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# SIGMA

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Creating Change Together

## **PRIORITIES**

### **KOSOVO\***

### **MAY 2014**

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## 2014-2020 SIGMA COUNTRY PRIORITIES FOR PUBLIC ADMINISTRATION REFORM – EXPLANATORY NOTE

### **Aim and structure of proposals**

SIGMA has identified the following country priorities for public administration reform (PAR), which are a continuation of the 2013 and 2014 SIGMA assessments and part of a longer-term programme of work. Priorities cover the overall PAR needs of the country, including areas which were not covered by the assessments. Priorities in areas outside the scope of SIGMA assessments are based on other analytical sources and SIGMA's practical experience of working with the country. SIGMA proposes priority 2020 targets for the countries, sub-targets when needed, and sequenced priority activities in 1-2, 3-5 and 5+ year time perspectives.

## KOSOVO

### 2014-2020 SIGMA COUNTRY PRIORITIES

**The following priority targets are proposed for Kosovo for 2020:**

1. Policy making and co-ordination system in place, with consolidated and coherent policy planning mechanisms, developed practices and capacities for policy development, interministerial consultations and impact assessments, as well as the mechanisms and capacities needed for transposing the EU *acquis* and for handling the Stabilisation and Association Agreement (SAA) process.
2. An efficient and effective interministerial co-ordination of the public administration reform (PAR), including PAR strategic documents with identified and realistically sequenced priorities, which are supported by adequate implementation capacity, overall political steering, and a well-established monitoring, evaluation and reporting system.
3. A well-functioning public administration in place, which is accountable to the Parliament and effectively overseen by independent oversight bodies and is characterised by professional civil service and sound administrative procedures, in line with the EU principles and followed by all public services.
4. Fiscal sustainability ensured by the stricter application of a Medium-Term Expenditure Framework (MTEF), with financing decisions determined by government policies and good quality fiscal estimations, supported by clear accountability arrangements for budget planning and implementation, as well as regular oversight by the Office of the Auditor General.
5. The public procurement system, including public-private partnerships (PPPs)/concessions, in place and fully operational, in accordance with EU rules and good international practice; public procurement operations providing better value for money, sustainable under budgetary limitations and projections, and stimulating economic growth; significantly lower level of fraud and corruption; confidence of contracting authorities, economic operators and civil society in the fairness and integrity of the system.

## POLICY MAKING

### STATE OF PLAY

The legal framework for government decision making, policy planning and co-ordination, including embedding the transposition of the *acquis* into law-drafting and policy making practices is broadly in place and does not require substantial changes. The legal requirements are supported by detailed instructions with regard to policy development, planning and reporting. Adherence to relevant procedures by the Office of the Prime Minister (OPM) has led to a stage of maturity where procedures are followed by stakeholders. A clear institutional set-up has been created in both the OPM and the Ministry of European Integration (MEI) and for interministerial consultations. The overall set-up and structure of the central co-ordinating institutions therefore provide a basic level of preparedness for coping with the increasing workload derived from the European integration process. However, the capability in ministries to plan ahead and to include implementation costs, as well as the capacity to scrutinise draft proposals within the centre of government (CoG) – i.e. OPM, MEI and Ministry of Finance (MoF) – remain as challenges. There are backlogs due to overburdening and unrealistic planning. The overall planning of the work of the Government, interministerial consultation mechanisms and policy development in ministries are still of a rather technical nature. Ministries have in general launched structures to deal with European integration co-ordination, strategic planning and policy development. The capacity of these units should be increased.

Therefore, three main challenges for the Government are: to increase the coherence of the strategic planning and decrease delivery backlogs; increase the capacity of ministries to develop and implement policies; and to strengthen capacities for effective transposition of the EU *acquis*.

Improvement of the policy making and co-ordination system also contributes to the better co-ordination of PAR, by establishing a clear and coherent framework for the development of sectoral strategies and by increasing policy planning and policy development capacities.

