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# The **Principles** of Public **Administration**

**2017 edition**

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**Authorised for publication by Karen Hill, Head of the SIGMA Programme.**

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## TABLE OF CONTENTS

<b>LIST OF ABBREVIATIONS AND ACRONYMS.....</b>	<b>5</b>
<b>INTRODUCTION.....</b>	<b>6</b>
<b>STRATEGIC FRAMEWORK OF PUBLIC ADMINISTRATION REFORM.....</b>	<b>9</b>
<b>Key requirement: The leadership of public administration reform and accountability for its implementation is established, and the strategic framework provides the basis for implementing prioritised and sequenced reform activities aligned with the government’s financial circumstances. ...</b>	<b>10</b>
Principle 1: The government has developed and enacted an effective public administration reform agenda which addresses key challenges. ....	10
Principle 2: Public administration reform is purposefully implemented; reform outcome targets are set and regularly monitored.....	12
Principle 3: The financial sustainability of public administration reform is ensured. ....	13
Principle 4: Public administration reform has robust and functioning management and co-ordination structures at both the political and administrative levels to steer the reform design and implementation process.....	14
<b>POLICY DEVELOPMENT AND CO-ORDINATION .....</b>	<b>17</b>
<b>Policy planning and co-ordination.....</b>	<b>19</b>
<b>Key requirement: Centre-of-government institutions fulfil all functions critical to a well-organised, consistent and competent policy-making system.....</b>	<b>19</b>
Principle 1: Centre-of-government institutions fulfil all functions critical to a well-organised, consistent and competent policy-making system.....	19
Principle 2: Clear horizontal procedures for governing the national European integration process are established and enforced under the co-ordination of the responsible body.....	21
<b>Key requirement: Policy planning is harmonised, aligned with the government’s financial circumstances and ensures that the government is able to achieve its objectives. ....</b>	<b>22</b>
Principle 3: Harmonised medium-term policy planning is in place, with clear whole-of-government objectives, and is aligned with the financial circumstances of the government; sector policies meet government objectives and are consistent with the medium-term budgetary framework.....	22
Principle 4: A harmonised medium-term planning system is in place for all processes relevant to European integration and is integrated into domestic policy planning. ....	23
Principle 5: Regular monitoring of the government’s performance enables public scrutiny and support the government in achieving its objectives.....	24
<b>Key requirement: Government decisions and legislation are transparent, legally compliant and accessible to the public; the work of the government is scrutinised by the parliament. ....</b>	<b>26</b>
Principle 6: Government decisions are prepared in a transparent manner and based on the administration’s professional judgement; the legal conformity of the decisions is ensured.....	26
Principle 7: The parliament scrutinises government policy making.....	27
<b>Policy development.....</b>	<b>29</b>
<b>Key requirement: Inclusive, evidence-based policy and legislative development enables the achievement of intended policy objectives.....</b>	<b>29</b>

Principle 8: The organisational structure, procedures and staff allocation of the ministries ensure that developed policies and legislation are implementable and meet government objectives.....	30
Principle 9: The European integration procedures and institutional set-up form an integral part of the policy-development process and ensure systematic and timely transposition of the European Union <i>acquis</i> .....	31
Principle 10: The policy-making and legal-drafting process is evidence-based, and impact assessment is consistently used across ministries. ....	32
Principle 11: Policies and legislation are designed in an inclusive manner that enables the active participation of society and allows for co-ordination of different perspectives within the government.	34
Principle 12: Legislation is consistent in structure, style and language; legal drafting requirements are applied consistently across ministries; legislation is made publicly available.....	36
<b>PUBLIC SERVICE AND HUMAN RESOURCE MANAGEMENT .....</b>	<b>39</b>
<b>Policy, legal and institutional frameworks for public service .....</b>	<b>41</b>
<b>Key requirement: The scope of public service is clearly defined and applied in practice so that the policy and legal frameworks and institutional set-up for professional public service are in place. ....</b>	<b>41</b>
Principle 1: The scope of public service is adequate, clearly defined and applied in practice.....	41
Principle 2: The policy and legal frameworks for a professional and coherent public service are established and applied in practice; the institutional set-up enables consistent and effective human resource management practices across the public service.....	42
<b>Human resource management.....</b>	<b>44</b>
<b>Key requirement: Professionalism of public service is ensured by good managerial standards and human resource management practices.....</b>	<b>44</b>
Principle 3: The recruitment of public servants is based on merit and equal treatment in all its phases; the criteria for demotion and termination of public servants are explicit.....	44
Principle 4: Direct or indirect political influence on senior managerial positions in the public service is prevented. ....	46
Principle 5: The remuneration system of public servants is based on job classification; it is fair and transparent.....	47
Principle 6: The professional development of public servants is ensured; this includes regular training, fair performance appraisal, and mobility and promotion based on objective and transparent criteria and merit.....	49
Principle 7: Measures for promoting integrity, preventing corruption and ensuring discipline in the public service are in place. ....	51
<b>ACCOUNTABILITY .....</b>	<b>54</b>
<b>Key requirement: Proper mechanisms are in place to ensure accountability of state administration bodies, including liability and transparency.....</b>	<b>55</b>
Principle 1: The overall organisation of central government is rational, follows adequate policies and regulations and provides for appropriate internal, political, judicial, social and independent accountability. ....	55
Principle 2: The right to access public information is enacted in legislation and consistently applied in practice.....	56
Principle 3: Functioning mechanisms are in place to protect both the rights of the individual to good administration and the public interest.....	58

Principle 4: Fair treatment in administrative disputes is guaranteed by internal administrative appeals and judicial reviews. ....	59
Principle 5: The public authorities assume liability in cases of wrongdoing and guarantee redress and/or adequate compensation. ....	60
<b>SERVICE DELIVERY .....</b>	<b>63</b>
<b>Key requirement: The public administration is citizen-oriented; the quality and accessibility of public services is ensured. ....</b>	<b>65</b>
Principle 1: Policy for citizen-oriented state administration is in place and applied. ....	65
Principle 2: Good administration is a key policy objective underpinning the delivery of public service, enacted in legislation and applied consistently in practice. ....	66
Principle 3: Mechanisms for ensuring the quality of public services are in place. ....	67
Principle 4: The accessibility of public services is ensured. ....	68
<b>PUBLIC FINANCIAL MANAGEMENT .....</b>	<b>71</b>
<b>Budget management .....</b>	<b>74</b>
<b>Key requirement: The budget is formulated in compliance with transparent legal provisions and within an overall multi-annual framework, ensuring that the general government budget balance and the ratio of debt to gross domestic product are on a sustainable path. ....</b>	<b>74</b>
Principle 1: The government publishes a medium-term budgetary framework on a general government basis that is founded on credible forecasts and covers a minimum time horizon of three years; all budget organisations operate within it. ....	74
Principle 2: The budget is formulated in line with the national legal framework, with comprehensive spending appropriations that are consistent with the medium-term budgetary framework and are observed. ....	76
<b>Key requirement: Accounting and reporting practices ensure transparency and public scrutiny over public finances; both cash and debt are managed centrally, in line with legal provisions. ....</b>	<b>78</b>
Principle 3: The ministry of finance (or authorised central treasury authority) centrally controls disbursement of funds from the treasury single account and ensures cash liquidity. ....	78
Principle 4: There is a clear debt management strategy in place and implemented so that the country's overall debt target is respected and debt servicing costs are kept under control. ....	80
Principle 5: Transparent budget reporting and scrutiny are ensured. ....	81
<b>Internal control and audit .....</b>	<b>83</b>
<b>Key requirement: National internal control policy is in line with the requirements of Chapter 32 of European Union accession negotiations and is systematically implemented throughout the public sector. ....</b>	<b>83</b>
Principle 6: The operational framework for internal control defines responsibilities and powers, and its application by the budget organisations is consistent with the legislation governing public financial management and the public administration in general. ....	83
Principle 7: Each public organisation implements internal control in line with the overall internal control policy. ....	85
<b>Key requirement: The internal audit function is established throughout the public sector and internal audit work is carried out according to international standards. ....</b>	<b>88</b>

Principle 8: The operational framework for internal audit reflects international standards, and its application by the budget organisations is consistent with the legislation governing public administration and public financial management in general.....	88
Principle 9: Each public organisation implements internal audit in line with the overall internal audit policy documents, as appropriate to the organisation. ....	90
<b>Public Procurement.....</b>	<b>92</b>
<b>Key requirement: Public procurement is regulated by duly enforced policies and procedures that reflect the principles of the Treaty on the Functioning of the European Union and the European Union <i>acquis</i> and are supported by suitably competent and adequately resourced institutions.....</b>	<b>92</b>
Principle 10: Public procurement regulations (including public-private partnerships and concessions) are aligned with the European Union <i>acquis</i> , include additional areas not covered by the <i>acquis</i> , are harmonised with corresponding regulations in other fields and are duly enforced.....	93
Principle 11: There is central institutional and administrative capacity to develop, implement and monitor procurement policy effectively and efficiently. ....	94
<b>Key requirement: In case of alleged breaches of procurement rules, aggrieved parties have access to justice through an independent, transparent, effective and efficient remedies system. ....</b>	<b>96</b>
Principle 12: The remedies system is aligned with the European Union <i>acquis</i> standards of independence, probity and transparency and provides for rapid and competent handling of complaints and sanctions.....	96
<b>Key requirement: Contracting authorities are adequately staffed and resourced and carry out their work in accordance with applicable regulations and recognised good practice, interacting with an open and competitive supply market.....</b>	<b>98</b>
Principle 13: Public procurement operations comply with basic principles of equal treatment, non-discrimination, proportionality and transparency, while ensuring the most efficient use of public funds and making best use of modern procurement techniques and methods.....	98
Principle 14: Contracting authorities and entities have the appropriate capacities and practical guidelines and tools to ensure professional management of the full procurement cycle. ....	100
<b>External audit .....</b>	<b>101</b>
<b>Key requirement: The constitutional and legal frameworks guarantee the independence, mandate and organisation of the supreme audit institution to perform its mandate autonomously according to the standards applied for its audit work, allowing for high-quality audits that impact on public sector functioning. ....</b>	<b>101</b>
Principle 15: The independence, mandate and organisation of the supreme audit institution are established, protected by the constitutional and legal frameworks and respected in practice.....	102
Principle 16: The supreme audit institution applies standards in a neutral and objective manner to ensure high-quality audits that positively impact on the functioning of the public sector.....	104

## LIST OF ABBREVIATIONS AND ACRONYMS

ACA	anti-corruption agency
CHU	central harmonisation unit
CoG	centre of government
CSC	civil service commission
CSEC	civil service ethics commission
EC	European Commission
EI	European integration
EU	European Union
HRM	human resource management
HRMIS	human resource management information system
IMF	International Monetary Fund
ISSAI	International Standards of Supreme Audit Institutions
IPA	Instrument for Pre-accession Assistance
MoF	ministry of finance
MoJ	ministry of justice
MTBF	medium-term budgetary framework
NGO	non-governmental organisation
OECD	Organisation for Economic Co-operation and Development
PAR	public administration reform
PEFA	public expenditure and financial accountability
PFM	public financial management
PIFC	public internal financial control
PPP	public-private partnerships
RoP	rules of procedure
SAI	supreme audit institution
SOE	state-owned enterprise
TSA	treasury single account

# INTRODUCTION

## Public administration reform is fundamental in the European Union integration process

A well-functioning public administration is a prerequisite for transparent and effective democratic governance. It is the foundation for the functioning of the state, determining a government's ability to provide public services and foster competitiveness and growth. It also plays a fundamental role in the European integration (EI) process by enabling the implementation of crucial reforms and efficient accession dialogue with the European Union (EU). Hence, the EU enlargement criteria recognise and emphasise the need for countries to build a strong national public administration with the capacity to pursue the Principles of good public administration, and effectively transpose and implement the EU *acquis*.

To strengthen its focus on public administration reform (PAR), the European Commission (EC) has outlined six key issues of reform<sup>1</sup> and is better integrated reform in the accession process through Special Groups on PAR and stronger links with accession negotiations. These six key reform areas form the basis of the Principles of Public Administration.

## Aim and focus of the Principles of Public Administration

The Principles define what good governance entails in practice and outline the main requirements that countries should follow during the EI process. They also feature a monitoring framework, enabling regular analysis of progress in applying the Principles and setting country benchmarks.

The concept of good administration has been progressively defined by EU countries and is included in the EU Charter of Fundamental Rights<sup>2</sup>. The notion of a European Administrative Space was set out by SIGMA in 1999<sup>3</sup>. It included components such as reliability, predictability, accountability and transparency, as well as technical and managerial competence, organisational capacity, financial sustainability and citizen participation.

Although general criteria for good governance are universal, the Principles are designed for countries which are seeking EU accession and receiving EU assistance through the Instrument for Pre-accession Assistance (IPA). The *acquis* requirements, along with other EU guidelines and instructions, are the core of the Principles in those areas where *acquis* is in place. In other areas, the Principles are derived from international standards and requirements, as well as from good practices in member countries of the EU and the Organisation for Economic Co-operation and Development (OECD). As a minimum benchmark of good administration, countries should ensure compliance with these fundamental Principles.

Government attention to specific Principles may vary from country to country, depending on the country's governance structure, administrative culture, previous reform record and key country-specific challenges. The monitoring framework establishes a coherent set of requirements for all countries, while allowing each country some flexibility in setting its PAR challenges and objectives.

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<sup>1</sup> EC (2014), *Enlargement Strategy and Main Challenges 2014-15*, Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions, COM(2014) 700 final, 8 October 2014, EC, Brussels, [https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/pdf/key\\_documents/2014/20141008-strategy-paper\\_en.pdf](https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/pdf/key_documents/2014/20141008-strategy-paper_en.pdf)

<sup>2</sup> Article 41, Right to good administration: 1) Every person has the right to have his or her affairs handled impartially, fairly and within a reasonable time by the institutions and bodies of the Union. 2) This right includes: the right of every person to be heard, before any individual measure which would affect him or her adversely is taken; the right of every person to have access to his or her file, while respecting the legitimate interests of confidentiality and of professional and business secrecy; the obligation of the administration to give reasons for its decisions. 3) Every person has the right to have the Community make good any damage caused by its institutions or by its servants in the performance of their duties, in accordance with the general principles common to the laws of the Member States. 4) Every person may write to the institutions of the Union in one of the languages of the Treaties and must have an answer in the same language.

<sup>3</sup> OECD (1999), *European Principles for Public Administration*, SIGMA Papers, No. 27, OECD Publishing, Paris, <http://dx.doi.org/10.1787/5kml60zwd7h-en>



The Principles cover an area of the public sector referred to as the “state administration”. As widely used in the countries of the Western Balkans, this term indicates the two main elements of the scope of the Principles: “public administration” and the “state (national or central) level”. The Principles also cover independent constitutional bodies as well as the parliament and judiciary, within the scope of their scrutiny and oversight powers over the state administration.

The extent to which candidate countries or potential candidates apply these Principles in practice is an indication of the capacity of their national public administration to effectively implement the *acquis*, in accordance with the criteria defined by the European Council in Copenhagen (1993) and Madrid (1995).

### **Analytical and monitoring framework**

The Principles are complemented by a monitoring framework, which makes it possible to assess the state of public administration at a specific time, as well as progress made over time. The monitoring framework features a comprehensive set of quantitative and qualitative indicators, focusing on both the preconditions for successful reforms (good laws, policies, structures and procedures) and the actual implementation of reforms and subsequent outcomes (how the administration performs in practice). To analyse the progress a country is making in applying the Principles, these indicators measure the maturity of relevant components of public administration, providing an overall value between 0 (lowest) and 5 (highest).

