic situation, is considered to not be have the opportunity to be informed by the media or publications in the Municipality;

- Ensures that municipalities have identified and integrated the apartments build by international humanitarian Organizations before 1999 and apartments build by state institutions or donors after 1999 what could increase the number of available apartments for the Specific Housing Programs and in this direction provide more houses for more individuals/families in need;

- Monitor the compliancy of all local regulations with the basic regulations in regard of criteria’s, contracts signed, eligibility of applicants and review the regulations in force:
  a) To define criteria for urgent priorities in order make identification of urgent priorities for families/individuals with serious health disabilities and families/individuals who live in hazardous buildings;
  b) Apply a regular reviewing system of regulations for determining order of priority especially the financial criteria in relation to harmonizing financial limits accordingly with the inflation rate;
  c) To clearly define the scoring system criteria for families who are under guardianship of more than one family member with health disorders; for families with different number of dependents and the families with more than one orphan under care; for family members of housing applicants based on the age of dependents and avoid ambiguity for the assessment of age 18 of the family dependents;
  d) Review the criteria about duration of residency within the area of respective municipality considering difficulties for accommodating residents in need for social housing in smaller municipalities which have smaller budget.

We recommend mayors:

- To act in direction to ensure the establishment of a realistic plans and functional system for social housing, effective and efficient for accommodating of all citizens in need for social housing within their municipality.
To review actual housing programs and fix existing irregularities including renting of existing apartments dedicated for social housing to other social categories.

Mitrovica municipality in regard to contract for building of social houses to act based on the signed contract to ensure that this houses are built by the contractor as contracted.

To ensure a coherent process of identification of needs for social housing notwithstanding if there is an application for SHP or no considering cases given their very serious health or socio-economic situation are considered not be have the opportunity to be informed about processes in the municipality;

To ensure that the most urgent needs are identified and served first and coherently, implying that prioritisation is given to the most urgent needs.

Ensure application of equal criteria’s to all applicants in the process of evaluation and selection beneficiaries avoiding burdensome criteria and that only eligible applicants are benefiting from housing program.

To ensure a regular and comprehensive inspecting process of actual beneficiaries of SHP could help municipalities identify beneficiaries which have higher incomes and the ones that have improved their socio-economic situation while those apartment’s being used by them might be re-awarded to other citizens in need;

To ensure a proper system of filling and archiving for beneficiary and rejected files what will enable easier monitoring of beneficiaries.

To ensure that all beneficiaries have renting contract where are stipulated all provisions including life-time of renting contracts based on analysis considering time probability for changes in socio-economic status of beneficiaries.

To establish an efficient process flow of evaluating applications and selecting beneficiaries which avoids bureaucracy and ensures a prompt and proper decision-making.

To apply inspecting mechanisms through which the results would be documented and serve as a basis for future planning and decision-making. This mechanisms to be directly linked with monitoring, reporting and controlling process of overall implementation of the SHP by the central government in order to enable overall implementation and apply sanctions when necessary;

Apartments currently rented by beneficial’s who can afford market prices to be vacated in order this apartment’s to be used by the most urgent needs;

To ensure compliancy of all local regulations with the basic regulations in regard of criteria’s, contracts signed and eligibility of applicants.
Annex 1. Audit Criteria, Methodology, Scope and Limitations

Audit Criteria

The purpose of financing SHP is to create sustainable housing conditions for families or individuals who are not in an economic position to afford the free-market housing offers. We will assess whether the responsible stakeholders involved in this process have assured that planning, coordination, reporting and monitoring related to SHP has been done timely and properly.

The audit criteria in this audit derive from national legislation and good practices for the effective management of SHP.