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| <b>Target<br/>2020</b> | <b>Policy making and co-ordination system in place, with consolidated and coherent policy planning mechanisms, developed practices and capacities for policy development, interministerial consultations and impact assessments, as well as the mechanisms and capacities needed for transposing the EU <i>acquis</i> and for handling the SAA process.</b> |
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## POLICY MAKING

**A coherent planning framework is in place, and the planning system enables the setting of clear priorities for the Government as a whole and for individual ministries and the incorporation of those priorities into the medium-term budgetary planning process. The system also allows the realistic planning of workloads.**

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| <b>1-2 Years</b> | <ol style="list-style-type: none"><li>1. The Strategic Planning Office (SPO) of the OPM to provide training to its staff in the following fields: policy analysis; prioritisation and objective setting; development of strategies; impact assessment.</li><li>2. OPM to ensure by firmly applying planning criteria that the annual backlog carried into the next year of strategies to be adopted does not exceed 20% (for the GAWP 2015). For that:<ul style="list-style-type: none"><li>• When preparing the four-year Government Programme for the new Government and the Government Annual Work Plan 2015 (GAWP), introduce a rule according to which only sectoral strategies can be included in the annual plan of strategic documents;</li><li>• Gradually move to only sectoral policy strategies developed by ministries in order to consolidate the strategic planning system.</li></ul></li><li>3. Under the co-ordination of the Strategic Planning Steering Group (SPSG) and using the Departments of European Integration and Policy Coordination (DEIPCs) in ministries, harmonise the development of the GAWP 2015 as well as European integration planning documents concerning process and priorities.</li><li>4. OPM and the MEI to gradually channel all key European Integration (EI) and national planning and policy co-ordination activities through the DEIPCs.</li></ol> |
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## POLICY MAKING

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| <b>3-5 Years</b> | <ol style="list-style-type: none"><li>5. Under the co-ordination of the SPSG, harmonise (and, if possible, merge) reporting on the new Government Programme and EI-related strategic plans.</li><li>6. OPM and the MEI to gradually introduce performance indicators when reporting on key strategic documents of the Government (EI and GAWP).</li><li>7. OPM to incorporate overall and sectoral performance indicators in the Government Programme and the GAWP during the next election cycle or change of coalition.</li><li>8. OPM to launch a reporting system to the Government on the implementation of sectoral strategies as an integrated part of GAWP and Medium Term Expenditure Framework (MTEF)* reporting.</li><li>9. Under the leadership of the OPM and in co-operation with the Ministry of Public Administration (MPA) to merge sectoral strategies with ministries' development strategies.</li></ol> <p>*For planning and reporting linkages with the MTEF, please refer to public expenditure management priorities.</p> |
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## POLICY MAKING

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| <b>The Government is capable of carrying out policy development, characterised by regular interministerial discussions and dialogue with non-governmental stakeholders, and which enable implementation aspects and potential financial impacts to be taken into account when developing policies and drafting legislation.</b> |  |
| <b>1-2 Years</b>  | <ol style="list-style-type: none"><li>1. Enhance the quality of concept papers by increasing the capacities for quality control and provision of day-to-day guidance of the CoG institutions responsible for policy and legal development and fiscal analysis: the MoF, SPO and the Legal Department and Government Co-ordination Secretariat of the OPM.</li><li>2. Strengthen the capability of line ministry staff to undertake high quality fiscal analysis by having the MoF identify examples of good fiscal analysis and share these examples across government through training sessions and guidance.</li><li>3. Under the co-ordination of the Legal Department of the OPM to develop the capability of line ministries to properly integrate non-governmental organisations (NGOs) and the public into the policy making process by providing written guidance and training on consultation methods that are easy to adopt.</li><li>4. OPM to review how new principles introduced by the Government Rules of Procedures in late 2011 have contributed to improving the quality of policy discussions, and review how interministerial dialogue takes place between ministries and the centre of government. Consider the results and implement any necessary changes.<sup>1</sup></li><li>5. OPM and the MPA to launch a policy planning and strategy development capacity building programme for functional and policy departments starting with DEIPCs and legal departments, extending gradually to key policy departments.</li></ol> |

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<sup>1</sup> This review should be based on sample records and on the documents submitted to the Government for clearance (concept papers, draft laws, explanatory memoranda, strategies, etc.) by at least three line ministries to the relevant departments of CoG institutions: the Strategic Planning Office (SPO), the General Secretary and the Ministry of Finance. Examine the details that have been provided, e.g. how issues of substance between ministries were discussed and resolved or how many 'nil returns' were given.