For each Principle, the analytical framework includes the definition of the methodological approach and lists the information sources consulted for analysis and data collection. The overall approach recognises that no single measurement method can fully capture the complex issues related to organisational change and changes in social behaviour. As PAR deals almost exclusively with such matters, it is necessary to obtain as much information as possible from administrative data, surveys, statistics, interviews, etc. and then to actively cross-check it to arrive at a balanced assessment. The indicators are composed therefore of a combination of sub-indicators drawing on different methodologies.

SIGMA collects the evidence and data necessary for monitoring performance and progress in countries during its PAR assessment process. The framework can also be used by national governments (i.e. the institutions co-ordinating or implementing the PAR agenda) or by local think tanks or civil society organisations.



1

## Strategic Framework of Public Administration Reform

## STRATEGIC FRAMEWORK OF PUBLIC ADMINISTRATION REFORM

Achieving the necessary standard of public administration requires reforms in many areas of policy and administration. If reforms are planned and implemented on a fragmented and ad hoc basis, they may not transform the governance system and functioning of public administration as expected. Achieving results requires governments to steer and co-ordinate implementation of an overall reform vision and prioritised objectives. It is important to approach public administration reforms sequentially, with a coherent plan, and to compile a reform agenda from a whole-of-government perspective.

Public administration reform (PAR) is one of the most important horizontal reform areas in each country because it provides the framework for implementing other policies. It is equally important for European Union (EU) member countries, candidate countries and potential candidates, as it makes it possible to build systems that are a sound basis for implementing the EU *acquis*.

Countries develop at different speeds and have different approaches to governance and implementation of public administration reforms. However, these Principles of Public Administration provide the basic building blocks of good public administration and are applicable to all countries.

As a horizontal policy, PAR touches all aspects of public administration, including staffing levels, duplication of functions, performance measurement, efficiency and effectiveness. It is, therefore, essential that PAR implementation be driven from the top. A clear working structure for PAR management and co-ordination is a prerequisite for successful implementation of government policy in this area. Robust mechanisms should be in place to ensure a constant flow of analytical information between ministers and officials to inform decisions on further work. In addition, ministers must inform citizens of the progress and achievements of the reform, in line with the PAR communication strategy/plan. There should be a clear division of functions and responsibilities between different institutions with regard to the elaboration, adoption, implementation, monitoring, reporting and evaluation of PAR.

The key requirements of “reform leadership” and a “functioning management system” are at the heart of PAR policy and are critical in ensuring it is fully implemented. This chapter defines the four Principles for the strategic framework of PAR.

### KEY REQUIREMENTS AND PRINCIPLES

**Key requirement:** The leadership of public administration reform and accountability for its implementation is established, and the strategic framework provides the basis for implementing prioritised and sequenced reform activities aligned with the government’s financial circumstances.

**Principle 1:** The government has developed and enacted an effective public administration reform agenda which addresses key challenges.

**Principle 2:** Public administration reform is purposefully implemented; reform outcome targets are set and regularly monitored.

**Principle 3:** The financial sustainability of public administration reform is ensured.

**Principle 4:** Public administration reform has robust and functioning management and co-ordination structures at both the political and administrative levels to steer the reform design and implementation process.

**Key requirement: The leadership of public administration reform and accountability for its implementation is established, and the strategic framework provides the basis for implementing prioritised and sequenced reform activities aligned with the government's financial circumstances.**

The critical factor in policy implementation is the level of reform leadership at the political and/or highest administrative level. Successful implementation of PAR requires a country's key decision-makers to share both an understanding of, and a collective commitment to, its purpose and the will to develop an effectively functioning public administration – as a prerequisite for delivering other policy commitments to citizens, businesses and external partners.

In addition to top-level ministerial and official leadership, PAR also requires strategic and business-planning documents that provide a clear roadmap for implementing individual policies. These planning documents should translate political-level priority statements into clear objectives, establish performance indicators to measure the level of achievement, designate actions and institutions responsible for realising them, allocate the necessary resources and provide other information for implementing the reform agenda. When planning documents are in place, implementation needs to be supported by adequate financing, and overall progress of the reform needs to be monitored using data on identified performance indicators.

**Principle 1: The government has developed and enacted an effective public administration reform agenda which addresses key challenges.**

1. A coherent vision of PAR is shared by the key stakeholders, including the challenges, objectives and key steps required for improvement.
2. PAR is identified among the priorities in all key medium-term planning documents (government work programme, *exposé* of the prime minister, medium-term budgetary framework (MTBF) and statement of government priorities).
3. The scope of PAR planning documents is complete and covers all necessary reform areas; reforms in different areas are clearly linked.
4. The objectives and steps identified in planning documents are consistent with the government's priority statements.
5. PAR objectives and the major steps to achieve these objectives are consistently applied and referenced in other planning documents relevant to implementing this policy (e.g. European integration (EI) strategies and plans).
6. One or more planning documents adopted at government level establish clear implementation plans for PAR as a whole, or for different parts of PAR.
7. The PAR planning documents address all necessary reform areas, including women's participation in public administration; planning documents are aligned with one another, and reforms in different areas are clearly linked.
8. To ensure effective enactment of PAR, planning documents contain all the necessary information (i.e. policy objectives and performance indicators, actions and costs, responsible institutions, implementation deadlines, and monitoring and evaluation requirements).

## Analytical framework

### Methodological approach

The method used is mostly qualitative assessments, based on interviews with high-ranking officials at the political and administrative levels of public administration, combined with document analysis:

- Analyse legislation with regard to planning systems to determine which types of documents are compulsory or voluntary and the overall hierarchy of planning documents. This leads to an understanding of both the formal requirements for, and the current situation in, the area of PAR.
- Interview relevant ministers and senior officials to determine the priority level of PAR. Ask for references to major government documents acknowledging PAR as a priority. Also ask about concrete PAR policy objectives and major steps needed to implement them. Compare responses to these questions with statements in major government documents.
- Seek evidence that supports PAR as a government priority (e.g. resourcing decisions, instances where PAR was discussed at the highest decision-making levels, major reform decisions taken or laws or regulations approved).
- Interview officials responsible for managing and co-ordinating PAR to obtain information on the formal requirements for planning documents, as well as a list of planning documents on PAR policy and their development procedures.
- Analyse key work planning documents establishing government priorities to find mentions of PAR, its objectives and key implementation activities. Compare these findings with statements by key decision makers.
- Focus the document analysis on two aspects: 1) references to PAR objectives and key steps; 2) consistency of objectives and key steps across all of the most important government work planning documents.
- When analysing PAR planning documents, assess the quality of information, particularly the key elements of clarity, structure and explicitness. Support this analysis with examples extracted from specific planning documents.

### Information sources

The information sources include:

- primary and secondary legislation on the country's planning system, as well as the government's long-term, medium-term and short-term work planning documents;
- interviews with ministers and senior officials in government institutions involved in implementing PAR;
- interviews with officials in institutions involved in steering and co-ordinating PAR, as well as at least two managers in institutions implementing part of PAR;
- interviews with up to three non-governmental stakeholders monitoring implementation of the whole or part of PAR;
- external reviews and assessments of the whole or part of PAR by international organisations and/or technical assistance projects;
- government work programmes, *exposé* of the prime minister, the MTBF and statement of government priorities or similar documents (if applicable), defining the government's priority areas;
- strategic and operational planning documents covering PAR issues; data on the financing of different parts of PAR.

**Principle 2: Public administration reform is purposefully implemented; reform outcome targets are set and regularly monitored.**

1. Reform objectives and targets are set in planning documents.
2. Planning documents that define government public administration policy feature a set of performance indicators (aligned with objectives) that monitor progress on the implementation of reforms.
3. Performance indicators are measurable and relevant to the objectives and support accountability arrangements between institutions and responsible managers.
4. A data-collection system for all identified indicators used in PAR provides ministers and officials with timely and accurate data.
5. Progress reports on PAR are conducted at least every two years, are publicly available and form a basis for discussion of implementation at political and top administrative levels.
6. Functioning central steering and strategy review processes are in place.
7. Civil society and the business community are involved in the monitoring and review process and enabled to provide input on implementation performance and reform challenges.

## Analytical framework

### Methodological approach

The methods used are qualitative and quantitative assessments, based on an analysis of legislation and documents, and interviews with responsible officials:

- Analyse primary and/or secondary legislation to determine the formal requirements for drawing up planning documents, with special attention to requirements for performance measurement, monitoring and evaluation.
- Analyse the planning documents setting out PAR objectives and activities to determine whether a performance measurement system exists. If so, assess the overall quality of its objectives and indicators.
- Analyse the links between objectives and indicators and between objectives and activities. Assess the extent to which objectives can be categorised as SMART (specific, measurable, attainable, realistic and timely).
- Analyse reports on progress achieved in the area of PAR to determine how the performance measurement system was applied and the quality of the conclusions drawn from it. This analysis will also bring to light problems in cases where certain data on included indicators are not available.
- Support analysis with interviews of officials responsible for the key functions and involved in implementing reforms.

### Information sources

The information sources include:

- primary and secondary legislation on performance measurement of policies in general and PAR in particular;
- planning documents setting out PAR policy and various planning documents on aspects of PAR implementation;
- implementation reports on PAR policy;
- progress assessments produced by different international organisations and technical assistance projects, including international comparisons on governance and PAR issues;
- interviews with representatives of institutions involved in implementing PAR.

**Principle 3: The financial sustainability of public administration reform is ensured.**

1. The actions or reform measures established in the planning documents contain information on the human and financial resources required to implement them. To ensure the requirements are sustainable, additional expenditure needs are broken down into temporary and permanent costs.
2. To ensure the reform is sustainable, the cost appraisal of reform measures defines the share and source of donor assistance and expected financing from government revenues.
3. The MTBF acknowledges PAR as a government priority and sets out the approximate amount of resources available for this reform. This amount is in line with the budget allocated to PAR in either central planning documents or the separate PAR strategy.
4. Financial estimations of costs of any reforms requiring EU assistance are in line with the planned budget under the Instrument for Pre-accession Assistance programme for PAR.

**Analytical framework**
**Methodological approach**

The method used is largely qualitative assessments, based on an analysis of legislation, planning documents, budget documents and interviews:

- Analyse planning documents describing PAR policy and the activities needed to achieve the stated objectives, to determine whether all of the activities are properly costed and resourced, as a measure of planning quality.
- Analyse reports on PAR implementation to determine the financing of, and spending on, the reforms.
- Analyse annual and medium-term budget documents to understand the process of assigning resources to policies in general and the PAR financing process in particular, including requests for funds.
- Analyse the MTBF, if any, to determine whether it includes PAR as one of the government's expenditure priorities and whether the government's stated priorities match resource flows.
- Support document analysis with interviews of officials in relevant internal and external institutions to assess consistency between theory and practice.

**Information sources**

The information sources include:

- the MTBF, annual budget requests of ministries involved in implementing PAR and the law on annual budget, as well as other budget documents dealing with appropriation of financial resources to implement government policies;
- PAR planning documents and implementation reports, as well as other planning documents of institutions providing information on budget requests;
- interviews with representatives of the institution co-ordinating PAR and at least two managers from institutions implementing PAR;
- interviews with representatives of institution(s) responsible for donor co-ordination, as well as analysis of the primary data sources available through them;
- interviews with representatives of the country's three biggest donors on foreign assistance devoted to PAR-related activities.

**Principle 4: Public administration reform has robust and functioning management and co-ordination structures at both the political and administrative levels to steer the reform design and implementation process.**

1. Regulation(s) designate one institution with overall responsibility for leading and co-ordinating PAR policy and implementation, and the lead institution has the capacity to carry out its responsibilities.
2. The division of functions and responsibilities between institutions involved in implementing and co-ordinating PAR is clear, and there is no duplication or overlap; institutions involved are aware of their functions and responsibilities, and have the capacity to carry them out.
3. At the political level, there is a formalised discussion and decision-making forum dedicated to PAR management that meets regularly to review progress and initiate required changes (regular government meetings can also play this role).
4. To support decision making at the political level, there is a formal administrative co-ordination structure that handles operational PAR management issues, provides regular reports on progress in PAR implementation, identifies obstacles to progress and devises possible ways to overcome them.
5. All key PAR stakeholders are represented in the co-ordination structures. Non-governmental organisations (NGOs) with relevant competence and capacity are consulted regularly.
6. The functions and responsibilities of both political and administrative management and co-ordination structures are clearly defined and observed.
7. The institution or ministry with the legally defined function and responsibility for overall co-ordination of the reform carries out the secretariat functions to support management and co-ordination structures.
8. Officials responsible for managing and co-ordinating PAR are experienced, with knowledge and skills in communication, teamwork, development, planning, organisation and conceptual, analytical and creative thinking, and they receive regular training.

## Analytical framework

### Methodological approach

The method used is mostly qualitative assessments, based on analysis of documents and interviews with relevant ministers and officials:

- Analyse primary and/or secondary legislation to determine the types, functions and responsibilities of PAR management and co-ordination mechanisms (formal bodies), as well as the roles of the different institutions within them.
- Analyse agendas, meeting minutes and participant lists to determine the frequency of meetings, level of participation and topics discussed. This also yields information on the various reports and documents prepared for management and co-ordination mechanisms and their relevance to overall PAR policy objectives and activities.
- Determine the attendance rates of the permanent members of various forums by analysing participant lists, to gauge the importance that different stakeholders accord to PAR. Pay special attention to the attendance of representatives of CoG institutions, to ensure that the country's senior ministers and officials recognise the importance of PAR.
- Interview key stakeholders to assess the actual level of informal co-ordination and communication between the institution responsible for overall co-ordination of PAR and institutions involved in its implementation.
- Analyse regulation to determine PAR-related functions and responsibilities and their allocation among institutions, to ensure there are no overlaps or gaps.



- Analyse relevant documents (e.g. legislation, statutes, job descriptions, competency handbooks) to establish the functions, tasks and responsibilities of officials involved in PAR management, co-ordination and implementation.

**Information sources**

The information sources include:

- primary and/or secondary legislation establishing the functions and responsibilities of formal forums at ministerial and/or official levels;
- agendas, meeting minutes and attendee lists of discussion and decision-making forums at ministerial and/or official levels;
- reports on implementation of decisions of formal discussions and decision-making forums at ministerial and/or official levels;
- interviews with participants at formal forums on PAR at ministerial and/or official levels
- internal procedures of institutions, as well as budget information for the current year, providing information on staffing numbers and turnover rates of institutions involved in implementing PAR;
- functional reviews (if available) of PAR-related issues by different national or international public or NGOs.

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2

## Policy Development and Co-ordination

## POLICY DEVELOPMENT AND CO-ORDINATION

The preparations for European Union (EU) accession and membership need to be underpinned by arrangements and capacities for policy planning, development, co-ordination and implementation that:

- enable consistent policy planning and co-ordination of government activities, including priority setting in relation to EU accession and membership issues;
- create substantive and consistent policies that are affordable, economically efficient and financially sustainable;
- include consultation with internal and external stakeholders;
- ensure that policies are properly implemented, communicated and monitored;
- support transposition and implementation of the EU *acquis* in all sectors;
- lay the foundations for operating effectively as an EU member country.

The Principles detail these general foundations. This chapter defines 4 key requirements and 12 Principles for ensuring quality policy outcomes and preparing for EU accession and membership. These requirements need to be enhanced as a country moves along the path of European integration (EI). Thus, the Principles distinguish between the different needs and stages of EI<sup>4</sup> when necessary.