In order to verify this, we have set the following criteria:

- Regulations, plans and directives on SHP should be comprehensive considering objectives for these programs. It is very important that roles and responsibilities among all involved parties are clearly defined and what their rights and responsibilities are.
- Legal or basic criteria on SHP, including: Law on Financing of SHP, Administrative Instructions (Hereinafter: AI) issued by the Ministry for implementation of these Laws. Legal and sublegal acts issued by Municipalities on SHP administration and management.
- For a realistic planning, it is important to consider available resources, eg. Information’s about the available apartments and applications for the SHP. Deviations from the plans or poor performance are well analyzed and proper actions are taken to address these deviations.
- Regular, comprehensive and harmonized monitoring, control and evaluation means that the activities are monitored regularly; Activities are controlled while result are compared with plans accordingly and evaluation is properly designed and executed.
- Properly designed and executed reporting should be regular and comprehensive by all parties involved in the performance of SHP. Reporting and monitoring of responsible actors should be harmonized, have guidelines / reporting regulations.
- Achieving best value for money in SHP by the local authorities means timely and appropriate implementation by the local authorities as intended.
- Effective implementation of SHP for the most urgent cases means that all urgent needs are served in time. Serving in time means providing house for all applicant which have urgent need for a house.

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25 Law no.03/L-164 on financing special housing programs, chapter 3.
26 Law no.03/L-164 on financing special housing programs, article 27 and 28
27 Law no.03/L-164 on financing special housing programs, paragraph 25, art. 1.2.
Audit Methodology

Adjusting the audit to answer specific questions as to whether the SHP are functioning properly has been done based on the goal of achieving the objectives of this audit. To ensure that the information and analysis arising from this audit, we considered useful to focus on the tasks and selections involved in creating a good audit design that will lead to addressing the potential shortcomings.

Our approach to auditing SHP uses a variety of techniques to obtain audit evidence and assurance, interviewing relevant officers, analyzing relevant documents, and assessing risks to the housing program.

1.1 Are regulations, plans and directives well founded and realistic?

- Analyzing of relevant regulatory framework, plans and directives from MESP (Government) and from local government level (Municipalities) which regulate the area of SHP;
- Studies of relevant statistics, protocols and other relevant documents from the responsible authorities involved in SHP;
- Interviewing responsible officials in MESP and selected municipalities regarding the status of completion and compliance of the legislative framework if it is clear, well founded and realistic.

1.2 Are the systems for monitoring, control and evaluation and reporting of results properly designed and executed?

- Analyzing reports and other relevant documents of MESP related to aspects of monitoring SHP, the way of data evaluation and reporting, the frequency of their reporting, reporting results and the completeness of these reports. Analyzing whether responsible authorities are conducting activities and measuring the results in spite of the needs and objectives set out and report on the achieved results;
- Assessing whether appropriate mechanisms for monitoring, controlling, evaluation and reporting for SHP is being implemented;
- Interviews with officials from the responsible authorities in the MESP and relevant departments in the selected municipalities.

1.3 Are proper actions taken to address poor performance or deviations from plans and intentions?

- Analyzing if the MESP has done evaluation of needs for SHP in coordination with the local governance
- Analyzing the performance of all involved parties in SHP and possible deviations from plans and intentions of SHP;
- Analyzing the actions taken due to bad performance identified and possible deviations from plans and intentions of SHP.
2.1 Are the programs implemented by the local authorities as intended with the SHP?

- Assessing whether supervision by responsible authorities is consistent and coordinated in direction of implementing SHP as intended in the overall SHP;
- Interviewing responsible local level officials of the selected municipalities, regarding the municipal activities, strategies and plans to address the issue of SHP
- Analyzing local SHP action plans (if these plans are already approved by the municipality) and analyze these plans if they are in harmony with the SHP Legislation in place. Analyzing the reports on the implementation of SHP action plans and reporting them to the Ministry; and
- Physical examination of a selected sample of residential premises intended for housing from SHP.

2.2 Are the programs effectively serving the most urgent needs?

- Assessing whether the identification of the most urgent needs is done based on relevant information’s, i.e. registers in the municipality specifying the social situation, field inspections;
- Analyzing the dossier of beneficiaries if they contain the documents proving the urgent need for SHP;
- Assessing whether it is determined the order of priority for the categories of households that can benefit from SHP;
- Analyzing whether the most urgent needs are served first and in an effective manner; and
- Analyzing whether signed agreements are transparent, competitive and based on defined criteria.