## POLICY MAKING

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| <b>3-5 Years</b> | <ol style="list-style-type: none"><li>6. MoF to strengthen its steering capacity over recently launched requirement to assess the actual costs of implementation of new policies/laws.</li><li>7. OPM and the MoF to build on the fiscal impact assessment process and introduce a wider process of policy analysis that evaluates more comprehensive issues, such as potential environmental impacts; start with undertaking a pilot in two line ministries to assess the analytical needs of staff and develop a training package.</li><li>8. Assembly to develop its capacity to usefully apply the outputs resulting from the policy development process, such as in concept papers and fiscal analysis to strengthen its scrutiny capacity.</li><li>9. OPM to launch <i>ex post</i> evaluation of policy initiatives and laws; progress in these areas should be reported one year and then three years after implementation under the Government's Annual Work Plan.</li></ol> |
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## POLICY MAKING

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| <p><b>The Government can effectively transpose the EU <i>acquis</i>, in particular in key policy areas of the SAA and visa liberalisation processes, and it can meet the obligations derived from the SAA process.</b></p> |  |
| <p><b>1-2 Years</b></p>  | <ol style="list-style-type: none"> <li>1. MEI to continue to increase its policy co-ordination and policy planning capacities (through training and regular advice) to enable relevant departments of the MEI to act as drivers for realistic planning, monitoring of actual implementation, and the preparation and co-ordination of policy discussions with and between ministries.</li> <li>2. All ministries to undertake recruitment and under co-ordination of the MEI to provide extensive capacity building activities for the key EI structures, in particular language skills and knowledge of the EU <i>acquis</i>.</li> <li>3. Continue to increase the capacity of the MEI legal department by means of additional recruitment (or reallocation of staff) and extensive training on sectoral <i>acquis</i>, with the aim of developing sectoral <i>acquis</i> know-how as well as advisory and quality-control capacities.</li> <li>4. MEI to apply adopted legislation on <i>acquis</i> transposition through active quality control and guidance by the MEI and the legal department of the OPM.</li> <li>5. The MEI to conduct a review of the functioning of SAA negotiation structures and how the SAA co-ordination experience can be used in order to strengthen overall European integration co-ordination structures.</li> </ol> |
| <p><b>3-5 Years</b></p>  | <ol style="list-style-type: none"> <li>6. Government to sign the Memorandum of Understanding (MoU) with the Government of Albania to enable the mutual use of official translations of the <i>acquis</i>.</li> <li>7. MEI to enhance the transposition of the EU <i>acquis</i> capacity building programme for the line departments of ministries.</li> <li>8. MEI to develop further central planning documents for European integration to include: steps and costs needed for the implementation of decisions; emphasis on priorities; and creation of coherent links with assistance needs.</li> </ol>   |

## STRATEGY AND REFORM

### STATE OF PLAY

PAR issues are included in key strategic documents of the Government, such as the Programme of Government 2011-2014 and the Government's annual work plans, as well as in central European integration planning documents, such as the Action Plan for the SAA. The Comprehensive Strategy for Public Administration Reform 2010–2013<sup>2</sup> and an action plan for its implementation for 2012-2014<sup>3</sup> are coming to an end. The Government has adopted the PAR Roadmap for 2014 which concentrates on key reform challenges from the 2012-2014 action plan. A comprehensive implementation report concerning the ending of the current strategy and action plan is being prepared by the Government under the co-ordination of the Ministry of Public Administration (MPA). The MPA is responsible for PAR, with a small, dedicated team in the Department for the Management of Public Administration Reform (DMPAR) in charge of PAR co-ordination and monitoring. The co-ordination structure for the implementation of the Strategy and monitoring mechanism was reformed in 2013 and enables implementation tracking. However, the PAR co-ordination structure does not yet enable objective setting and discussion over key challenges. The planning process overestimates the existing capacities of responsible institutions. Together with the challenges of implementing cross-governmental reforms, these problems have led to delays in the implementation of key reforms. Although the situation has improved, financial planning for public administration (PA) reforms is still fragmented and short-term.

**Target  
2020**

**An efficient and effective interministerial co-ordination of the public administration reform (PAR), including PAR strategic documents with identified and realistically sequenced priorities, which are supported by adequate implementation capacity, effective political steering, and a well-established monitoring, evaluation and reporting system.**

<sup>2</sup> Approved by Government Decision no. 07/145, dated 15.09.2010.