### KEY REQUIREMENTS AND PRINCIPLES

#### Policy planning and co-ordination

**Key requirement: Centre-of-government institutions fulfil all functions critical to a well-organised, consistent and competent policy-making system.**

**Principle 1:** Centre-of-government institutions fulfil all functions critical to a well-organised, consistent and competent policy-making system.

**Principle 2:** Clear horizontal procedures for governing the national European integration process are established and enforced under the co-ordination of the responsible body.

**Key requirement: Policy planning is harmonised, aligned with the government's financial circumstances and ensures that the government is able to achieve its objectives.**

**Principle 3:** Harmonised medium-term policy planning is in place, with clear whole-of-government objectives, and is aligned with the financial circumstances of the government; sector policies meet the government objectives and are consistent with the medium-term budgetary framework.

**Principle 4:** A harmonised medium-term planning system is in place for all processes relevant to European integration and is integrated into domestic policy planning.

**Principle 5:** Regular monitoring of the government's performance enables public scrutiny and supports the government in achieving its objectives.

**Key requirement: Government decisions and legislation are transparent, legally compliant and accessible to the public; the work of the government is scrutinised by the parliament.**

**Principle 6:** Government decisions are prepared in a transparent manner and based on the administration's professional judgement; legal conformity of the decisions is ensured.

**Principle 7:** The parliament scrutinises government policy making.

<sup>4</sup> In order to differentiate between the degrees to which countries aspire to integrate with Europe and the scope and depth of their actual stage of EI and their commitment to it, this methodology has adopted a slightly altered categorisation of Lippert et al. (2001) to describe the different phases of integration. See Lippert, B., G. Umbach and W. Wessels (2001), *Europeanization of CEE executives: EU membership negotiations as a shaping power*, *Journal of European Public Policy*, Volume 8, Issue 6, pp. 980-1012.

## Policy development

**Key requirement:** Inclusive, evidence-based policy and legislative development enables the achievement of intended policy objectives.

**Principle 8:** The organisational structure, procedures and staff allocation of the ministries ensure that developed policies and legislation are implementable and meet government objectives.

**Principle 9:** The European integration procedures and institutional set-up form an integral part of the policy-development process and ensure systematic and timely transposition of the European Union *acquis*.

**Principle 10:** The policy-making and legal-drafting process is evidence-based, and impact assessment is consistently used across ministries.

**Principle 11:** Policies and legislation are designed in an inclusive manner that enables the active participation of society and allows for co-ordination of different perspectives within the government.

**Principle 12:** Legislation is consistent in structure, style and language; legal drafting requirements are applied consistently across ministries; legislation is made publicly available.

## Policy planning and co-ordination

**Key requirement: Centre-of-government institutions fulfil all functions critical to a well-organised, consistent and competent policy-making system.**

The institutional architecture of the centre of government (CoG) for carrying out policy planning and co-ordination functions should be in place and able to ensure well-organised and competent functioning of the policy-making system. The CoG is defined through the key functions typically carried out by the government office/general secretariat, the ministry of finance (MoF), the body responsible for legal conformity and the body responsible for EI when fulfilling the policy-planning, co-ordination and development functions. The institutional set-up within and between those institutions should have no significant gaps and overlaps and should not be overly fragmented. The CoG should have the authority and capacity to perform the tasks related to overall management of the policy system, as well as the capacity and authority to implement and enforce the provisions of the legal framework.

**Principle 1: Centre-of-government institutions fulfil all functions critical to a well-organised, consistent and competent policy-making system.**

1. Legislation assigns the following functions to CoG institutions, which have the authority and capacity to implement them:
  - co-ordination of preparation of the government sessions;
  - ensuring legal conformity;
  - co-ordination of preparation and approval of the government's strategic priorities and work programme;
  - co-ordination of the policy content of proposals for government decision, including defining the policy preparation process and ensuring coherence with government priorities;
  - ensuring that policies are affordable and co-ordination of public sector resource planning;
  - co-ordination of government communication activities to ensure a coherent government message;
  - monitoring of government performance to ensure the government collectively performs effectively and keeps its promises to the public;
  - handling relations between the government and other parts of the state (the president, the parliament);
  - co-ordination of EI affairs.
2. When implementing assigned functions, CoG institutions issue guidelines, conduct quality control and provide advice to ministries; the prime minister and the government act in a unified manner.
3. Arrangements (such as written procedures, institutionalised co-ordination forums and regular formal and informal meetings) are in place to ensure there is effective co-operation and co-ordination of activities between CoG institutions and their internal units.

## Analytical framework

### Methodological approach

The method used is qualitative assessments, based on analysis of legislation and other documents, as well as an assessment of staff available for described functions as a proportion of the overall staff in CoG institutions:

- Analyse legislation and internal regulations of CoG institutions to identify which institution and which unit is required to fulfil each function and whether any functions are missing, and if the institutions have authority to provide guidance, set procedures and conduct quality control.
- Examine organisational structures of institutions to understand the status and interrelationship of units in the organisational management architecture.
- Conduct interviews and a comparative analysis of staff numbers to verify that they undertake these functions in practice and assess their capacity to do so.
- Examine joint work of the CoG (such as procedures for legal drafting, policy planning, budgetary process and monitoring) and establish whether these procedures define clear responsibilities of the CoG and ministries and whether the procedures issued by CoG institutions are unified and consistent (or fragmented).
- When assessing working arrangements among CoG institutions (either formal or informal), set the use of the expertise of all CoG bodies as a benchmark.
- Support document analysis with interviews of relevant officials to assess whether daily work practices differ from or are in line with regulations; in the absence of formal rules, analyse informal practices.

### Information sources

The information sources include:

- the law on government;
- the government's rules of procedure (RoP);
- the law on budget;
- statutes (regulations on organisational structures) of the government office, the MoF, the ministry of justice (MoJ) and the body for EI;
- staff headcount assigned to each function and staff in post;
- regulations established by CoG institutions for specific policy-making processes (e.g. specific regulations for policy analysis, legislative drafting and policy co-ordination in the ministries);
- regulations setting formal co-operation arrangements and establishing processes; formal and informal guidelines issued by the institutions;
- interviews with directors of relevant units and secretary generals and/or heads of co-ordination units of two line ministries.

**Principle 2: Clear horizontal procedures for governing the national European integration process are established and enforced under the co-ordination of the responsible body.**

1. The legislative and/or regulatory framework clearly defines and differentiates the roles, responsibilities and obligations of the different government bodies that carry out the integration function relevant to the phase of EI. The legislative and institutional set-up governing the EI processes is aligned with the general legal framework setting the basis for the work of the government. The following critical functions of the EI are clearly established within the framework and fulfilled by the relevant institutions:
  - daily co-ordination of EI activities
  - planning of EI, including costing of reforms
  - monitoring the country preparation for the EI process
  - co-ordination of transposition of the *acquis*;
  - co-ordination of EU assistance
  - co-ordination of EI-related negotiations.
2. The EI co-ordinating body (or bodies) have the authority and capacity to co-ordinate and plan the transposition and translation of the *acquis*, EU assistance and overall EI policy.
3. The EI co-ordination unit is institutionalised, in the office of the prime minister, in the ministry of foreign affairs or as a separate body, and functions as part of the normal governing apparatus, with the authority to facilitate conflict resolution.
4. A firm mechanism is in place to ensure that co-ordination of general relations with the EU is in line with overall EI co-ordination.

## Analytical framework

### Methodological approach

The method used is qualitative assessments, based on analysis of legislation and other documents, as well as interviews with staff from the EI body and ministries:

- Examine whether the legislative framework clearly sets out CoG responsibilities and whether these are followed in practice. Poorly defined responsibilities or functions, legal inconsistencies, overlapping or contradicting mandates, or lack of necessary powers indicate an undefined or poorly defined legislative framework that could hamper co-ordination efforts.
- Use in-depth interviews to examine how successfully the government machinery handles key disagreements between institutions, and assess the influence and role of the co-ordinating unit during those critical junctures compared with more routine or regular decisions.
- Analyse the structure of the EI co-ordinating body (or bodies), the allocation of staff between departments and daily working practices to assess whether sufficient capacity exists to fulfil in practice the responsibilities conferred in the legislation.

### Information sources

The information sources include:

- legislation (relevant laws, regulations, government decisions) establishing EI principles and processes;
- statutes of the EI unit(s) and statutes of other institutions directly fulfilling EI-related roles;
- interviews with the head of the EI body, the directors of its sub-structures and secretary generals of two line ministries;
- records of meetings of administrative and political co-ordinating committees/commissions.

**Key requirement: Policy planning is harmonised, aligned with the government's financial circumstances and ensures that the government is able to achieve its objectives.**

The policy and legislative outcomes of the government should be planned in keeping with the capacities of the administration and financial circumstances of the government. They should be coherent, focus on priorities and ensure that the government performs collectively and keeps its promises to the public. The government should regularly oversee the existing legislative framework to ensure that it remains relevant and up-to-date.

**Principle 3: Harmonised medium-term policy planning is in place, with clear whole-of-government objectives, and is aligned with the financial circumstances of the government; sector policies meet government objectives and are consistent with the medium-term budgetary framework.**

1. The legal framework sets requirements and procedures for planning of government policies, establishes the status of key government planning document(s), delegates the policy-planning function to a CoG body and regulates its implementation.
2. The mechanisms are in place (preferably the medium-term and annual work plans of the government) for translating the government's political commitments and priorities into administrative actions.
3. Government planning processes and documents enable prioritisation across the whole government, as well as at the sector level, and ensure realistic planning in line with the government's priorities, the administration's capacities and financial circumstances.
4. Clear guidance is given to the ministries on providing input to the central planning documents and reporting on implementation.
5. Government central planning documents are coherent and consistent in terms of content, development and monitoring processes, both among themselves and with the strategic documents of individual sectors.
6. The system for planning sector strategies is formally established; the CoG guides the development process, ensures coherence between sector strategies and carries out quality control.
7. Sector strategies include financial cost estimates and indicate the sources of funding (the state budget, EU assistance), which are also consistent with the medium-term budgetary framework (MTBF).

## Analytical framework

### Methodological approach

The method used is qualitative assessments, based on analysis of legislation and other documents, government central planning documents, sector strategies and interviews:

- Analyse legislation and conduct interviews to assess established requirements and determine the number, duration and scope of existing central planning documents. Assess the development and implementation process and set benchmarks on how the country should be performing on the basis of these requirements.
- Analyse the content of central planning documents to assess their prioritisation and coherence.
- Assess whether planning is realistic and consistent with the administration's capacities. Compare the implementation rate with planned commitments and the different planning documents, if several exist.
- Use in-depth interviews to examine how successful the CoG is in guiding sector strategy development in terms of categorisation, consistency between such strategies and quality control (including harmonisation with government priorities).



- Assess the planning system for sector strategies. Analyse relevant legislation. Conduct interviews and collect data on a number of sector strategies and other strategic documents. Analyse a sample of at least five sector strategies to determine if they are aligned with government priorities and whether they include financial assessments. Compare the financial assessments with the MTBF to determine whether the financing of sector strategies is consistent with the MTBF. Where data is available, compare:
  - the estimated funds in the selected sector strategies with total funding identified in the MTBF for the corresponding sectors;
  - the use of donor funds in the selected sector strategies with the total of estimated EU assistance for the corresponding sectors.

### Information sources

The information sources include:

- the government's RoP;
- regulation(s) establishing the planning process for sector strategies;
- regulation(s) establishing the CoG strategic planning system;
- issued guidelines;
- central strategic planning documents, such as the statement of priorities, national development strategy, government medium-term and/or annual work plan;
- formal and/or informal implementation reports of central planning documents, if any;
- interviews with all relevant government office units involved in planning, the head of the MoF budget department and two line ministries;
- data on the number of sector strategies;
- the five most recently adopted sector strategies;
- the MTBF in force.

### **Principle 4: A harmonised medium-term planning system is in place for all processes relevant to European integration and is integrated into domestic policy planning.**

1. A medium-term planning and monitoring system for EI preparations is established, enabling consistent planning of all commitments related to EI.
2. For candidate countries, the accession-negotiation planning documents are linked with national strategic plans and in line with the administration's implementation and financial capacity.
3. For potential candidates, the development of EI planning documents is streamlined, and plans are coherent with one another and with the administration's implementation and financial capacity.
4. The planning process for different national plans for EI is streamlined; plans are coherent and avoid duplication.
5. EI planning is carried out in full co-ordination with processes for preparing and enforcing domestic policy plans, in particular with regard to strategic frameworks like the government work plan and the MTBF.

## Analytical framework

### Methodological approach

The method used is qualitative assessments, based on analysis of legislation and interviews, supported by comparative analysis of relevant plans:

- Analyse legislation and conduct interviews to assess the feasibility of established requirements and determine the number, duration and scope of existing EI planning documents, as well as requirements for the development and implementation process.
- Analyse the content of planning documents (e.g. the government work plan and EI plans) to assess the level of alignment (from separate to integrated) of the two processes and their content.
- Assess whether the planning is realistic and in line with the administration's capacities. Compare the implementation rate with planned commitments, and compare different planning documents, if several exist.

### Information sources

The information sources include:

- regulation(s) establishing the EI planning process;
- guidelines issued;
- EI planning documents, such as the National Plan for the Adoption of the *Acquis*, the Stabilisation and Association Agreement action plan, the national strategy for EI and negotiation positions;
- interviews with officials responsible for planning in the EI body and sample line ministries;
- implementation reports of EI plans.

### **Principle 5: Regular monitoring of the government's performance enables public scrutiny and support the government in achieving its objectives.**

1. The CoG monitors and reviews progress on implementation of government policies and programmes through a regular and co-ordinated process.
2. Processes are in place to measure government progress in meeting stated policy objectives, including outcomes of government work.
3. Regular reporting takes place on implementation of the government work plan and other central planning documents, if any; the reporting process is coherent and transparent and includes clear reference to institutions responsible for delivery.
4. Annual reports on government performance are publicly available and open for public and parliamentary scrutiny.
5. Monitoring of the implementation of EI commitments is integrated into the overall mechanism for monitoring the government's commitments and obligations (e.g. the government work programme, the legislative programme).
6. The monitoring system includes reporting to the government on the implementation of sector strategies and enables systematic and objective assessment of their design, implementation and results.

## Analytical framework

### Methodological approach

The method used is qualitative assessments, based on analysis of legislation and interviews, supported by analysis of reporting documents:

- Analyse relevant regulations and official documents to understand the requirements and determine whether they are comprehensive and if the legislative framework includes elements that are defined in the sub-principles and followed in practice.
- Analyse quarterly and annual reports on implementation of government central planning documents (the government programme and/or government work plan, EI planning documents, other central planning documents) to determine whether the reporting system enables an overview of the implementation of planned activities and monitoring of outcomes, to what extent comparative analysis is used, whether EI commitments are part of the monitoring process and whether monitoring also covers the implementation of sector strategies.
- Establish whether the monitoring mechanisms used distinguish between process implementation (e.g. the amount of secondary legislation enacted) or the achievement of intended outcomes (e.g. the amount of road infrastructure built or the number of deaths prevented through a smoking ban).
- Analyse, through guidelines and interviews with staff from the CoG, what evaluation systems are in place and how they are used in practice.

### Information sources

The information sources include:

- the RoP, relevant laws and regulations, and the government decisions that set out mandatory processes and guidance;
- guidance documents issued by CoG institutions;
- reports on progress or implementation of central planning documents;
- interviews with officials in the CoG and relevant officials within two line ministries, especially those with a heavy policy-making focus (such as the ministry of trade and industry or equivalent).