Case study visits to local governance authorities

We have randomly selected five local authorities from the sampling method that weighted the largest number of facilities for SHP, the larger number of requests for SHP, good practice that it applied that will increase the municipal housing fund. We have sampled municipality of Obiliq, Gjakova, Mitrovica, Ferizaj and Prishtina. In each of these local authority we conducted semi-structured interview with a senior decision maker within the municipality with the responsibility for the process of SHP. Applying open-ended questions enabled us a wide-range discussion allowing the interviewee to present their sight. Besides we have conducted semi-structured interview with other officers responsible for managing with the SHP. In each of semi-structured interview we asked open questions and focused on: Local experiences on identifying the cases for need of SHP; local measures to respond to needs for SHP; local engagement in cooperation with other government bodies. Besides analytical analysis we have examined documentary evidence provided by municipalities, their strategic plans for SHP and their current plans for dealing with SHP.
Interviews with Government Officials

We conducted semi-structured interview with officials at the Housing Department - MESP which is responsible for planning, coordinating and monitoring the process of SHP, focusing on understanding: The Department’s objectives for SHP and how it is monitoring outcomes against these objectives; approach to support SHP objectives and what impact this has had; coordination, guidance, advising and other support that was given to local governance authorities; monitoring and reporting; the Department’s plans to collect data and support municipalities to better managing with SHP. We examined documents related to SHP, the monitoring of objectives, the actions from working with municipalities and evaluation. We also conducted semi-structured interviews with officials in Ministry of Labor and Social Welfare Hereinafter (MLSW) to understand their involvement and their perspective on cross-government working and in order to find more appropriate recommendations.

Scope and Limitations of this Audit

Within the NAO, the Audit Department of Performance has initiated the audit of SHP. With this audit, we aim to provide relevant recommendations to the central and local level of governance as well as other responsible stakeholders in order to improve their approach to SHP.

This audit will cover the period 2015 - 2017 including planning, coordination, monitoring and reporting related to selecting of new beneficiaries for SHP, while the lists of all actual beneficiaries will be reviewed in terms of eligibility of benefiting from SHP after the new law has come in force in 2010. The subject of this audit from the central level of government will be the MESP as the holder of the process of SHP. To answer our audit questions we will consider the management from the Housing Division in MESP, and the Social Welfare Directorates that operate within municipalities. From the local level of governance, five (5) municipalities will serve as study cases based on sensitivity, largest number of requests and facilities for SHP and based on one good practice. These 5 municipalities are chosen to illustrate how the programs are managed on the local level. They will also illustrate the outcomes of these housing programs, this selected cases will be sufficient for the purpose of this audit.

- Municipality of Obiliq, considering the sensitivity of accommodating a specific group of residents in Plemetin village;
- Municipality of Gjakova had the largest number of requests for SHP;
- Municipality of Prishtina had the largest number of facilities for SHP;
- Municipality of Mitrovica based on the number of requests and housing units; and
- Municipality of Ferizaj having considering a good practice that it applied by giving municipal land to an investor for the construction of a residential building on the condition that the municipality acquires several apartments which will increase the municipal housing fund.
We didn’t examine individual eligibility of beneficiaries of 2016/2017 process in Ferizaj municipality awarding 38 apartments due to the fact that individual contracts with beneficiaries were not signed yet considering complains of unsatisfied applicants which lead this case to court proceedings and due to the fact that awarded apartments were illegally occupied by other unknown occupants.

We didn’t audit individual eligibility of 100 beneficiaries of 2016/2017 call for application in Prishtina municipality due to the fact that the process was not concluded completely at the time of our audit and individual contracts with beneficiaries were not signed yet.

We didn’t audit individual eligibility of 46 beneficiaries of 2016/2017 call for application in Gjakova municipality due to the fact that there were not signed individual contracts with beneficiaries yet due to the fact that awarded apartments were illegally occupied by other unknown occupants.
Annex 2. SHP system based on Current Framework

Before 2010 when it was introduced law on SHP, social housing has aimed providing house for families who were in need by building collective apartment buildings. Until that time the government aided by different donors could build nine apartment buildings in different towns all over Kosovo. In many occasions, houses were built for the families in need which process still is happening in ad-hoc bases when municipalities can provide budget for this purpose or when donors show interest to invest their funds in similar projects. This process of financing social housing in ad-hoc bases has created confusion among central and local governance in developing housing policies. The Law No.03/L-164 on the Financing of SHP aims to create conditions for sustainable housing for families or individuals who are not in a viable economic capacity to afford free market housing offers and way of securing and using financial means for the development of SHP. Based on this law, housing is provided through two programs:

1. The program for housing with non-profitable rent in apartments built by the Municipality, Government or Donors;
2. The program for the housing bonus in what occasion municipality finances half of the market price of the apartments in private ownership.