<sup>3</sup> The *Action Plan for the Implementation of the Public Administration Reform Strategy 2012-2014* (May 2012) was endorsed by the Interministerial Commission on PAR on 9 March 2012.

## STRATEGY AND REFORM

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| <b>1-2 Years</b> | <ol style="list-style-type: none"> <li>1. MPA to continue to strengthen the co-ordination, negotiation and analytical capacity of the DMPAR (training of staff, development of planning and analytical skills, increase in the number of staff, e.g. by means of transfers within the Ministry).</li> <li>2. MPA to enhance the involvement of civil society and the business community in the development of the PAR agenda by: <ul style="list-style-type: none"> <li>• Establishing regular consultation with civil society organisations and the business community on main PAR projects, where appropriate, and ensuring adequate time to obtain advice (making the consultation process less formal and more content-oriented);</li> <li>• Conducting public outreach to inform citizens of reforms being implemented and planned.</li> </ul> </li> <li>3. The Interministerial Commission of PAR (IMCPAR) to finish an assessment to measure the implementation and impact of the PAR Strategy and Action Plan, including the effectiveness of implementation and co-ordination structures.<sup>4</sup></li> <li>4. The IMCPAR to develop a limited number of clear whole-of-government objectives for PAR, taking into account the programme of the new Government entering into office after the 2014 elections and the availability of resources, as foreseen in the MTEF.</li> </ol> |
| <b>3-5 Years</b> | <ol style="list-style-type: none"> <li>5. MPA to develop and the Government to adopt, based on an analysis of the current Strategy and agreed priorities, a new Public Administration Reform Strategy and Action Plan 2015+, which should include sequenced and identified priorities for PAR, which are to be adequately resourced and properly monitored throughout the Government.</li> <li>6. MPA to improve external and internal communication on PAR, and also to elaborate and implement a capacity building plan for PAR communication.</li> </ol>   |

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<sup>4</sup> These exercises should feed into the development of the new PAR strategy and provide a state of play assessment for the new government entering into office after the next general elections.

## LEGAL FRAMEWORK AND CIVIL SERVICE MANAGEMENT

### STATE OF PLAY

The legislative framework is in place but is incomplete. Civil Service primary legislation is in accordance with EU principles, but shortcomings emerge particularly in regulating administrative procedures, public liability, internal administrative appeal procedures and administrative court procedure, and the accountability of public bodies. Central policy design, co-ordination and monitoring are weak, leading to varying implementation practices of legal requirements, complex and fragmented organisation of public administration and a highly decentralised human resource management system. These are the main obstacles to successful implementation of the ambitious reforms envisaged.

Oversight institutions are being strengthened, yet the Government's responses to the Ombudsperson's recommendations remain minimal. The Judiciary does not have sufficient capacity to handle administrative cases. State administrative structures are in place, but the efficiency of the administrative apparatus is limited, with a wide range of small units in ministries and numerous autonomous bodies without clear accountability arrangements.

The Civil Service is a single, unitary system, including local government, but its horizontal scope does not include some key state institutions. The implementation of the job classification system and the salary system set out in the Civil Service Law (CSL), have been postponed until the classification process is finalised.

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| <b>Target<br/>2020</b> | <b>A well-functioning public administration in place, which is accountable to the Parliament and effectively overseen by independent oversight bodies and is characterised by professional civil service and sound administrative procedures, in line with the EU principles and followed by all public services.</b> |
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## LEGAL FRAMEWORK AND CIVIL SERVICE MANAGEMENT

**A professional civil service is in place through the strict implementation of the adopted legislation and the application of adequate HRM tools, and it is supported by the MPA, which has the capacity to fulfil its policy making function and to ensure common standards for civil service reform and management across the whole public administration.**