**Key requirement: Government decisions and legislation are transparent, legally compliant and accessible to the public; the work of the government is scrutinised by the parliament.**

In order to ensure transparent and legally compliant decision making, the CoG should have the capacity to perform the tasks related to the overall management of government decision making, as well as the capacity and authority (legal, personal and professional) to implement and enforce the provisions of the legal framework and ensure a transparent, reliable and legal process. The work of the government shall be overseen by the parliament in order to continuously scrutinise the government's performance against its commitments and agreed objectives.

**Principle 6: Government decisions are prepared in a transparent manner and based on the administration's professional judgement; the legal conformity of the decisions is ensured.**

1. The legal framework establishes clear rules and procedures for preparation, follow-up and communication on government sessions and clearly authorises the CoG to provide its professional opinions on draft government decisions and ensure their legal conformity. The CoG has the capacity to set and enforce the procedures.
2. A CoG body sets clear deadlines for the preparatory process, allowing sufficient time for consultation and quality control. All stakeholders follow those deadlines.
3. A CoG body has the authority and capacity to ensure the coherence of policy proposals with government priorities and previously announced policies.
4. A CoG body has the authority and capacity to review the content of proposals and policy development processes to assess their compliance against set requirements.
5. The relevant unit within the CoG responsible for legal scrutiny has the authority and capacity to review and provide comments on all legal drafts before they are discussed and approved in the government session.
6. The government office is authorised to return items to the ministries if the substance is flawed or inconsistent with government priorities.
7. The agenda and materials for the sessions are circulated to the participants in advance and on time. The agendas of formal government sessions are public.
8. Decision records are kept and distributed after the sessions. Government decisions are made publicly available.
9. The government office communicates to the public regularly and transparently on the work of the government, its objectives, key decisions and performance.

## Analytical framework

### Methodological approach

The method used is qualitative assessments, based on analysis of legislation, working documents and interviews, and quantitative analysis, based on data that characterises the process:

- Analyse relevant legislation and official documents to understand the requirements, assess whether they are comprehensive, analyse whether legislation follows the sub-principles and establish a baseline of how the country should be performing on the basis of these requirements.
- Analyse the organisational set-up of relevant CoG institutions and the functions of departments/units involved in government decision making, to define the role and authority of each actor in the process.
- Analyse daily working practices through interviews with the directors of the government office involved in government decision making and ensuring legal conformity, director-level representatives from institutions responsible for ensuring legal conformity (if separate from the government office), secretary general of the government office, member(s) of the prime

minister's cabinet and two managers from the ministries (either permanent secretaries or heads of departments, depending on the country).

- Analyse working documents, randomly selected government session agendas, the government session minutes and a random selection of examples of the opinions provided by each structural unit of the CoG during the decision-making process, to assess whether:
  - comments are made on the content or only on formal adherence to the rules;
  - comments by CoG units were taken into account during decision making (especially if they address legal conformity issues);
  - out-of-agenda items were allowed during the sessions and, if yes, under what circumstances.
  - compare the staff numbers in CoG structural units and other institution(s) responsible for ensuring legal conformity with the volume of legislative and other government decisions.

### Information sources

The information sources include:

- the government's RoP;
- relevant laws, government decisions and by-laws setting out mandatory processes;
- guidance notes;
- reports of progress of implementation of policies and legislation;
- government publications and official reports;
- interviews with those responsible in the CoG and with relevant staff within two line ministries (especially those with a heavy focus on policy making and legal conformity);
- statistics on the number of regular and urgent agenda items (based on the fourth quarter in a given year) and the number of staff working on preparing government sessions;
- statistics on the number of staff and legislative acts and strategies submitted to the government by ministries and adopted by the government.

### Principle 7: The parliament scrutinises government policy making.

1. Systematic procedures are in place, and applied in practice, to co-ordinate the government's decision-making process with the parliament. Information about the government's legislative initiatives is made available to the parliament at least once a year in line with parliamentary planning procedures and the parliamentary calendar.
2. Parliamentary committees are fully engaged in carrying out the oversight function.
3. Committee processes and procedures are in place and followed in practice to enable the parliament to debate, scrutinise and amend draft legislation.
4. The parliament plays a role in ensuring that the legislation enacted is clear, concise and intelligible.
5. The government has established procedures and capacity for communicating with the parliament and follows these procedures.
6. Ministers participate in the work of the parliament when issues under their responsibility are being discussed.
7. Mechanisms are in place, and consistently followed, to ensure that the government systematically reviews all new legislative proposals and bills initiated by the parliament.
8. The parliament reviews and discusses implementation and evaluation reports of laws and major government policies and programmes.

## Analytical framework

### Methodological approach

The methods used are qualitative assessments, based on analysis of legislation, interviews and analysis of working practices, and a quantitative data-based analysis of the process:

- Analyse relevant legislation and official documents to understand the requirements, assess whether they are comprehensive and if legislation follows the sub-principles, and establish a baseline of how the country should be performing on the basis of these requirements.
- Analyse working practices through interviews with the government official responsible for relations with the parliament, the official in the secretariat of the parliament and members of the parliament from legislative committees.
- Analyse working documents (e.g. information provided by the government on legislative plans, if any).
- Analyse the flow of legislation submitted by the government to the parliament and its subsequent adoption by the parliament.
- Analyse data on the attendance of ministers and their staff in the parliament.
- Analyse working practices and data on the government's review of bills proposed by the parliament.

### Information sources

The information sources include:

- The RoP of the government and the parliament;
- any other relevant laws or by-laws regulating relations between the government and the parliament;
- interviews with the government official responsible for relations with the parliament and the official in the secretariat of the parliament;
- formal or informal legislative plans submitted by the government to the parliament;
- statistics on draft laws submitted by the government to the parliament;
- laws approved by the parliament;
- laws revised by the parliament and reviewed by the government.

## Policy development

**Key requirement: Inclusive, evidence-based policy and legislative development enables the achievement of intended policy objectives.**

Structures should be in place to enable ministries to fulfil their policy-making and legislative functions and create policies that, when implemented, deliver the objectives they were designed to achieve. All relevant functions of policy planning and development and legislative drafting should be in place within ministries, and there should be sufficient capable staff to perform the stated functions. The system should encourage regular dialogue in order to form a cross-government view about how desired outcomes measure up against the strategic direction of the government.

There should be procedures that set out clear roles, responsibilities and approaches to develop, deliver and review the effectiveness of policies and legislation and enable effective prioritisation and sequencing of activities. These procedures should be followed in practice. Ministries should have functioning systems and forums to agree on work planning and resourcing.

Good policy making also requires assessing the likely costs and benefits and associated long-term risks to the public, private or civil society organisations, the environment and society at large. Evidence should exist from the outset that the policy is necessary and that it will solve the issues it was created to address.

Policy makers should use a range of tools to help them think through and understand the need for, and the consequences of, proposed policy interventions, and also to assist the government to weigh relevant evidence on the likely impacts of such interventions and consult with those affected. A system/structure that explicitly values and makes best use of available evidence is key to developing policies and legislation. A continuous process should be in place that emphasises the importance of effectively implementing policy and legislation and ensures the ability to monitor and evaluate impacts and whether the objectives are being achieved.

Consultation improves the quality of new and existing policies and rules. It can assist greatly in assessing the potential impacts of proposed policy changes. Consultation processes should therefore be built in at key stages of the policy development and legislative process, since consultation outcomes can influence the final policy design.

The policy development process and legal drafting procedures should ensure that legislation is understandable, coherent and publicly available.

**Principle 8: The organisational structure, procedures and staff allocation of the ministries ensure that developed policies and legislation are implementable and meet government objectives.**

1. The relevant regulations establish the structures, roles and responsibilities of the ministries and departments responsible for policy development.
2. As a general rule, the key policy-making functions remain in the ministries and are not transferred to subordinate bodies.
3. Clear boundaries exist between ministries and within organisational units of individual ministries with regard to policy development, legislative drafting and implementation responsibilities.
4. Clear rules or procedures are in place which set out ministries' roles and responsibilities for medium-term policy and legislative planning, including financial and implementation aspects.
5. Internal policy development and legislative drafting procedures are established in ministries, in line with government policy-making and legislative drafting standards and requirements.
6. The management of policy development and legislative drafting within ministries, the managerial levels responsible for these functions and the manner in which responsibility is delegated are clearly established.
7. The institutional framework and allocation of staff resources within various departments and units allow ministries to fulfil government commitments.

## Analytical framework

### Methodological approach

The method used is qualitative assessments, based on analysis of legislation and other documents, complemented by interviews with officials:

- Perform a qualitative assessment of relevant government decisions and RoP to determine whether the required organisational structure is in place.
- Analyse statutes of ministries (with sectoral responsibility) to determine whether and how responsibility for policy development and responsibility for legislative drafting are allocated.
- Analyse annual reports of ministries (or their equivalent) to ensure that, for cross-cutting policy issues, the other relevant ministries are involved in developing and agreeing on the policy position.
- Analyse annual plans or strategic documents that set out planned work against its delivery and compare with the total staff numbers at ministries, to establish comparative workloads and determine discrepancies between workload and capacities.
- Analyse staffing requirements in terms of the number and distribution of staff across each ministry (e.g. in departments and across functions such as policy development, co-ordination and administrative support) and the extent to which these requirements are met.
- Conduct interviews to provide additional information on the extent to which agreed working practices are actually followed.

### Information sources

The information sources include:

- the government's RoP, the law on budget and any procedures related to policy-making processes and clearance, and the division of policy responsibilities across the government;
- relevant government decisions, strategies, action plans systemisations, etc. that specify requirements for the number and distribution of staff across each ministry (e.g. in departments and across functions such as policy development, co-ordination, policy enforcement and administrative support);
- internal working procedures and descriptions of the processes of ministries;



- annual work programmes, business plans and progress reports of ministries;
- analysis of data collected to determine possible discrepancies between the headcount, staff in post and plans to fill vacancies and to understand in detail the internal working procedures of sample ministries;
- interviews with directors and selected staff members of ministries to identify whether the prescribed working methods are followed in practice.

**Principle 9: The European integration procedures and institutional set-up form an integral part of the policy-development process and ensure systematic and timely transposition of the European Union *acquis*.**

1. The legal framework establishes a clear procedure and determines the responsibility of line ministries and other government bodies for transposing the *acquis* and sets requirements for the transposition process.
2. The *acquis* transposition process forms an integral part of the overall government policy development process, with clearly defined responsibilities for all relevant structural units regarding planning, co-ordinating and monitoring, and ensures conformity with the constitution and national legal system.
3. All government bodies responsible for transposition consistently use tables of concordance in the transposition process.
4. The relevant laws, regulations and statutes assign clear obligations for interministerial consultation at the specialist, management and political levels; those obligations are rigorously followed.
5. The interministerial co-ordination structure is robust and enables conflict resolution during the policy development and the *acquis* transposition process.
6. Internal structures (EI and legal departments) co-ordinating the *acquis* transposition in government bodies have the required capacity, in terms of staff numbers, expertise and skills, to co-ordinate transposition.
7. Responsible departments co-operate closely with other policy co-ordination and legal departments; distribution of duties between co-ordinating departments is clear.
8. The *acquis* is translated into the national language.

## Analytical framework

### Methodological approach

The method used is qualitative assessments, based on analysis of the legislation and other documents, complemented by interviews with officials:

- Analyse relevant legislation and official documents to understand the requirements, assess whether they are appropriate and whether legislation follows the sub-principles. Assess whether the legal framework for the EI process is coherent with the national policy development framework.
- Interview the head of the EI co-ordination unit, the head of *acquis* transposition co-ordination or the head of the unit's legal department, the directors of the government office involved in government decision making and two managers from the ministries (either permanent secretaries or department heads, depending on the country).
- Analyse working documents including a random selection of three agendas of an EI interministerial co-ordination structure meeting, the meeting minutes and examples of opinions given by the EI co-ordinating unit in the *acquis* transposition process.
- Analyse the annual *acquis* transposition volume and staff numbers dealing with *acquis* transposition in the CoG.

- Analyse the statutes of sample ministries to determine whether and how *acquis* transposition is organised.
- Analyse annual plans, which should include the *acquis* transposition.
- Analyse working documents and sample transposition cases to determine the quality and practical functioning of transposition.
- Compare staffing levels in the key structures responsible for co-ordinating *acquis* transposition with the planned transposition workload and actual delivery of plans.

### Information sources

The information sources include:

- the government's RoP; relevant laws, government decisions and by-laws setting mandatory processes for EI decision making, including accession negotiations and *acquis* transposition;
- statutes and internal working procedures and descriptions of the processes of ministries;
- annual work programmes, business plans and progress reports of ministries;
- statistics on *acquis* transposition volume (planned workload and draft legislation submitted to the government for approval) and numbers of staff dealing with *acquis* transposition in the CoG and ministries;
- analysis of data collected to establish any discrepancies between the headcount, staff in post and plans to fill vacancies and to understand in detail the internal working procedures of sample ministries;
- interviews with those responsible at the CoG, as well as directors and selected staff members of sample ministries, to identify whether the established working methods are being followed in practice.

### **Principle 10: The policy-making and legal-drafting process is evidence-based, and impact assessment is consistently used across ministries.**

1. The legal framework establishes the types of analytical processes and tools and sets the requirements and standards expected of line ministries for evidence-based policy making and legislative drafting.
2. Clear and transparent methodologies and criteria are available for analysing the impacts of new policies and regulations, including for defining issues/problems and objectives, identifying and appraising alternative policy options and analysing their potential impacts (benefits, costs, anticipated effects and risks).
3. The analytical approach and the level of analysis are proportionate to the complexity of the issue under consideration and include, when necessary, gender analysis to identify gaps between *de jure* and *de facto* status of gender equality.
4. The analyses are based on relevant, reliable and up-to-date data and information, including separate data on gender when necessary.
5. Policy options are costed, and the outputs of the analysis clearly indicate the source(s) of funding for the proposed policy, linking the anticipated cost of the measures and the medium-term financial planning process. The selected policy option is affordable within current budgetary agreements, or an explanation is provided for any deviation and need for additional funding.
6. There is clarity about responsibility over day-to-day guidance and quality assurance of the analyses, and the institutions fulfil their established responsibilities. Where several institutions share this role, line ministries clearly understand their respective roles.
7. Mechanisms to monitor implementation, evaluate progress and identify obstacles to successful implementation of policies and concrete pieces of legislation are routinely identified within the analyses.

## Analytical framework

### Methodological approach

The methods used are qualitative and quantitative assessments, based on analysis of policy documents and the outputs of analytical tools used, combined with interviews with staff from line ministries, non-governmental organisations (NGOs) and the CoG:

- Analyse relevant rules or prescribed processes and standards to assess the policy options and processes ministries follow when they undertake problem analysis, identify options and analyse the impacts of different options.
- Analyse relevant rules prescribing the issues to be covered in paperwork submitted to the government meeting to justify a policy proposal (e.g. options analysis, budgetary implications, EI implications).
- Using a sample of analysis outputs, examine the extent to which the required processes are followed routinely and instances where exceptions occur.
- Analyse relevant guidelines and templates for using analytical tools (e.g. impact assessments for two to four policy areas) to determine the extent to which they are followed.
- Analyse the extent to which the government oversees and reviews the quality of the use of analytical tools, such as impact assessments.
- Review the output of relevant policy development tools on sample policy areas (e.g. impact assessments or cost-benefit analyses, primarily covering three areas: policy development and appraisal, reliability of appraisals, and the implementation and evaluation plan).
- Examine analytical documents from sample policy areas to find evidence of a logical approach to identifying the core of a policy problem, considering options and evaluating their costs and benefits. In particular, evaluate whether adequate attention is paid *ex ante* to the availability of sufficient resources to achieve the proposed policy's stated benefits.
- Interview staff (e.g. analysts, economists, lawyers and policy development staff) involved in developing impact assessment tools in line ministries to evaluate how they use the mandatory analytical processes in practice and whether monitoring and implementation mechanisms are adequate.