MESP should establish mechanisms of cooperation between responsible actors based on functional systems, transparency and accountability, coordinating its activities with the SHP implementing institutions. Other responsible actors directly associated with SHP are the Municipalities, respectively the Municipal Directorates responsible for this process.

Duties and responsibilities of MESP

It is the mandate of MESP since its establishment on 2002 to regulate the area of housing in Kosovo. The Department of Spatial Planning, Construction and Housing (DSPCH) is directly responsible for preparing and implementing the legal framework for housing. MESP as the main stakeholder is in charge of SHP within central governance level develops policies and implementing tools of these policies, strategies, programs and projects. Besides, MESP conducts other activities that impact directly the creation of conditions and mechanisms that provide adequate and sustainable housing. MESP should monitor and analyze the status of areas within its responsibility, prepare and propose strategies, programs and measures for improving the situation in the field of housing and ensures the implementation of programs and corresponding measures.

MESP is responsible to develop three (3) year housing strategy based on three (3) year municipal housing programs ensuring that this strategy addresses housing as social problem or strategic planning problem aiming to secure sustainable socio-economic development. In this direction MESP plans the budget for supporting of annual housing programs and crates database at central level, based on data from municipalities.
Current programs which can be utilized for SHP:

1. Non-profitable renting program - applies to apartments built by the Municipality, Government and Donors, and
2. Housing bonus program - applies when the Municipality finances half of the market rent in existing housings owned by natural or legal persons.

Ministry controls and monitors drafting and implementation of (3) year housing programs which will be developed by municipalities. This controls should be carried out through cooperation with municipal inspections to monitoring implementation of SHP.

**Duties and responsibilities of the Local Governance**

Municipality is the main stakeholder in drafting, financing and implementing housing programs. The responsibilities of the Municipality should be exercised, organized and managed fully in compliance with laws regulating municipal responsibilities, the Law on Local Self-Government, regulations and working procedures in line with the Municipal Charter approved by the Municipal Assembly. The law on financing SHP and regulations issued provide broad powers to the municipalities in identifying, planning, executing and monitoring SHP. In practice, within the municipal administration, the responsibility for SHP is delegated to Directorates of Health and Municipal Centers for Social Welfare. Based on regulations in force municipalities should have housing sector which would coordinate their programs with the central government and report about the progress of housing programs.

Categories of families which can benefit from SHP are families that:

1. Don’t have apartment or individually-owned houses;
2. Are left without a house as a result of damages made during the war in Kosovo; and
3. Possess residential areas below normal living conditions defined for those social categories.

Based on the current provision, apartments which should be used for SHP are:

- Apartments build before March 1999 financed by international humanitarian organizations for the purpose of accommodating refugees which apartments are transferred into property of Municipalities and apartments build by state institutions after 1999 with public funds or donors for social housing purposes.
- Existing apartments owned by natural or legal persons, which may be rented to families who have a housing bonus;
- Other apartments owned by the municipality, which may be adapted for use on the basis of SHP.

Local governance is responsible for identifying housing needs for in all territory and administering these needs, and based on these information’s and projects to develop three (3) years housing programs based on the financial resources and provision of land for construction and infrastructure.
Three (3) year housing programs is a reporting system which contains statistics, evaluation of the status of housing programs within municipality region based in their monitoring. The purpose of three-year programs is to determine the types of programs that will be considered necessary for solving the issue of sustainable housing based on the factual situation and the requirements for sustainable housing. Identifying needs for housing and types of housing programs and housing fund (apartments owned by municipality which according to regulations in force should be used for SHP) and utilizing these apartments for SHP. Securing construction areas and equipping this construction sites with adequate infrastructure in order to create possibility for building apartments by own funds when available funds or using this infrastructure to find donors or investors whose funds can be utilized to increase housing fund based on regulations in force. Municipalities are also for creating and administering a database for the families that are beneficiaries of SHP and also housing administration and maintenance. Municipalities have their responsibilities to inspect and implement SHP depending on the guidelines or regulations as well as the conditions and criteria foreseen.