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| <b>1-2 Years</b> | <ol style="list-style-type: none"> <li>1. MPA to implement the Civil Service Law (CSL) and the Salaries of Civil Servants Law (SCSL), with an implementation plan considering, in particular, the following issues: <ul style="list-style-type: none"> <li>• Completion of the job classification process;</li> <li>• Implementation of a training plan, with priority given to the training of managers and staff of HR units;</li> <li>• Reinforcement of the capacities of HR units;</li> <li>• Preparation of manuals and instructions to ensure common standards for the implementation of the legislation across the whole public administration;</li> <li>• Proactive steering of implementation by the Department for Civil Service Administration (DCSA) in the MPA, in close consultation with the MoF.</li> </ul> </li> <li>2. MPA to strengthen the capacity (authority, resources, skills) of the DCSA for policy making and for monitoring civil service reforms.</li> <li>3. MPA to reinforce the capacity of the Kosovo Institute for Public Administration (KIPA) (premises, budget, staff and skills) as the professional training institution for the public administration.</li> <li>4. MPA to create the Human Resources Management Information System (HRMIS) and implement it.</li> <li>5. MPA, MoF and Ministry of Local Government Administration (MLGA) to reinforce co-operation for ensuring the sustainability of reforms in the public service and for strengthening the overall capacity of the public administration.</li> <li>6. MPA and MoF to analyse the organisation of state administration and to define criteria regarding creation of agencies, level of independence and accountability to parent institutions.</li> <li>7. Independent Oversight Board (IOB) and the Ombudsperson to adopt a plan for further development of their capacities and the MPA to adopt measures to ensure the public administration's full compliance with the decisions and recommendations of these institutions and start implementation of the plans.</li> </ol> |
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## LEGAL FRAMEWORK AND CIVIL SERVICE MANAGEMENT

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| <b>1-2 Years</b> | <p>8. MPA to develop, and the Government to adopt a general law on salaries of public employees in order to ensure consistency and coherence of the overall salary system in the public administration; launch and monitor the implementation of the law, in particular to ensure:</p> <ul style="list-style-type: none"> <li>• Assessment and agreement on the fiscal impact of the law;</li> <li>• Social dialogue with the relevant social partners;</li> <li>• Preparation and adoption of secondary legislation, if needed.</li> </ul> <p>9. Government to adopt a Law on Salaries of High Public Officials.</p>   |
| <b>3-5 Years</b> | <p>10. MPA to analyse and make proposals to better harmonise the territorial networks of ministries and other state bodies.</p> <p>11. MPA to complete the reform of public employees' salaries.</p> <p>12. MPA to adopt and implement a plan for the continuous development of HR capacities in the public administration.</p> <p>13. MPA to assess civil service reform, improving it if necessary.</p> <p>14. MPA to complete implementation of the plan to reinforce the capacity of the KIPA.</p> <p>15. IOB and the Ombudsperson institution to continue to strengthen their capacities.</p> <p>16. MPA to continue to improve the public administration's compliance with the decisions and recommendations of the IOB and the Ombudsperson.</p> |



## LEGAL FRAMEWORK AND CIVIL SERVICE MANAGEMENT

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| <p><b>Sound administrative procedures, in line with EU principles, are followed by all public services, some of which are developing plans to improve the quality of services. The public administration is accountable to the Assembly and follows the recommendations of independent bodies.</b></p> |   |
| <p><b>1-2 Years</b></p>  | <ol style="list-style-type: none"> <li>1. MPA to develop and the Government to adopt a new Law on General Administrative Procedures (LGAP).</li> <li>2. MPA to adopt an implementation plan, which should include in particular: <ul style="list-style-type: none"> <li>• Identification and review of all special procedures so as to abrogate as many as possible and/or to ensure that those procedures remaining in place are compatible with the principles of general administrative procedures; creation of an interministerial working group of legal experts for this purpose (the PMO Legal Office may be the leading department);</li> <li>• Training of civil servants (priority given to managers), including regional seminars;</li> <li>• Preparation of guidance manuals and instructions;</li> <li>• Information campaigns (general and sector-specific leaflets, posters, radio and TV, newspapers, etc.);</li> <li>• Establishment of a monitoring mechanism for supporting the implementation and subsequent review of the law; involving all relevant stakeholders (e.g. Ministry of Justice – MoJ, MLGA, law professors);</li> <li>• Analysis of the financial impact of implementation in the short and medium terms.</li> </ul> </li> <li>3. Kosovo Judicial Council (KJC) to increase specific/compulsory training of administrative judges.</li> <li>4. MPA, in co-operation with the Ministry of Trade and Industry (MTI), to start the preparation of an interministerial programme for administrative simplification to improve the quality of the delivery of public services to citizens and businesses, ensuring the participation of relevant civil society business organisations.</li> <li>5. OPM, the MPA and the MTI to co-ordinate activities in the existing and new programmes aimed at improving the quality of the delivery of public services in general.</li> </ol> |