### Information sources

The information sources include:

- relevant laws and official procedures (the government's RoP or government decisions) defining an agreed process for analyses and impact assessments, and the structures for supporting line ministries and evaluating impact assessments;
- guidance documents issued by the CoG to assist line ministries in their analysis of policy areas;
- outputs from analytical tools (e.g. impact assessments, fiscal impact appraisals);
- policy or concept papers (e.g. concept papers, explanatory memoranda);
- any internal or external evaluative studies (e.g. by the World Bank or the International Monetary Fund) about the use and quality of existing analytical systems (e.g. regulatory or fiscal impact assessments);
- interviews with staff in the CoG, NGOs and a sample from ministries dealing with impact assessment and policy development, to assess the quality and logic of analysis carried out and the understanding of required procedures;
- the website of the relevant national statistical agency/office.

**Principle 11: Policies and legislation are designed in an inclusive manner that enables the active participation of society and allows for co-ordination of different perspectives within the government.**

1. Procedures are in place to enable effective public consultation and are consistently applied across ministries, allowing NGOs and citizens to participate and influence government policy. There is a proactive approach to empowering citizens, particularly women, in decision making.
2. The process and timing of public consultations provide sufficient opportunity to all key stakeholders and affected groups to review and comment. The consultation documents have a clear structure and focus on the specific questions and issues that are likely to interest the public and key stakeholders.
3. Public consultation mechanisms and procedures include prior notification to those likely to be affected by the policy changes and other stakeholders (e.g. NGOs, the private sector and advisory bodies), and these procedures are consistently followed in the consultation process.
4. Ministries have sufficient time and resources to collect, analyse, report and use consultees' responses.
5. The government liaises effectively and holds constructive discussions on the manner in which consultees' views have shaped and influenced policy and the government's final decisions.
6. The procedures and structures for consultation on proposals between ministries operate effectively and discuss not only the process but also substantive matters, to enable the development of policies and legislation that complement the existing system.
7. The lead ministry reports on the outcome of interministerial consultation as part of the documentation submitted, along with agenda items, for government sessions.
8. Interministerial conflict resolution mechanisms are built into the decision-making process at both administrative and political levels to ensure access to government stakeholders, and the mechanisms fully utilise the administration's expertise to enable optimal conflict resolution before the issue is discussed by the government.

## Analytical framework

### Methodological approach

The method used is largely qualitative assessments, based on analysis of documents about public and interministerial consultation on policies:

- Examine specific cases of policy development and consultations to assess to what extent line ministries follow the agreed procedures in practice.
- Review the procedural requirements for public consultation. Perform a qualitative assessment of the RoP and other relevant legislation, examining the requirements for interministerial consultation (e.g. the types of documents and level of detail required and the time taken to reach cross-government agreement).
- Assess to what extent ministries understand and follow the procedures of interministerial consultation. As a follow-up, interview relevant staff of line ministries to establish how the rules operate in practice. Focus on co-ordinating departments, such as the department for EI and policy co-ordination.
- Through data gathered from line ministries, assess how they evaluate their awareness of rules and good practices on public consultation and how frequently consultation takes place on proposed policy changes, compared to the number of policy changes foreseen in the ministry's annual work plan. Also assess to what extent the ministry publishes the results of consultations, along with an explanation of how they fed into finalising the policy.
- Through data gathered from key NGOs covering a sample of policy areas, assess whether they are satisfied with their involvement in the policy development and implementation processes.

- Review documents submitted to support government decisions in sample policy areas to evaluate how well the procedural requirements are followed.
- Using two to four consultations as examples, evaluate whether the groups most likely to be affected by the changes were actively consulted.
- Compare relevant documents (e.g. submissions to government for policy approval, reports on the results of public hearings) indicating the manner in which consultations were undertaken and their results were used, the extent to which the consulting body provided feedback on the process and its reasons for accepting or rejecting the results of the consultation. This includes:
  - For interministerial consultation, analysis of correspondence between the ministry and the CoG to assess the practical workings of policy development and planning, in particular the existence of appropriate and sufficiently detailed information submitted to the CoG and alignment with mandatory requirements (such as EI) and an explanation of budgetary implications.
  - For interministerial consultation, analysis of minutes of relevant meetings, (e.g. of state secretaries and ministerial committees), where differences of opinion arose between ministries or between the CoG and a ministry, to examine how differences were resolved.
  - For public consultation, review correspondence (e.g. official reports, letters, e-mails) between line ministries and the CoG institution responsible for consultation, to determine the nature of discussions on consultation.
- Review the reports from public hearings/working groups to determine the level of attendance at these participatory events and their influence on policy development.
- Interview staff from line ministries on how they conduct consultations in sample policy areas.
- Review relevant data about the strength of civil engagement from international organisations (e.g. Transparency International, the Better Life Index of the Organisation for Economic Co-operation and Development (OECD), the results of OECD Indicators of Regulatory Management Systems surveys and data from regional NGOs).

### Information sources

The information sources include:

- any relevant legislation that codifies requirements on interministerial consultation and on public consultation (e.g. the constitution, RoP, government decisions, law on NGOs);
- guidance issued by the CoG on good consultation practice;
- reports from any CoG institution responsible for overseeing engagement of NGOs with the government; records (in Excel, Word, e-mails, etc.) of materials about policy proposals submitted to the secretary general and the CoG;
- documentation that accompanies items submitted to the government for decision;
- published consultation documents;
- for public consultation, minutes from relevant CoG policy development meetings where the government's decision conflicted with the majority of consultees' opinions;
- for interministerial consultation, records of exchanges between a ministry and the CoG; minutes from meetings featuring discussions about policy issues (e.g. meetings of state secretaries and ministerial committees);
- any CoG reports about the depth, breadth and quality of consultation;
- reports from Transparency International, the OECD Better Life Index and regional NGOs;
- data collected from a sample of line ministries on the nature and practice of interministerial consultation; interviews with staff from two line ministries focusing on co-ordinating departments (e.g. the department for EI and policy co-ordination) on the process of interministerial consultation.

**Principle 12: Legislation is consistent in structure, style and language; legal drafting requirements are applied consistently across ministries; legislation is made publicly available.**

1. Processes and guidelines are in place and applied to ensure the coherence and quality of legislative drafting to encourage making laws simple and easy to understand.
2. The guidance details draft formalities and arrangements, including how to enact and commence laws and transitional issues. It helps drafters develop primary and subordinate legislation.
3. A continuous and regular education programme for legal drafting is in place; it includes legal transposition issues and ensures drafters remain technically competent and take into account equal treatment when necessary.
4. Procedures are in place to make legislation readily accessible, including the fulfilment of formal responsibilities for monitoring publication and availability of laws to the public.
5. Administrative guidance, documents, directives, interpretation bulletins or other rules that do not have the force of law, but have a practical impact, are clear and easily available.
6. A full register of all laws currently in force is available to the public, including in consolidated form.
7. Laws and any explanatory materials (e.g. guidance for those affected by legal changes) are available electronically.

## Analytical framework

### Methodological approach

The method used is qualitative assessments, based on analysis of legislation, interviews, analysis of working documents and quantitative data-based analysis:

- Analyse relevant legislation and official documents to understand the requirements, assess whether they are appropriate and analyse whether the legislation follows the sub-principles.
- Conduct interviews to establish whether adequate sources of advice are available to policy makers on issues related to the style and structure of primary and secondary legislation.
- Interview staff from ministries and representatives from the non-governmental sectors to assess unity of legal structure and style.
- Analyse a sample of legislation to ensure the policy intent is expressed succinctly, achieves its purpose in a legally sound manner and is technically implementable.
- Review a sample of legislation and relevant explanatory materials to establish the purpose of a particular item of legislation and the duties it imposes or rights/benefits it confers; assess whether it is easy to read and accessible to non-lawyers.
- Review relevant websites and the official gazette to check whether consolidated versions of laws are available and whether all the legislation and relevant explanatory materials are made publicly available.

**Information sources**

The information sources include:

- the constitution;
- the RoP of the government and the parliament; government decisions and by-laws that establish mandatory processes;
- guidance notes;
- government publications and academic literature describing or discussing the legislative drafting process in the country that indicate whether the process works adequately;
- the official gazette or a log of the number and type of legislative amendments;
- government website(s);
- sample legislation;
- interviews;
- input received from legal drafters;
- The World Bank *Doing Business* report;
- reports by the European Bank of Reconstruction and Development.

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3

## Public Service and Human Resource Management



## PUBLIC SERVICE AND HUMAN RESOURCE MANAGEMENT

Public service is one of the key components of public administration. A legally well-designed and well-managed public service system enables the state to reach an adequate level of professionalism, sustainability and quality of public service in all parts of its administration and to provide better services to citizens and businesses.

Modern constitutional public service in a democracy is regarded as possible only when the following conditions are in place:

- separation between the public sphere and the private sphere;
- separation between politics and administration;
- individual accountability of public servants;
- sufficient job protection, level of pay and stability, and clearly defined rights and obligations of public servants;
- recruitment and promotion based on merit<sup>5</sup>.

European Union (EU) member countries have adopted different approaches to public service, usually rooted in the history of their respective states and modified over time. A number of countries, such as France, the Netherlands, Spain and Sweden, have public services that encompass every public employee and a broad concept of public service. Other countries, such as Austria, Denmark, and Italy, have restricted the scope of public service to the so-called “core public administration” (i.e. ministries, police, judiciary, defence and foreign affairs service). Almost all EU member countries have maintained a duality between public law employees and labour law employees. However, a general tendency is that the percentage of labour law employees is rising and the percentage of public servants is decreasing, concentrating public service mainly in the core areas of administration. Another trend is towards fragmentation of the public workforce at the central, regional, local and semi-public levels<sup>6</sup>.

The European Court of Justice (ECJ) (Case 149/79), as well as the European Commission (EC) and SIGMA<sup>7</sup>, have used two criteria for defining the positions which could be reserved for public servants:

- positions with public authority and legal competencies to exercise powers conferred by public law to propose public policies and regulatory instruments or to give advice on them;
- positions with responsibility for safeguarding the general interests of the state or other public bodies<sup>8</sup>.

Taking into account the European administrative law principles, the set of conditions for the public service carrying out the core functions of the state, as well as the case law by the ECJ on defining public

<sup>5</sup> OECD (1999), *European Principles for Public Administration*, SIGMA Papers, No. 27, OECD Publishing, Paris, <http://dx.doi.org/10.1787/5kml60zwd7h-en>.

<sup>6</sup> EIPA (European Institute of Public Administration) (2012), *The future of public employment in central public administration: Restructuring in times of government transformation and the impact on status development*, EIPA, Luxembourg, [http://www.eupan.eu/files/repository/2013021293522\\_Study\\_The\\_future\\_of\\_public\\_employment.pdf](http://www.eupan.eu/files/repository/2013021293522_Study_The_future_of_public_employment.pdf)

<sup>7</sup> OECD (1999), *European Principles for Public Administration*, SIGMA Papers, No. 27, OECD Publishing, Paris, <http://dx.doi.org/10.1787/5kml60zwd7h-en>.

<sup>8</sup> Using these criteria, the performance of the following functions could be considered as public service positions: management of an administrative body; exercise of state and administrative supervision, as well as conduct of internal audit; ensuring the security and constitutional order of the state; permanent military defence of the state and related preparation; proceeding of offences; diplomatic representation of the state in foreign relations; decision-making necessary for the performance of the principal functions of the constitutional bodies (the parliament, the president, supreme audit institution, ombudsman and the courts) and the substantive preparation or implementation thereof; substantive preparation or implementation of the policy-making decisions within the competence of the government, local government council, municipality or city government; activities which, in the interests of the state or of strengthening the administrative body, cannot be given to the competence of a person who is only in the relationship governed by private law with the authority.

servants, in these Principles in the area of human resource management in public service, SIGMA applies the narrow scope of public service covering:

- ministries and administrative bodies reporting directly to the government, prime minister or ministers (i.e. the civil service, strictly speaking);
- administrations of the parliament, the president and the prime minister;
- other administrative bodies at the level of the central administration, if they are responsible for safeguarding the general interests of the state or other public bodies;
- independent constitutional bodies reporting directly to the parliament.

The scope of public service in these Principles thus does not cover institutions at the level of the sub-national administration and special types of public service, elected and politically appointed officials, or support and ancillary personnel in the administrative bodies.

This chapter defines two key requirements and seven Principles which determine the functioning of public service.

## KEY REQUIREMENTS AND PRINCIPLES

### Policy, legal and institutional frameworks for public service

**Key requirement:** The scope of public service is clearly defined and applied in practice so that the policy and legal frameworks and institutional set-up for professional public service are in place.

**Principle 1:** The scope of public service is adequate, clearly defined and applied in practice.

**Principle 2:** The policy and legal frameworks for a professional and coherent public service are established and applied in practice; the institutional set-up enables consistent and effective human resource management practices across the public service.

### Human resource management

**Key requirement:** Professionalism of public service is ensured by good managerial standards and human resource management practices.

**Principle 3:** The recruitment of public servants is based on merit and equal treatment in all its phases; the criteria for demotion and termination of public servants are explicit.

**Principle 4:** Direct or indirect political influence on senior managerial positions in the public service is prevented.

**Principle 5:** The remuneration system of public servants is based on job classifications; it is fair and transparent.

**Principle 6:** The professional development of public servants is ensured; this includes regular training, fair performance appraisal, and mobility and promotion based on objective and transparent criteria and merit.

**Principle 7:** Measures for promoting integrity, preventing corruption and ensuring discipline in the public service are in place.

## Policy, legal and institutional frameworks for public service

**Key requirement: The scope of public service is clearly defined and applied in practice so that the policy and legal frameworks and institutional set-up for professional public service are in place.**

Sound human resource management (HRM) in the public service depends not only on the use of modern HRM tools and techniques, but also on the rational policy, legal basis and institutional set-up. Strategic policy on HRM in the civil service, together with adequate legal provisions encompassing the right scope of the public service and efficient institutional set-up, are the basis for the efficient and effective functioning of the public service.

### **Principle 1: The scope of public service is adequate, clearly defined and applied in practice.**

1. There is a clear legal basis establishing the horizontal and vertical scope of the public service (e.g. civil service, laws on constitutional bodies, laws on special types of civil service).
2. The horizontal scope contains at least the positions with public authority to exercise powers conferred by public law and with responsibility for safeguarding the general interests of the state or other public bodies in the following institutions:
  - ministries and administrative bodies reporting directly to the government, the prime minister or ministers (i.e. the civil service at the level of central administration);
  - administrations of the parliament, the president and the prime minister;
  - other administrative bodies at the level of central administration, if they are included in the scope of public service in terms of the public/civil service law;
  - constitutional and other independent bodies reporting to the parliament.
3. The vertical scope clearly determines the upper and lower division line between political appointees, public servants and support staff.
4. The material scope establishes all general provisions relevant to the employment relations of public servants and management of public service<sup>9</sup>.
5. Public servants are distinguished from political appointees (i.e. political positions are not included in the scope of public service).