**Relevant Documents**

- List of key Laws and Regulations by which the SHP are regulated:
- LAW No. 03/L-164 on the financing of Specific Housing Programs;
- LAW No. 03/L-40 on local governance;
- LAW No. 03/L-226 on allocation for use and exchange of immoveable property of municipality;
- AI 18/2010 - For the contents of the contract for non-profitable rented accommodation;
- AI No. 19/2010 on the content of the housing bonus;
- AI No.21/2010 for determining the order and advantage for the categories of families which can benefit from Specific Housing Programs;
- AI No.22/2010 on Beneficiary Procedures from Specific Housing Programs;
- AI No.23/2010 on the procedures for the announcement of SHP;
- AI no. 24/2010 on Minimum housing standards from Specific Housing Programs.
### Annex 3. Table 1: Data on the number of cases/families in need of SHP

<table>
<thead>
<tr>
<th>No</th>
<th>Municipalities</th>
<th>Cases that Need a Social Housing Program?</th>
<th>Cases of extreme poverty?</th>
<th>Cases that Need a Social Housing Program?</th>
<th>Cases that have benefited from the Housing Program?</th>
<th>Construction of collective housing by municipality</th>
<th>Does a municipality have special funds for construction of apartments</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Dragash</td>
<td>N/A</td>
<td>2014 = 410; 2015 = 339</td>
<td>No applications</td>
<td>N/A</td>
<td>None</td>
<td>No</td>
</tr>
<tr>
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<td>Junik</td>
<td>N/A</td>
<td>2014 = 4; 2015 = 3</td>
<td>No</td>
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<td>None</td>
<td>No</td>
</tr>
<tr>
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<td>Istog</td>
<td>N/A</td>
<td>2014 =650; 2015 =598</td>
<td>Over 20 families</td>
<td>2014 =6; 2015 =8</td>
<td>2006 =1 building with 22 apartments</td>
<td>Planned 150,000 € individual houses</td>
</tr>
<tr>
<td>4</td>
<td>Hani i Elezit</td>
<td>6 families</td>
<td>N/A</td>
<td>2014 - 2016 =11 cases</td>
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<td>None</td>
<td>No</td>
</tr>
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<td>Mamusha</td>
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<td>2014 =30; 2015 =32</td>
<td>No applications</td>
<td>None</td>
<td>None</td>
<td>No</td>
</tr>
<tr>
<td>6</td>
<td>Vitia</td>
<td>No</td>
<td>N/A</td>
<td>N/A</td>
<td>None</td>
<td>None</td>
<td>No</td>
</tr>
<tr>
<td>7</td>
<td>Podujevo</td>
<td>2014 =236; 2015 =111</td>
<td>2014 =1085; 2015 =1001</td>
<td>Accommodating =10 families living in container</td>
<td>2014 =40; 2015 =20</td>
<td>60 houses and agreements for construct 30 houses</td>
<td>No</td>
</tr>
<tr>
<td>8</td>
<td>Rahovec</td>
<td>2014-2016=314</td>
<td>Total number = 700</td>
<td>2014 - 2016 = 45 cases</td>
<td>2016 =1</td>
<td>Under construction up to 2018</td>
<td>100,000 € for two next years</td>
</tr>
<tr>
<td>9</td>
<td>Shtime</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>10</td>
<td>Shterpca</td>
<td>2014-2016 = 3 cases</td>
<td>17</td>
<td>96</td>
<td>None</td>
<td>None</td>
<td>No</td>
</tr>
<tr>
<td>11</td>
<td>Zveçan</td>
<td>2014-2016 =25</td>
<td>15</td>
<td>15</td>
<td>None</td>
<td>None</td>
<td>No</td>
</tr>
<tr>
<td>12</td>
<td>Ferizaj</td>
<td>2014-2016=314</td>
<td>1050</td>
<td>224</td>
<td>2015 =52</td>
<td>4 premises constr. With concession</td>
<td>No</td>
</tr>
<tr>
<td>14</td>
<td>Klina</td>
<td>2014 =60; 2015 =57</td>
<td>2014 =1000; 2015 =1000</td>
<td>None</td>
<td>2005 =3; 2006 =1</td>
<td>None</td>
<td>No</td>
</tr>
<tr>
<td>15</td>
<td>Mitrovica</td>
<td>2014-2016 =484 applications</td>
<td>2014 =1724; 2015 =1904</td>
<td>2014-2016 =484 cases</td>
<td>None</td>
<td>None</td>
<td>No</td>
</tr>
</tbody>
</table>