## LEGAL FRAMEWORK AND CIVIL SERVICE MANAGEMENT

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| <b>3-5 Years</b> | <ol style="list-style-type: none"><li>6. MPA to develop training in using tools for designing, managing and implementing strategies and plans aimed at improving the quality of public services.</li><li>7. MPA to assess the implementation of the Law on General Administrative Procedures (LGAP) and revise it if necessary.</li><li>8. Government to assess the implementation of the administrative justice reform with a view to preparing further improvements if necessary.</li><li>9. Responsible institutions to implement the interministerial plan for administrative simplification and for the continuous improvement of the quality of the delivery of public services.</li></ol> |
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## PUBLIC FINANCE MANAGEMENT

### STATE OF PLAY

The overall legal framework for government budget management is well-established and the rules are mostly implemented in practice. Capacity for macroeconomic estimations, in particular longer-term estimations, needs to be developed, but the key concern is related to weak fiscal estimations in planning for new policies. Developments in public internal financial control (PIFC) are in the earliest stages and will continue to be supported by an EU project. The current PIFC arrangements are considerably detached from budget management and other relevant public management rules in Kosovo. The Office of the Auditor General (OAG) is well on track in terms of institutional development, but the transition of the top management of the institution needs to be closely monitored to ensure sustainability on the reform path. In relation to this, the Assembly failed to adopt a new Law on Auditor General and the National Audit Office prior to the scheduled 2014 elections. Practical preparations for the establishment of decentralised management structures for EU funds have not started in Kosovo.

A number of existing weaknesses need to be tackled with a long-term perspective in mind. These weaknesses are:

- The focus of the planning of public finances is primarily on an annual basis;
- Practices and capacities to analyse the costs of current policies are inadequate for ensuring fiscal sustainability;
- Arrangements for ensuring accountability for the implementation of public funds are not clear and do not support proactive management and delegation.

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| <b>Target 2020</b> | <b>Fiscal sustainability ensured by the stricter application of sectoral budget ceilings within the Medium-Term Expenditure Framework (MTEF), with financing decisions determined by government policies and good-quality fiscal estimations and supported by clear accountability arrangements for budget planning and implementation, as well as regular oversight by the Office of the Auditor General.</b> |
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## PUBLIC FINANCE MANAGEMENT

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| <p><b>Sectoral ceilings in medium-term budgetary planning are strictly and consistently applied, and the Government has good capacities to ensure the accurate planning of public expenditure.</b></p> |  |
| <b>1-2 Years</b>   | <ol style="list-style-type: none"> <li>1. MoF to strengthen the role of the multi-annual budget ceilings in the MTEF by establishing clearer conditions for possible deviations within the same year and precise reporting arrangements for deviations from the ceilings.</li> <li>2. Improve the capacity for macroeconomic estimations by the MoF, introduce longer-term macroeconomic forecasting (including sectoral forecasts in areas such as health care, education, and retirement benefits).</li> <li>3. MoF to prepare for the first Economic and Financial Programme and align its content to the new requirements for the preparation of National Economic Reform Programmes and the bi-annual growth and competitiveness programmes.</li> <li>4. MoF to continue developing its capacities to analyse the quality of fiscal impact estimations provided by ministries.</li> <li>5. MoF to organise and provide training and advisory support to the policy and co-ordinating staff in ministries for preparing cost estimations.</li> </ol> |
| <b>3-5 Years</b>   | <ol style="list-style-type: none"> <li>6. MoF to develop the budgetary framework further by merging the current functional and programmatic presentation of the budget into a single arrangement whereby programmes include functional classification.</li> <li>7. MoF, in co-operation with the OPM, to improve the quality and relevance of performance information in budgeting.</li> <li>8. MoF to strengthen the capacity of ministries to ensure value for money in planning finances in their sectors, including the continuation of targeted training and the provision of advice to ministries in determining the costing of new policies.</li> <li>9. MoF to analyse the compliance of the existing public finance management arrangements to the requirements for EU member states.</li> <li>10. MoF to adjust management information systems to support new developments in budget management.</li> </ol>  |