## Analytical framework

### Methodological approach

The method used is qualitative assessments, based on analysis of the constitution and primary legislation, interviews and relevant documents to verify to what extent the established legal framework clearly defines the scope of public service, whether political positions are excluded from the scope of public service, and whether the general provisions and principles of the law on civil service are applicable to all types of public service:

- Analyse the constitution and primary legislation (i.e. law on civil service, law on civil servants and public employees, laws on special types of public service, laws on constitutional and independent bodies).

<sup>9</sup> The following major issues of the material scope of public service should be covered in the primary legislation: scope and principles of the civil service; classification; recruitment and selection, including of civil servants in senior managerial positions; rights and obligations of civil servants, including the integrity system; remuneration (main principles and components of the salary system); professional development, including performance appraisal, training, mobility and promotion; disciplinary procedures, including suspension of the civil service relationship; termination of employment, including demotion and redundancy; and management and central co-ordination of the civil service.

- Conduct complementary interviews with key persons, including those from a representative sample of administrative bodies, and analyse other relevant documents to verify to what extent the established scope of public service is applied in practice.

### Information sources

The information sources include:

- the constitution;
- laws on public service (law on civil service, law on civil servants and public employees, laws on special types of public service, laws on constitutional and independent administrative bodies);
- drafts of laws on public service or of amendments to the current laws on public service, in the final phase of parliamentary proceedings;
- interviews with the minister responsible for the public administration and civil service, director of the central co-ordination unit for civil service, chair of the civil service commission (CSC) or equivalent, chair of the respective committee in the parliament, ombudsman, secretaries-general of ministries, directors-general of administrative bodies, representatives of the public service unions;
- interviews with representatives of civil society organisations, academia and international organisations;
- annual reports of the central co-ordination unit for the civil service, the CSC or equivalent and ombudsman, as well as other relevant reports or documents.

### **Principle 2: The policy and legal frameworks for a professional and coherent public service are established and applied in practice; the institutional set-up enables consistent and effective human resource management practices across the public service.**

1. There is a defined policy for public service development in the framework of the relevant strategies (e.g. government programme, public administration reform strategy), with clear and coherent measures in place to support its implementation.
2. Primary and secondary public service legislation ensures transparency, openness, accountability, efficiency and effectiveness.
3. The general provisions of the public service law are applicable to special types of public service (e.g. police, prison, defence, foreign service) and staff of the constitutional bodies, or the general provisions and principles of the laws of the special types of public service and constitutional bodies are principally similar to the general provisions of the public service law.
4. The degree of regulation in the primary and secondary legislation is adequately balanced to allow flexibility and ensure stability of the public service.
5. Political responsibility for the public service is clearly established.
6. A central co-ordination unit, sufficiently empowered and capable of leading, supporting and monitoring the implementation of the values, policy and legal framework of the public service is in place.
7. A HRM information system to support the strategic workforce planning, management and monitoring of HRM practices in the public service is in place, including correct and complete data at the levels of the entire public service institutions and individual public servants, as required by the legislation, and enabling statistical information to be provided at a given date. This system interacts electronically with other national databases to avoid duplication of data gathering.
8. Professional and consistent HRM services are ensured across the public service by sufficient capacity to manage the workforce and implement the public service legislation.

## Analytical framework

### Methodological approach

The method used is qualitative assessments, based on analysis of policy documents, primary and secondary legislation, interviews and other relevant documents, to assess the objectives, measures and implementation of the established public service policies:

- Analyse relevant policies (e.g. the government programme, national development strategy, public administration reform (PAR) strategy, public/civil service strategy and anti-corruption strategy) as well as their action plans and implementation reports.
- Analyse the primary and secondary public service legislation to verify to what extent the established legal framework is in line with the administrative law values and covers all aspects relevant to the employment relations of public servants and management of the public service.
- Analyse drafts of the primary and secondary legislation or drafts of amendments to the primary and secondary legislation, in the final phase of parliamentary or governmental proceedings.
- Analyse the codes of conduct and guidelines on public service values and behaviour.
- Analyse the annual reports of the central co-ordination unit for civil service, the CSC or equivalent and ombudsman, as well as other relevant reports or documents.
- Practical inspection of the human resource management information system (HRMIS).
- Conduct complementary interviews with key persons, including those from a representative sample of administrative bodies, and analyse other relevant documents and data to assess the application of the legal framework in practice.

### Information sources

The information sources include:

- laws on public service (law on civil service, law on civil servants and public employees, laws on special types of public service, laws on constitutional and independent administrative bodies, law on administrative courts, law on ombudsman or relevant oversight body);
- drafts of relevant primary and secondary legislation or drafts of amendments to the primary and secondary legislation, in the final phase of parliamentary or governmental proceedings;
- interviews with the minister responsible for public administration and civil service, director of the central co-ordination unit for civil service, chair of the CSC or equivalent, chair of the respective committee in the parliament, ombudsman, secretaries-general of the ministries, directors-general of administrative bodies, heads of HRM departments in ministries and administrative bodies (if HRM is decentralised), representatives of the public service unions;
- interviews with representatives of civil society organisations, the business community, academia, international organisations;
- activity and implementation reports of the relevant policies and strategies;
- annual reports of the central co-ordination unit for civil service, the CSC or equivalent, the ombudsman and other relevant reports or documents.

## Human resource management

**Key requirement: Professionalism of public service is ensured by good managerial standards and human resource management practices.**

Recruitment and dismissal of public servants based on merit is of utmost importance for ensuring the merit-based and sustainable public service needed to develop and implement policies as effectively as possible, regardless of changes of government. Sound recruitment procedures are the prerequisite for a professional public service, but they have to be complemented by other HRM tools, including remuneration, performance appraisal, professional training and development, integrity measures and disciplinary procedures. These are needed not only to attract valuable employees to the public service, but also to retain them and motivate them to achieve the strategic goals of the state.

**Principle 3: The recruitment of public servants is based on merit and equal treatment in all its phases; the criteria for demotion and termination of public servants are explicit.**

1. The recruitment and selection process in the public service, whether external or internal and regardless of the category/class of public servants, is clearly based on merit and equal opportunity.
2. The general eligibility criteria for applying for public service positions and general provisions ensuring the quality of the recruitment are established in the primary legislation. The detailed procedures, including specific requirements for entering each category/class, job descriptions, competency profiles, selection methods, scoring systems and composition of selection committees, are mainly covered by secondary legislation.
3. The recruitment and selection committees include persons with expertise and experience in assessing different sets of skills and competences of candidates for public service positions, and there is no political interference.
4. Candidates who are not appointed have the right to appeal against unfair recruitment decisions.
5. Protection against discrimination of persons applying to the public service and those employed is ensured by all administrative bodies, in accordance with the principle of equal treatment. In the cases explicitly established in the law, comprehensive equitable representation is taken into account in the recruitment process.
6. The objective criteria for demotion of public servants and termination of the public service relationship are explicitly established in law.
7. Public servants have the right to appeal against unfair demotion and dismissal.

## Analytical framework

### Methodological approach

The methods used are qualitative and quantitative assessments, based on analysis of primary and secondary legislation, interviews with key persons, data collected through HRMIS, interviews and other relevant documents, and quantitative indicators to verify to what extent the established legal framework and practices with regard to recruitment are in line with the Principle:

- Analyse the primary and secondary public service legislation with regard to recruitment.
- Analyse drafts of the primary and secondary legislation or drafts of amendments to the primary and secondary legislation with regard to recruitment, in the final phase of parliamentary or governmental proceedings.
- Analyse HRMIS and the annual reports of the central co-ordination unit for the civil service, the CSC or equivalent, the ombudsman and administrative courts, as well as other relevant reports

or documents to assess the application of the legal framework with regard to recruitment in practice.

- Analyse the following performance information for the three previous years, the:
  - annual turnover of civil servants at the level of central administration<sup>10</sup>;
  - turnover of civil servants at the level of central administration within six months of a change of government;
  - average number of candidates per vacant position in the civil service at the level of the central administration;
  - percentage of vacant positions filled by external competition in the civil service at the level of the central administration;
  - percentage of vacant positions filled by internal competition in the civil service at the level of the central administration;
  - percentage of women and men in the civil service at the level of the central administration;
  - percentage of women and men in senior managerial positions in the civil service at the level of central administration;
  - percentage of civil servants at the level of the central administration by different ethnic origin in relation to the general ethnic division in the country, based on the latest census;
  - percentage of appeals on recruitment to the civil service at the level of the central administration and the number of those appeals that are successful;
  - percentage of appeals on termination of employment in the civil service at the level of the central administration and the number of those appeals that are successful.
- Conduct complementary interviews with key persons, including those from a representative sample of administrative bodies, and analyse data to assess the application of the legal framework with regard to recruitment in practice.

### Information sources

The information sources include:

- laws on public service (law on civil service, law on civil servants and public employees), laws on special types of public service, laws on constitutional and independent administrative bodies) with regard to recruitment;
- drafts of relevant primary and secondary legislation or drafts of amendments to the primary and secondary legislation with regard to recruitment, in the final phase of parliamentary or governmental proceedings;
- interviews with the minister responsible for the public administration and civil service, director of the central co-ordination unit for the civil service, chair of the CSC or equivalent, chair of the respective committee in the parliament, ombudsman, secretaries-general of the ministries, directors-general of administrative bodies, heads of HRM departments in administrative bodies, judges of administrative courts and representatives of the public service unions;
- interviews with representatives of civil society organisations, the business community, academia, international organisations;
- HRMIS, annual reports of the central co-ordination unit for the civil service, the CSC or equivalent, the ombudsman and administrative courts, as well as other relevant reports or documents.

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<sup>10</sup> Here and hereafter when referring to **civil servants**, the positions of all ministries and administrative bodies reporting directly to the government, the prime minister or ministers will be analysed (i.e. the civil service at the level of central administration, strictly speaking).

**Principle 4: Direct or indirect political influence on senior managerial positions in the public service is prevented.**

1. The category/class/level of senior managerial positions in the public service, those at the interface of politics and administration, is included in the scope of public service (usually the positions of secretary-general of the ministry and director-general of the administrative body determine the upper dividing line between public servants and political appointees).
2. The criteria for recruiting persons to senior managerial positions are clearly established and disclosed.
3. The recruitment and selection process for senior managerial positions, either external or internal, is based on merit, equal opportunities and competition.
4. The termination of employment of public servants holding senior managerial positions is admissible only in cases explicitly provided for in the law and under the procedural provisions established in it.

### Analytical framework

#### Methodological approach

The methods used are qualitative and quantitative assessments, based on analysis of primary and secondary legislation, interviews with key persons, data collected through HRMIS, interviews and other relevant documents, as well as quantitative indicators to verify to what extent the established legal framework and practices with regard to senior public servants are in line with the Principle:

- Analyse the primary and secondary public service legislation with regard to the recruitment and termination of employment of senior public servants.
- Analyse drafts of the primary and secondary legislation or drafts of amendments to the primary and secondary legislation with regard to the recruitment and termination of employment of the senior public service, in the final phase of parliamentary or governmental proceedings.
- Analyse the files of recruitment procedures for senior managerial positions.
- Analyse HRMIS, the annual reports of the central co-ordination unit for the civil service, the CSC or equivalent, the ombudsman and administrative courts, as well as other relevant reports or documents, to assess the application in practice of the legal framework with regard to the recruitment and termination of employment of senior public servants.
- Analyse the following performance information for the three previous years, the:
  - annual turnover of senior managerial civil servants at the level of the central administration;
  - turnover of senior managerial civil servants at the level of the central administration within six months of a change of government;
  - percentage of vacant senior managerial positions at the level of the central administration filled by external competition;
  - percentage of vacant senior managerial positions at the level of the central administration filled by internal competition.
- Conduct complementary interviews with key persons, including a representative sample of senior public servants, and analyse data to assess the application of the legal framework in practice.



### Information sources

The information sources include:

- laws on public service (law on civil service, law on civil servants and public employees), laws on special types of public service, laws on constitutional and independent administrative bodies with regard to recruitment and dismissal of senior public servants;
- drafts of relevant primary and secondary legislation or drafts of amendments to the primary and secondary legislation with regard to the recruitment and dismissal of senior public servants in the parliamentary or governmental proceedings;
- interviews with the minister responsible for the public administration and civil service, director of the central co-ordination unit for civil service, members of the recruitment committee of senior managerial positions, chair of the CSC or equivalent, chair of the respective committee in the parliament, the ombudsman, secretaries-general of the ministries, directors-general of administrative bodies, heads of HRM departments in administrative bodies, judges of administrative courts and representatives of the public service unions;
- interviews with the representatives of civil society organisations, business community, academia, international organisations;
- HRMIS, annual reports of the central co-ordination unit for civil service, the CSC or equivalent, the ombudsman, administrative courts and other relevant reports or documents.

### **Principle 5: The remuneration system of public servants is based on job classification; it is fair and transparent.**

1. The principles of remuneration, including the salary classification based on the job classification system, the complete list of variable elements of salary and the relation between the fixed and variable salary, are established in law to ensure the coherence, fairness and transparency of the whole public service. Detailed remuneration regulations are established in secondary legislation.
2. Allowances and benefits in addition to salary (e.g. family, rent, education and language allowances, and benefits in case of sickness, maternity or work accident) are established in law, to ensure the coherence of the whole public service, and are applied in practice.
3. Equal pay for work of equal value is ensured; any type of discrimination related to gender in remuneration is avoided.
4. Managerial discretion in assigning different elements of salary, allowances and benefits to individual public servants is limited, to ensure fairness, transparency and consistency of the total pay.
5. The remuneration system of public servants provides reasonable conditions for recruiting, motivating and retaining public servants with the required competencies.

### Analytical framework

#### Methodological approach

The methods used are qualitative and quantitative assessments, based on analysis of primary and secondary legislation, interviews with key persons, data collected through HRMIS, national statistics, interviews and other relevant documents, and quantitative assessments to verify to what extent the established legal framework and practices with regard to remuneration of public servants are in line with the Principle:

- Analyse the primary and secondary public service legislation with regard to the remuneration of public servants.
- Analyse drafts of the primary and secondary legislation or drafts of amendments to the primary and secondary legislation with regard to the remuneration of public servants, in the final phase of parliamentary or governmental proceedings.

- Analyse HRMIS and national statistics, and the annual reports of the central co-ordination unit for civil service, ministry of finance (MoF), CSC or equivalent, ombudsman, administrative courts and other relevant reports or documents.
- Analyse the following performance information for the three previous years, the:
  - percentage of base pay of the total remuneration in the average monthly salary of civil servants at the level of the central administration;
  - percentage of base pay of the total remuneration in the average monthly salary of senior civil servants at the level of the central administration;
  - percentage of bonuses of the total remuneration in the average monthly salary of civil servants at the level of the central administration;
  - percentage of bonuses of the total remuneration in the average monthly salary of senior civil servants at the level of the central administration;
  - ratio of the average annual compensation of senior and junior professionals in the central government to that of tertiary-educated workers;
  - ratio of the average annual compensation of senior managers in the central government to that of tertiary-educated workers.
- Conduct complementary interviews with key persons, including those from a representative sample of administrative bodies, and analyse data to assess the application in practice of the legal framework with regard to the remuneration of public servants.