Source: Data collected from the survey with 15 municipalities of Kosovo developed by the NAO, October 2017
Annex 4. The status of three years housing programs in municipalities by category

<table>
<thead>
<tr>
<th>No</th>
<th>Municipality</th>
<th>Housing programs of municipalities</th>
<th>Number of requests by categories</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>Social cases</td>
</tr>
<tr>
<td>1</td>
<td>Kamenicë</td>
<td>2013-2015</td>
<td>33</td>
</tr>
<tr>
<td>2</td>
<td>Ferizaj</td>
<td>2014-2016</td>
<td>143</td>
</tr>
<tr>
<td>3</td>
<td>Graçanicë</td>
<td>2014-2016</td>
<td>246</td>
</tr>
<tr>
<td>4</td>
<td>Klinë</td>
<td>2013-2016</td>
<td>120</td>
</tr>
<tr>
<td>5</td>
<td>Podujevë</td>
<td>2015-2017</td>
<td>64</td>
</tr>
<tr>
<td>6</td>
<td>Hani i Elezit</td>
<td>2014-2016</td>
<td>19</td>
</tr>
<tr>
<td>7</td>
<td>Shtërpcë</td>
<td>2014-2016</td>
<td>423</td>
</tr>
<tr>
<td>8</td>
<td>Gjakovë</td>
<td>2014-2016</td>
<td>1256</td>
</tr>
<tr>
<td>9</td>
<td>Rahovec</td>
<td>2014-2016</td>
<td>160</td>
</tr>
<tr>
<td>10</td>
<td>Lipjan</td>
<td>2013-2015</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>2017-2020</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Obiliq</td>
<td>2015-2017</td>
<td>150</td>
</tr>
<tr>
<td>12</td>
<td>Vushtrri</td>
<td>2015-2017</td>
<td>76</td>
</tr>
<tr>
<td>13</td>
<td>Shtime</td>
<td>2017-2019</td>
<td></td>
</tr>
<tr>
<td>14</td>
<td>Mitrovicë</td>
<td>2016-2019</td>
<td>150</td>
</tr>
<tr>
<td>15</td>
<td>Malishevë</td>
<td>2017-2020</td>
<td></td>
</tr>
<tr>
<td>16</td>
<td>Pejë</td>
<td>2017-2020</td>
<td></td>
</tr>
<tr>
<td>17</td>
<td>Viti</td>
<td></td>
<td></td>
</tr>
<tr>
<td>18</td>
<td>Fushe Kosovë</td>
<td>2017-2020</td>
<td>20</td>
</tr>
<tr>
<td>19</td>
<td>Noverberd</td>
<td>2017-2020</td>
<td>30</td>
</tr>
<tr>
<td>20</td>
<td>Deçan</td>
<td>Expected</td>
<td></td>
</tr>
<tr>
<td>21</td>
<td>Ranillug</td>
<td>2017-2020</td>
<td>20</td>
</tr>
<tr>
<td>22</td>
<td>Gjilan</td>
<td>2017-2020</td>
<td>573</td>
</tr>
<tr>
<td>23</td>
<td>Prishtine</td>
<td>Expected</td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>Total</strong></td>
<td><strong>3652</strong></td>
<td><strong>444</strong></td>
</tr>
</tbody>
</table>

Source: Summarized data received from MESP, December 2017
Annex 5. AI No.21/2010 on Determining the Order of Precedence for Categories of Families that can benefit from SHP