## PUBLIC FINANCE MANAGEMENT

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| <p><b>The PIFC environment meets EU-compliant principles and standards, with clear accountability of individual managers within the public sector.</b></p> |   |
| <b>1-2 Years</b>   | <ol style="list-style-type: none"> <li>1. MoF to analyse existing practices in budget management, human resources management and other areas that determine managerial responsibilities in the public sector; identify provisions of the PIFC regulation that need to be aligned to other national regulations.</li> <li>2. MoF, in co-operation with MPA and OPM, to start to adjust gradually the horizontal regulation for financial management and control and the internal rules of budget organisations to ensure that sectoral managers take responsibility for planning and executing public policies and for their financing.</li> <li>3. Continue MoF support for the basic capacities of internal audit in budget users through training, regular networking and by aligning the guidelines for internal auditors to support the improvement of financial management.</li> </ol>   |
| <b>3-5 Years</b>   | <ol style="list-style-type: none"> <li>4. MoF to further develop the capacities of internal audit as an advisory service to management, with a clear focus on ensuring that FMC systems are operational and effective.</li> <li>5. MoF, in co-operation with MPA and OPM, to continue adjusting the horizontal regulation for financial management and control and the internal rules of budget organisations to ensure that sectoral managers take responsibility for planning and executing public policies and for their financing.</li> <li>6. MoF, in co-operation with MPA and OPM, to address other obstacles in the administrative routines within the public sector, as identified in the analyses related to managerial responsibilities, in order to develop managerial accountability in the public sector.</li> <li>7. MoF to prepare a financial management training programme for the relevant public sector employees and start the implementation of this programme.</li> <li>8. MoF, in co-operation with MPA, to ensure, through close monitoring, that arrangements for delegated authority are put in practice in budget organisations.</li> </ol> |

## PUBLIC FINANCE MANAGEMENT

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| <b>The Office of the Auditor General works independently from the Government, has a broad audit mandate and uses standards in its audit work allowing for high quality audits.</b> |  |
| <b>1-2 Years</b>   | <ol style="list-style-type: none"><li>1. OAG to continue the planned institution building activities.</li><li>2. The Assembly to adopt the new Law on Auditor General and the National Audit Office.</li><li>3. The Assembly to appoint a qualified Auditor General who meets all the criteria established in the law.</li></ol>   |
| <b>3-5 Years</b>   | <ol style="list-style-type: none"><li>4. Strengthen the OAG's formal and informal relationship with the Parliament (Committee for Oversight of Public Finances in particular).</li><li>5. Enhance OAG's co-operation with the Central Harmonising Unit for PIFC and the internal audit units in the ministries.</li><li>6. OAG to continue developing the professional capacity of its auditors.</li></ol> |

## PUBLIC FINANCE MANAGEMENT

| <b>Capacities for the decentralised management of EU funds have been strengthened.</b> |   |
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| <b>1-2 Years</b>   | <ol style="list-style-type: none"> <li>1. MEI, in co-operation with the MoF, to improve co-ordination in the planning of donor funds and establish regular procedures for discussions on IPA funded programmes in the context of medium-term policy planning.</li> <li>2. MoF, in co-operation with MEI, to integrate EU funds technically in their full amounts into the national budget.</li> </ol>   |
| <b>3-5 Years</b>   | <ol style="list-style-type: none"> <li>3. MoF, in co-operation with MEI, to identify and define state authorities involved in the decentralised management structures for IPA funded programmes.</li> <li>4. MoF and other bodies identified to establish structures for the decentralised management of IPA, initiate staffing and prepare a roadmap for building the necessary capacities in the national administration.</li> <li>5. MoF and other relevant ministries to recruit new staff for bodies within decentralised management systems.</li> <li>6. MoF to prepare, in co-operation with all bodies concerned, written procedures, guidelines and templates for the authorities involved in the management of IPA funded programmes.</li> <li>7. MoF to organise training and increase the practical involvement of the national administration in the procurement of EU funds (under the responsibility of the EU Office).</li> <li>8. MoF to prepare for the elaboration of a national accreditation procedure to verify that management and control systems meet the minimum requirements established by the EU and seek the relevant conferral decisions by the EC.</li> </ol> |
| <b>5 + Years</b>   | <ol style="list-style-type: none"> <li>9. MoF to consolidate the rules and procedures in regular practices, adjusting the management system as necessary.</li> <li>10. MoF to build capacities for internal controls within IPA funded programmes, with a view to preparing for extended decentralised implementation system.</li> </ol>  |