### Information sources

The information sources include:

- laws on public service (law on civil service, law on civil servants and public employees), laws on special types of public service, laws on constitutional and independent administrative bodies with regard to the remuneration of public servants, law on salaries in public service and secondary legislation with regard to the remuneration of public servants;
- drafts of relevant primary and secondary legislation or drafts of amendments to the primary and secondary legislation with regard to the remuneration of public servants, in the final phase of parliamentary or governmental proceedings;
- interviews with the minister responsible for the public administration and civil service, minister of finance, director of the central co-ordination unit for civil service, chair of the CSC or equivalent, chair of the respective committee in the parliament, ombudsman, secretaries-general of the ministries, heads of HRM departments in administrative bodies, and representatives of the public service unions;
- interviews with representatives of civil society organisations, the business community, academia, international organisations;
- HRMIS and national statistics, and the annual reports of the central co-ordination unit for civil service, MoF, CSC or equivalent, ombudsman and other relevant reports or documents.

**Principle 6: The professional development of public servants is ensured; this includes regular training, fair performance appraisal, and mobility and promotion based on objective and transparent criteria and merit.**

1. Professional training is recognised as a right and duty of public servants, established in law and applied in practice.
2. Strategic training needs assessments and the development of annual/bi-annual training plan(s) are conducted through transparent and inclusive processes, co-ordinated or supported by the central co-ordination unit for public service and/or public service training institution.
3. Strategic annual or bi-annual training plan(s) of public servants (for different categories, including senior managerial positions) are adopted, implemented, monitored and evaluated.
4. Sufficient resources are allocated for training public servants.
5. The principles of performance appraisal are established in law to ensure coherence across the whole public service. The detailed provisions are established in secondary legislation. The performance appraisal of public servants is carried out regularly. Public servants have the right to appeal against unfair performance appraisal decisions.
6. The mobility of public servants (secondment, temporary or mandatory transfer) is encouraged, established in legislation, based on objective and transparent criteria, and applied in practice.
7. The functional promotion of public servants (on-the-job, horizontal and vertical) is established in the legislation, based on the merit principle and objective and transparent criteria, and is applied in practice.

## Analytical framework

### Methodological approach

The methods used are qualitative and quantitative assessments, based on analysis of primary and secondary legislation, interviews with key persons, data collected through interviews and relevant documents, and quantitative assessments to verify to what extent the established framework and practices with regard to professional development of public servants are in line with the Principle:

- Analyse the primary and secondary public service legislation with regard to training, performance appraisal, mobility and promotion of public servants.
- Analyse drafts of the primary and secondary legislation or drafts of amendments to the primary and secondary legislation with regard to training, performance appraisal, mobility and promotion of public servants, in the final phase of parliamentary or governmental proceedings.
- Analyse HRMIS and the annual reports of the public service training institution, central co-ordination unit for civil service, CSC or equivalent, ombudsman and administrative courts, as well as other relevant reports or documents.
- Analyse the following performance information for the three previous years, the:
  - expenditure for training civil servants;
  - number of training days of civil servants;
  - percentage of civil servants who received good and very good results on their performance appraisal ratings;
  - percentage of civil servants who were promoted based on their performance appraisal ratings;
  - percentage of civil servants whose employment was terminated based on consecutive negative performance appraisals;
  - percentage of vacancies in the civil service that were filled by promotion.
- Conduct complementary interviews with key persons, including those from a representative sample of administrative bodies, and analyse data to assess the application in practice of the legal framework with regard to training, performance appraisal, mobility and promotion of public servants.

**Information sources**

The information sources include:

- laws on public service (law on civil service, law on civil servants and public employees), laws on special types of public service, laws on constitutional and independent administrative bodies with regard to training, performance appraisal, mobility and promotion of public servants;
- drafts of relevant primary and secondary legislation or drafts of amendments to the primary and secondary legislation with regard to training, performance appraisal, mobility and promotion of public servants, in the final phase of parliamentary or governmental proceedings;
- interviews with the minister responsible for the public administration and civil service, director of the public service training institution, director of the central co-ordination unit for civil service, chair of the CSC or equivalent, chair of the respective committee in the parliament, ombudsman, secretaries-general of the ministries, heads of HRM departments in administrative bodies and representatives of the public service unions;
- interviews with representatives of civil society organisations, the business community, academia, international organisations;
- HRMIS and the annual reports of the public service training institution, central co-ordination unit for civil service, CSC or equivalent and ombudsman, as well as other relevant reports or documents.

**Principle 7: Measures for promoting integrity, preventing corruption and ensuring discipline in the public service are in place.**

1. Effective and adequate legal provisions and institutional arrangements and tools exist to promote integrity in the public service<sup>11</sup>, and are applied in practice.
2. Corrupt behaviour of public servants is criminalised in the penal code.
3. The main principles of the disciplinary procedure (including the presumption of innocence, proportionality between disciplinary sanction and violation of official duties, the right to receive legal assistance, the right to appeal and the right to be heard during an appeal) and the main procedural steps (including initiation of the procedure, impartial investigation of facts, hearing of the public servant concerned, bodies involved in initiation of the procedure, decision and review) are established in law to ensure consistency across the public service and are applied accordingly in practice.
4. A catalogue of disciplinary sanctions is established to ensure proportionality between misconduct and the respective sanction.
5. The right of the public servant to appeal against unfair disciplinary sanctions is established and implemented, to ensure that decisions are legally predictable, impartial and free from political interference.

## Analytical framework

### Methodological approach

The methods used are qualitative and quantitative assessments, based on analysis of primary and secondary legislation, interviews with key persons, data collected through interviews and relevant documents, and quantitative indicators to verify to what extent the established framework and practices with regard to integrity, prevention of corruption and discipline in the public service are in place and applied:

- Analyse the anti-corruption strategy/policy with regard to integrity and anti-corruption in the public service.
- Analyse the primary and secondary public service legislation with regard to integrity and anti-corruption and disciplinary procedures in the public service.
- Analyse drafts of the primary and secondary legislation or drafts of amendments to the primary and secondary legislation with regard to integrity and anti-corruption and disciplinary procedures in the public service, in the final phase of parliamentary or governmental proceedings.
- Analyse the annual reports of the anti-corruption agency (ACA), civil service ethics commission (CSEC) or equivalent, central co-ordination unit for civil service, CSC or equivalent, ombudsman and courts, as well as other relevant reports or documents.
- Analyse the following performance information for the three previous years:
  - Transparency International Corruption Perception Index (the country score);
  - the number of public servants who have been criminally convicted of corruption offenses.
- Conduct complementary interviews with the key persons, including those from a representative sample of administrative bodies, and analyse data to assess the application in practice of the legal framework with regard to integrity and discipline in the public service.

<sup>11</sup> The following elements could be considered relevant to an effective public service integrity system: managers' responsibility (or managerial responsibility); regulation of incompatibilities and conflicts of interest; restriction of secondary employment; post-employment restrictions; guidelines on gifts and benefits; financial disclosure; whistle-blower protection; codes of ethics and conduct; ethics training and guidelines; anti-corruption and integrity policies; and action plans.

**Information sources**

The information sources include:

- laws on public service (law on civil service, law on civil servants and public employees), laws on special types of public service, laws on constitutional and independent administrative bodies with regard to integrity and anti-corruption, and disciplinary procedures in the public service;
- law on conflict of interest in the public service or equivalent;
- drafts of relevant primary and secondary legislation or drafts of amendments to the primary and secondary legislation with regard to integrity and anti-corruption, and disciplinary procedures in the public service, in the final phase of parliamentary or governmental proceedings;
- interviews with the chair of the ACA, chair of the CSEC or equivalent, minister responsible for public administration and civil service, director of the central co-ordination unit for civil service, chair of the respective committee in the parliament, ombudsman, secretaries-general of the ministries, heads of HRM departments in administrative bodies and representatives of the public service unions;
- interviews with representatives of civil society organisations, the business community, academia, international organisations;
- annual reports of the ACA, CSEC or equivalent, central co-ordination unit for civil service, CSC or equivalent, ombudsman, administrative courts and other relevant reports or documents.

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4

## Accountability

## ACCOUNTABILITY

It is commonly accepted that the organisation of a public administration has a deep impact on its overall performance and, hence, on its democratic legitimacy in relation to citizens' expectations.

The search for efficiency, the need for further specialisation, the constitutional/legal context and administrative tradition, the system of control in place and the political conjuncture all influence the organisational model adopted by each country. As a result, no single pattern exists regarding how public administration is structured and operates in different countries.

However, where accountability (including organisational accountability) is concerned, some conditions are generally deemed necessary to ensure that public administrations perform their functions properly and efficiently:

- Rationality – aiming for efficiency and coherence; avoiding overlaps between public institutions; establishing a balanced system of control.
- Transparency – ensuring the wide availability of information to the public and clarity about government rules, regulations and decisions. .
- Accountability – the obligation of organisations and individuals within them to account for their activities, accept responsibility for them and disclose results and outcomes.
- Affordability – the size and costs to the administration are in accord with and proportionate to the country's resources, needs and capacities.
- Accountability – ensuring that each part of an organisation is internally accountable and that the institution as a whole is externally accountable to the political, judicial and social systems and oversight institutions and is providing wide access to public information.

Accountable institutions are also liable and should provide for a fair solution in cases of wrongdoing.

Accountability has a broader scope, which includes the organisation of the administration, openness and transparency, internal and external accountability, and oversight institutions. This chapter defines five principles which cover all these dimensions of accountability.

### KEY REQUIREMENTS AND PRINCIPLES

**Key requirement: Proper mechanisms are in place to ensure accountability of state administration bodies, including liability and transparency.**

**Principle 1:** The overall organisation of central government is rational, follows adequate policies and regulations and provides for appropriate internal, political, judicial, social and independent accountability.

**Principle 2:** The right to access public information is enacted in legislation and consistently applied in practice.

**Principle 3:** Functioning mechanisms are in place to protect both the rights of the individual to good administration and the public interest.

**Principle 4:** Fair treatment in administrative disputes is guaranteed by internal administrative appeals and judicial reviews.

**Principle 5:** The public authorities assume liability in cases of wrongdoing and guarantee redress and/or adequate compensation.



**Key requirement: Proper mechanisms are in place to ensure accountability of state administration bodies, including liability and transparency.**

State institutions should be accountable (according to broadly understood criteria) in order to guarantee that a public administration fulfils its duties satisfactorily. The essential elements required to achieve this are proper organisation of the state administration, access to public information, an appropriate system of checks and balances and an efficient system of internal administrative appeals, as well as independent oversight and judicial review of administrative cases. Accountability must be complemented by liability for the decisions (or lack of decisions) of state institutions.

**Principle 1: The overall organisation of central government is rational, follows adequate policies and regulations and provides for appropriate internal, political, judicial, social and independent accountability.**

1. There are rules governing the creation and organisation of all public bodies under the executive power at the central level; a limited number of types of organisational categories are defined; all agencies and similar bodies have a defined line of accountability to the relevant ministry to which they report on a periodic basis.
2. The creation of new bodies and their organisation is controlled in order to ensure their rationality and value for money.
3. Management units report through clear lines of accountability; managerial accountability is enhanced by empowering managers and supervisors and delegating decision making to them.
4. The legal framework clarifies the legal status and degree of autonomy of the different types of autonomous or semi-autonomous bodies, as well as their accountability lines, and enhances a results-oriented management.
5. The ministries have assigned responsibilities for steering and controlling the subordinated agencies/bodies and have sufficient specialised professional capacities available.
6. Direct accountability of agencies to the parliament is an exception.
7. Ministers are answerable for the performance of the agencies/bodies subordinated to their ministry.

## Analytical framework

### Methodological approach

The method used is qualitative assessments, based on relevant documents and reports, complemented by interviews with relevant actors and analysis of statistical data to assess the rationality of the overall structure of ministries and other bodies subordinated to the central government:

- Assess the policies in this area, even if they are not explicit.
- Identify which organisations are covered by the policy and how are they influenced by it.
- Assess the roles and capacities of the different actors to set and monitor the policies and to exercise leadership in this area.
- Assess and compare the regulations to identify flaws and gaps.
- Identify the number and typology of organisations making up the state administration and draft a descriptive chart.
- Analyse the structure of the state administration from a legal, budgetary and organisational perspective.
- Analyse the current structure of the state administration and its evolution over recent years.
- Understand the dynamics behind changes in the machinery of government, with special attention to political elements that could have influenced the way in which the state administration has been structured.

### Information sources

The information sources include:

- current and previous organisational charts of the state administration, including all bodies directly or indirectly accountable to the central government;
- the constitution;
- legislation on the organisation and functioning of the state administration, the government and ministries;
- public administration reform strategy, the government programme and other policy papers covering state organisational matters;
- national budget (organic structure);
- interviews with relevant officials from the prime minister's office, the horizontal ministries, the body/unit in charge of checking draft legislation, members of the parliament from the parliamentary committee on public administration, officials of the supreme audit institution (SAI), officials of the office of the ombudsman and other relevant oversight institutions, representatives of non-governmental organisations, universities;
- relevant government reports, external reports and academic research.

### **Principle 2: The right to access public information is enacted in legislation and consistently applied in practice.**

1. The right of the individual or legal person to public information is enshrined in a law that is coherent, complete, clear and easily accessible.
2. Public information is defined broadly as encompassing all information that is recorded and documented on the performance of public duties. Private persons who carry out public duties are considered holders of public information.
3. All information on the performance of public duties that is recorded and documented is considered public unless there are compelling reasons to classify it. Exceptions are set down precisely in law and interpreted strictly.
4. Public information is disclosed proactively. All public authorities maintain official web pages displaying, at minimum, the information required by regulations (the minimum content includes legal acts, policy plans, public services offered, annual reports, budget, contact information and organisation charts). Information is accurate, up to date and intelligible.
5. Information is provided in the requested format (unless the request would place an unreasonable burden on the administration), within prescribed timescales and normally without charge.
6. Individuals requesting public information do not have to give reasons for their request. Where the information requested includes classified material, the public authorities are required to release the non-classified portions, unless releasing only partial information would be misleading.
7. The public authorities maintain up-to-date document registers and databases and follow rules relative to the preservation and destruction of documents.
8. There is a designated supervisory authority overseeing the implementation of the legislation on public information with the power to set standards, make prescriptions and impose sanctions.

## Analytical framework

### Methodological approach

The methods used are qualitative and quantitative assessments, based on analysis of the legislation and documents relating to the public information supervisory authority, complemented by interviews to assess to what extent the right to access public information is enacted and applied in practice:

- Analyse the legislation to establish whether the requirements listed in the sub-principles are covered.
- Assess whether the legislation on access to public information is coherent, complete, logically structured, service-oriented, formulated in a simple and clear manner, easily accessible and based on an expert judgement, supported by examples extracted from the legislation during the analytical process.
- Identify the administrative and judicial fees for access to information in order to analyse if they create significant obstacles.
- Analyse the web pages of sample authorities to assess conformity with requirements listed in this Principle.
- Examine the legal foundation of the public information supervisory authority to assess its organisational, personal, financial and managerial powers.
- Analyse the working plans and annual reports of the public information supervisory authority to establish the major shortcomings in the area of access to public information, the authority's working methods and the effectiveness of the authority in practice.
- Analyse the human and financial resources of the public information supervisory authority to determine their adequacy to fulfil its functions.
- Conduct complementary interviews with key officials to assess how the legislation and the supervisory authority work in practice.

### Information sources

The information sources include:

- legislation on access to public information;
- drafts of relevant primary and secondary legislation or drafts of amendments to primary and secondary legislation in parliamentary or governmental proceedings;
- working plans, reports and budget of the public information supervisory authority;
- data on requests for information;
- interviews with officials from the public information supervisory authority, ombudsman and judiciary;
- interviews with representatives from civil society.