<table>
<thead>
<tr>
<th>No.</th>
<th>TABLE OF EVALUATION PER CRITERIA OF PRECEDENCE</th>
<th>points</th>
</tr>
</thead>
<tbody>
<tr>
<td>I</td>
<td>STATUS OF HOUSING</td>
<td></td>
</tr>
<tr>
<td>1.1</td>
<td>Families living in dangerous buildings or unsuitable for habitation</td>
<td>10</td>
</tr>
<tr>
<td>1.2</td>
<td>Families living in buildings that are under minimum housing requirements</td>
<td>8</td>
</tr>
<tr>
<td>1.3</td>
<td>Families living in foreign buildings</td>
<td>6</td>
</tr>
<tr>
<td>1.4</td>
<td>Families living with market rent for more than 5 years</td>
<td>4</td>
</tr>
<tr>
<td>II</td>
<td>HEIGHT OF REVENUES</td>
<td></td>
</tr>
<tr>
<td>2.1</td>
<td>Families with income above the minimum threshold up to €150</td>
<td>10</td>
</tr>
<tr>
<td>2.2</td>
<td>Families with income from €150-250</td>
<td>8</td>
</tr>
<tr>
<td>2.3</td>
<td>Families with income from €250-300</td>
<td>6</td>
</tr>
<tr>
<td>2.4</td>
<td>Families below the minimum limit of revenues determined in accordance with Article 6 of the Law, that are subsidized by the Municipality.</td>
<td>10</td>
</tr>
<tr>
<td>III</td>
<td>MEDICAL CONDITION</td>
<td></td>
</tr>
<tr>
<td>3.1</td>
<td>Families that nurse individuals, children with permanent health disorders</td>
<td>8</td>
</tr>
<tr>
<td>3.2</td>
<td>Severe chronic illnesses are considered: malignant diseases, severe blood diseases, diabetes with severe blood diseases, diabetes of severe cases with insulin, severe chronic diseases of kidneys in dialysis and after the kidney transplant, serious forms of asthma, chronic undetermined lungs diseases, tuberculosis, sclerosis, immune system diseases, severe forms of metabolic disorders, epilepsy, other serious heart illness and neurosis.</td>
<td>6</td>
</tr>
<tr>
<td>IV</td>
<td>DISABILITY</td>
<td></td>
</tr>
<tr>
<td>4.1</td>
<td>Invalid with over 80% of bodily injury that need care and assistance of another person</td>
<td>10</td>
</tr>
<tr>
<td>4.2</td>
<td>Disabled 71% to 80% of physical disability</td>
<td>9</td>
</tr>
<tr>
<td>4.3</td>
<td>Disabled 61% to 70% of physical disability</td>
<td>8</td>
</tr>
<tr>
<td>4.4</td>
<td>Disabled 51% to 60% of physical disability</td>
<td>7</td>
</tr>
<tr>
<td>4.5</td>
<td>Disabled 41% to 50% of physical disability</td>
<td>6</td>
</tr>
<tr>
<td>4.6</td>
<td>Disabled 31% to 40% of physical disability</td>
<td>5</td>
</tr>
<tr>
<td>4.7</td>
<td>Disabled 21% to 30% of physical disability</td>
<td>4</td>
</tr>
<tr>
<td>4.8</td>
<td>Disabled 10% to 20% of physical disability</td>
<td>3</td>
</tr>
<tr>
<td>V</td>
<td>FAMILY STRUCTURE</td>
<td></td>
</tr>
<tr>
<td>5.1</td>
<td>0-5 years of age who need full-time care</td>
<td>8</td>
</tr>
<tr>
<td>5.2</td>
<td>6-18 years of age, who are in education</td>
<td>6</td>
</tr>
<tr>
<td>5.3</td>
<td>18-25 years of age, who are in education</td>
<td>4</td>
</tr>
<tr>
<td>5.4</td>
<td>Over 65 years of age</td>
<td>3</td>
</tr>
<tr>
<td>VI</td>
<td>ADDITIONAL CRITERIA</td>
<td></td>
</tr>
<tr>
<td>6.1</td>
<td>Martyr’s family</td>
<td>10</td>
</tr>
<tr>
<td>6.2</td>
<td>Family with one parent</td>
<td>9</td>
</tr>
<tr>
<td>6.3</td>
<td>Family in the care of orphans</td>
<td>8</td>
</tr>
</tbody>
</table>

**Note:** The points assigned to each criterion are based on the specific needs and situations described, with higher points indicating greater precedence for assistance. The table provides a structured approach to evaluating families for SHP benefits, ensuring that those with the most critical needs are prioritized first.