## PUBLIC PROCUREMENT

### STATE OF PLAY

The legal framework for public procurement largely covers the EU acquis, and the overall institutional set-up provides the elements needed for a functional system. However, implementation is lagging behind, the system is fragmented (166 contracting authorities, some of them very small), which does not favour best value for money, and there is a lack of expertise in planning and conducting tendering procedures (more than one third of them are cancelled).

There are thus a number of ongoing key problems, which need to be tackled with a long-term perspective in mind. These problems are:

- Public procurement is perceived by the public and stakeholders as being prone to favouritism, nepotism and other corrupt practices;
- The professionalism of procurement officers needs to be further improved, with more emphasis on high-quality training and a wider use of modern practices like framework agreements;
- The turnover of procurement officers is still significant and needs to be addressed;
- Although the legislative framework provides for it, a list of common-use items to be centrally purchased has never been adopted by the Government, and the Central Procurement Agency (CPA) has not carried out any central purchasing since its creation.

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|------------------------|---|
| <b>Target<br/>2020</b> | <b>Public procurement policy is managed with a view to fully aligning policies and practices with the EU acquis. Contracting authorities and procurement officers have improved their skills in raising efficiency and optimising value for money while curbing corruption, and they are steadily building their capacity. The use of centralised purchasing, framework agreements and e-procurement is making good progress. The review system allows complaints to be lodged and reviewed in a fair and transparent manner.</b> |
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## PUBLIC PROCUREMENT

|                  |  |
|------------------|--|
| <b>1-2 Years</b> | <ol style="list-style-type: none"> <li>1. Public Procurement Regulatory Commission (PPRC) to develop the monitoring of public procurement by simplifying procedures for generating and publishing key data, covering the whole procurement cycle.</li> <li>2. PPRC to identify possible shortcomings in the procurement management practices of contracting authorities and prepare a long term action plan for addressing them, in line with other efforts to improve administrative practices at large.</li> <li>3. PPRC to improve operational practices by providing practical examples and draft guidelines for key procurement steps and methods (e.g. joint procurement and framework agreements).</li> <li>4. PPRC, KIPA and contracting authorities to raise the effectiveness and quality of training by updating training materials and guidelines as well as improving the skills of local trainers, e.g. through follow-up courses on good procurement practice and by systematically involving them in any external assistance aimed at improving operational practices.</li> <li>5. MoF and CPA to create a sound basis for medium-term development of centralised purchasing by rapidly adopting a list of three or four selected groups of basic items to be covered by the CPA, appointing suitably qualified management and staff to the CPA, and successively launching pilot operations for the above item groups selected.</li> <li>6. Procurement Review Body (PRB) to develop practices for the review of complaints through joint training events as well as systematic review and discussion of selected, relevant cases from EU Member States.</li> </ol> |
| <b>3-5 Years</b> | <ol style="list-style-type: none"> <li>7. PPRC to revise the public procurement legislation as necessary for achieving compliance with the latest changes in the EU Directives and as appropriate to reflect lessons learned from current practice.</li> <li>8. PPRC to develop and implement policies and practices for raising the level of managerial accountability in public procurement, by carrying out the initial phases of the action plan previously prepared.</li> <li>9. PPRC and KIPA to work out arrangements for sustainable financing and implementation of training activities, updating of materials and guidelines, and quality assurance of trainer skills, with reference to best-practice examples from the region but based on local conditions and resources.</li> <li>10. Ministry of Finance with CPA, based on experience from the start-up phase, to revise and confirm the regulations governing CPA work (including an update of the list of items) and strengthen its capacity, e.g. by a peer review followed by actions for improvement, targeted training of key staff, and creation of opportunities for exchange of experience with similar institutions in other countries.</li> <li>11. PPRC to identify areas for further improvement, using data from the continued monitoring of the public procurement system, and prepare and implement corresponding, shorter and longer-term action plans.</li> </ol>  |