**Principle 3: Functioning mechanisms are in place to protect both the rights of the individual to good administration and the public interest.**

1. All state administration bodies are subject to scrutiny by oversight institutions<sup>12</sup>, courts and the public, based on the legislation.
2. The remit, powers and independence of oversight institutions and the courts are regulated by law and ensured in practice, providing for a coherent and efficient system.
3. The parliament exercises control over the executive; rules are enacted in the law, including for monitoring the implementation of the ombudsman's recommendations.
4. Supervisory internal control (i.e. control exercised by senior officials over the legality and purposefulness of subordinates' activities) is established.
5. The ombudsman institution(s) is/are enshrined in the constitution; its/their independence is prescribed in law and ensured in practice.
6. Rules regulating the status and functioning of the ombudsman institutions meet standards enacted in Article 2(2) of the By-laws of the International Ombudsman Institute and in Resolution 1959 (2013) of the Parliamentary Assembly of the Council of Europe.
7. The administration implements the ombudsman's recommendations.

## Analytical framework

### Methodological approach

The method used is qualitative assessments, based on analysis of the legislation, complemented by interviews to assess whether there are mechanisms in place to protect the public interest and the rights of the individual to good administration:

- Analyse the legislation (the constitution, laws, etc.) to establish whether the requirements listed in the sub-principles are foreseen.
- Assess whether the legislation regulating the fundamental principles of control over public administration is coherent, complete, logically structured, formulated in a simple and clear manner, easily accessible and based on expert judgement, supported by examples extracted from the legislation during the analytical process.
- Analyse the legal framework for internal control and audit in state administration, with particular focus on safeguards for the necessary independence of auditors/inspection officers.
- Conduct complementary interviews with relevant officials to assess the application of the legal framework in practice.
- Compare the salaries of the heads of oversight institutions with the salaries of other comparable senior public officials.
- Analyse the statistics derived from surveys on the reliability of oversight institutions.
- Interview relevant staff from oversight institutions, from the government and from the parliament.
- Interview representatives of civil society organisations on the effectiveness of the existing legal framework to support the watchdog activities of their organisation.

<sup>12</sup> SAI, ombudsman and other oversight bodies.

### Information sources

The information sources include:

- the constitution;
- relevant legislation, mainly laws establishing and regulating oversight institutions;
- interviews with relevant officials of courts, oversight institutions, parliament and the government;
- the budget;
- statistics;
- reports and statistics of oversight institutions.

### Principle 4: Fair treatment in administrative disputes is guaranteed by internal administrative appeals and judicial reviews.

1. Procedural rules on internal administrative appeal are established in law.
2. Procedural rules on judicial appeals are established in law, which specifies that:
  - the scope of the procedure is wide;
  - time limits to submit a challenge or bring an action are reasonable;
  - legal aid is available;
  - procedures are based on the inquisitorial principle;
  - judgements of the first-instance court can be challenged in higher courts.
3. Administrative disputes are decided by judges specialising in such issues.
4. Rules regulating the status and functioning of courts and judges (resolving administrative disputes), as well as the organisational and financial arrangements, meet the key standards enacted in Recommendation CM/Rec (2010)12 of the Council of Europe.
5. The workload of judges is systematically analysed.
6. Judges specialising in administrative disputes have adequate support staff with access to the necessary training, legal literature and information and communication technology equipment to be able to carry out their tasks effectively.
7. The cost of court proceedings does not prevent citizens from challenging administrative decisions.

### Analytical framework

#### Methodological approach

The method used is largely qualitative assessments, based on analysis of legislation and documents, complemented by interviews and analysis of statistics and budgets to assess whether sufficient protection in administrative disputes is guaranteed:

- Analyse the relevant legislation in order to establish whether the sub-principles are enshrined in law and judges specialising in administrative disputes have been appointed.
- Analyse the budget to establish whether it is sufficient to meet the needs of an effective system of administrative justice and fair trial requirements.
- Analyse the structure and institutional framework of the court system in order to assess the guarantees of impartiality and independence of judicial authorities and individual judges.
- Analyse the statistics from surveys on the reliability of courts.
- Analyse judges' workloads.
- Analyse court statistics in administrative disputes to determine the number of complaints submitted, the length of proceedings, the number of judgements quashed (wholly or partially) at the higher court level, and the length of time to execute and the number of non-executions of final judgements.
- Compare judges' salaries with the salaries of comparable senior public officials.

- Conduct interviews with selected judges and officials from relevant bodies (e.g. the courts, the court council and the ministry of justice [MoJ]).

### Information sources

The information sources include:

- the constitution and relevant legislation covering internal administrative appeals and judicial review;
- drafts of relevant legislation or drafts of amendments to the legislation in parliamentary or governmental proceedings;
- judiciary budget;
- data from comparative studies on the efficiency of judicial systems, in particular reports of the European Commission for the Efficiency of Justice;
- court and survey statistics, interviews with selected judges and relevant staff of courts, the court council and the MoJ.

### Principle 5: The public authorities assume liability in cases of wrongdoing and guarantee redress and/or adequate compensation.

1. The legislation includes a requirement to redress or compensate individuals who suffer damages from wrongdoing by public authorities.
2. The regulation on public liability is coherent, complete, logically structured, formulated in a simple and clear manner and easily accessible.
3. The scope of public liability is wide and encompasses the exercise of powers by the public authorities and the performance of other public duties, regardless of who performs them (i.e. a public authority or a private person performing public duties).
4. Rules concerning time limits and the burden of proof do not jeopardise the effective exercise of the right of action for compensation.

### Analytical framework

#### Methodological approach

The method used is qualitative assessments, based on analysis of the legislation and financial and other information relating to compensation, complemented by interviews to assess how this works in practice:

- Analyse the legislation to establish whether it sets out the requirements listed in the sub-principles.
- Assess whether the legislation on public liability is coherent, complete, logically structured, formulated in a simple and clear manner, easily accessible and based on expert judgement, supported by examples extracted from the legislation during the analytical process.
- Analyse the relevant legislation, final court decisions, data and interviews with the relevant authority, for example the ministry of finance (MoF), to understand how compensation payments work in practice.
- Analyse the enforcement of administrative judgements by the public administration.

**Information sources**

The information sources include:

- legislation on public liability;
- major case law on public liability;
- drafts of relevant legislation or drafts of amendments in parliamentary or governmental proceedings;
- financial information from sample authorities detailing compensation payments;
- final decisions (made by courts and administrative authorities based on public liability rules) ordering payment of compensation;
- interviews with officials of relevant authorities (e.g. MoF);
- interviews with judges, academics and think tanks on the practical aspects of implementation of public liability mechanisms.

5

## Service Delivery



## SERVICE DELIVERY

Under European Union (EU) law, member countries have wide autonomy regarding their administrative legal framework, organisation of their public administration and the way they deliver most services<sup>13</sup>. No EU *acquis* exists for setting standards for horizontal systems of governance or national public administrations. However, the effective application of EU law<sup>14</sup> and equal treatment of citizens must be ensured. According to Article 41 of the EU Charter of Fundamental Rights, “Every person has the right to have his or her affairs handled impartially, fairly and within a reasonable time by the institutions and bodies of the Union”.

Over time, a wide consensus on the key components of good governance has emerged among EU member countries with different political systems and legal traditions. The concept of good administration has been progressively defined accordingly and included in the EU Charter of Fundamental Rights<sup>15</sup>.

The administrative law principles common to all EU countries, setting the standards and inspiring the behaviour of public servants, should be embedded in institutions and administrative procedures at all levels of the administration. They can be distinguished as follows:

- reliability and predictability (legal certainty)
- openness and transparency
- accountability
- efficiency and effectiveness<sup>16</sup>.

Citizens and businesses view the public sector as a service provider, which they pay for through their taxes, and they want to see the delivery of improved services. Increasing customer expectations and changing demographics, often in parallel with budgetary constraints, mean that effective and efficient public administration reforms, with a strengthened customer focus, are increasingly essential in most countries.

Therefore *The Principles of Public Administration* in relations to service delivery on effectiveness, while ensuring the protection of individuals during administrative proceedings.

Service delivery may be defined broadly as all contacts with the public administration during which customers, i.e. citizens, residents and enterprises (hereafter referred to collectively as citizens) seek data, handle their affairs or pay taxes. In this context, orientation towards citizens needs to be understood as encompassing all contacts and all tasks performed by the public administration that affect citizens. This broad definition encompasses not only contacts between the public administration and customers, but also the rules regulating those contacts (i.e. the administrative procedures).

One of the main responsibilities of a public administration is to handle the affairs of citizens and deliver services effectively and efficiently. Effectiveness depends to a great extent on fulfilling customer

<sup>13</sup> Many countries use the European Code of Good of Administrative Behaviour as a source of inspiration, <https://www.ombudsman.europa.eu/en/resources/code.faces#/page/1>.

<sup>14</sup> Article 197.1 of the Treaty on the Functioning of the European Union.

<sup>15</sup> Article 41, Right to good administration: 1) Every person has the right to have his or her affairs handled impartially, fairly and within a reasonable time by the Institutions and bodies of the Union. 2) This right includes: the right of every person to be heard, before any individual measure which would affect him or her adversely is taken; the right of every person to have access to his or her file, while respecting the legitimate interests of confidentiality and of professional and business secrecy; the obligation of the administration to give reasons for its decisions. 3) Every person has the right to have the Community make good any damage caused by its institutions or by its servants in the performance of their duties, in accordance with the general principles common to the laws of the Member States. 4) Every person may write to the institutions of the Union in one of the languages of the Treaties and must have an answer in the same language.

<sup>16</sup> OECD (1999), *European Principles of Public Administration*, SIGMA Papers, No. 27, OECD Publishing, Paris, <http://dx.doi.org/10.1787/5kml60zwd7h-en>

expectations while respecting legal provisions. Effectiveness also entails ensuring equal access to public administration services and the efficient provision of these services, saving citizens both money and time.

The Principles focus primarily on the central government, but they establish essential links to the subnational public administration (local self-government) and judiciary. The focus is on horizontal policies and the overall manner in which public administration organisation enables citizen-oriented service delivery. The Principles do not address specifically types of public service, such as education and health care.

The Principles use a combination of EU legislation and non-binding texts as benchmark references. These include the EU Charter of Fundamental Rights and the European Code of Good Administrative Behaviour, the public service principles of the EU civil service and the European Convention on Human Rights. The Principles also rely on benchmarks and good practices from member countries of the Organisation for Economic Co-operation and Development (OECD).

This chapter defines four key Principles for service delivery.

#### KEY REQUIREMENTS AND PRINCIPLES

**Key requirement:** The public administration is citizen-oriented; the quality and accessibility of public services is ensured.

**Principle 1:** Policy for citizen-oriented state administration is in place and applied.

**Principle 2:** Good administration is a key policy objective underpinning the delivery of public service, enacted in legislation and applied consistently in practice.

**Principle 3:** Mechanisms for ensuring the quality of public service are in place.

**Principle 4:** The accessibility of public services is ensured.

**Key requirement: The public administration is citizen-oriented; the quality and accessibility of public services is ensured.**

Developing good administration requires political commitment, vision, strategy, defining of priorities and the right sequencing of actions. This needs to be translated into practice, with public services designed, delivered and constantly reviewed based on the needs of the user, rather than for the convenience of the administration. Proper policy development and monitoring mechanisms should be in place for this purpose. It is also essential for the public administration's approach towards service delivery to be coherent, effective and efficient, as well as ensuring equal treatment. Strategic policy documents and action plans are not the goal in themselves, but rather prerequisites for providing citizens with high-quality, easily accessible services. Sound administrative procedures that are applied in practice are another essential element, but they must be accompanied by continuously improved quality of services and equal access to them.

**Principle 1: Policy for citizen-oriented state administration is in place and applied.**

1. A policy exists to design public services based on the needs of the user; it is considered in the framework of the relevant strategies or other documents and consistently applied throughout the administration.
2. Mechanisms to analyse and avoid red tape are in place; a policy for administrative simplification has been developed and is consistently implemented.
3. Policy solutions for public service delivery are consistently defined in the legal framework and are applied in practice.
4. An adequate institutional set-up is in place, including political and institutional responsibilities for co-ordinating and steering delivery of public services.
5. The policy and legal frameworks to deliver e-services are in place, aligned with the general service delivery policy and consistently applied across the administration.
6. The cost of public services is kept under transparent review, and the overall cost of the public administration is not disproportionate to total public expenditure.

## Analytical framework

### Methodological approach

The method used is qualitative assessments, based on relevant documents and reports, complemented by interviews with relevant actors and analysis of statistical data to assess the level of orientation of the public administration towards citizens:

- Analyse the government's key public service planning documents to look for statements on good administration, service delivery, e-government and e-services, and red tape reduction. Look for concrete objectives, activities designed to achieve them along with their costs, indicators for measuring achievement of the aims, designated responsible institutions, and monitoring and evaluation requirements.
- Identify the legal framework related to the main/universal administrative services provided by the central administration<sup>17</sup>, including e-services, and assess whether it fosters a coherent approach to the services offered.
- Analyse the institutional set-up for co-ordinating and steering delivery of services and enhancing the quality of service delivery, including e-services.
- Interview senior officials, representatives of civil society and think tanks, and the ombudsman.

<sup>17</sup> Such as a civil register, passports or income tax.

- Compare the total cost of the public administration (e.g. the cost of general public services in accordance with the Classifications of the Functions of Government<sup>18</sup>) with relevant benchmarks from the region and good practices of EU/OECD countries.
- Obtain evidence that the government assesses and reviews the costs of public services.

### Information sources

The information sources include:

- documents defining government priority areas, including strategies for public service delivery and e-services and for red-tape reduction;
- interviews with key senior officials, representatives of civil society, non-governmental organisations (NGOs) and the ombudsman;
- relevant legislation;
- annual reports and/or analyses of the public authorities and ombudsman showing how administrative procedures are conducted in practice and how the services are delivered;
- official statistics.

### Principle 2: Good administration is a key policy objective underpinning the delivery of public service, enacted in legislation and applied consistently in practice.

1. Good administration is identified among the government's priorities.
2. A coherent and complete legal framework on administrative procedures exists, limiting special regulations to a minimum, preferably in the form of a law on general administrative procedures.
3. The legal framework on administrative procedures is implemented in practice in all state administration bodies.
4. Key principles of good administrative behaviour are defined in the legislation on administrative procedures: legality, equity, equal treatment, proportionality, lawful exercise of discretion, openness and transparency, impartiality, objectivity and due diligence.
5. The right of hearing before the final decision is ensured.
6. Authorities are required to state the reasons for their decisions and to inform citizens of the rights of appeal.
7. Procedural and substantial rules are elaborated relative to the amendment, suspension and repeal of an administrative act in order to guarantee a fair balance between the public interest and the legitimate expectations of the individual.
8. Consultations with civil society are held when taking administrative decisions that have a general impact.

### Analytical framework

#### Methodological approach

The method used is qualitative assessments, based on an analysis of the relevant planning documents and legislation, complemented by interviews to assess what is happening in practice:

- Analyse the government's key public service planning documents to look for statements on good administration.
- Analyse legislation on general administrative procedures (if it exists), together with laws regulating special administrative procedures in key areas, to assess whether all the issues listed above are regulated.

<sup>18</sup> Standard for classification of public expenditure, [http://ec.europa.eu/eurostat/statistics-explained/index.php/Glossary:Classification\\_of\\_the\\_functions\\_of\\_government\\_%28COFOG%29](http://ec.europa.eu/eurostat/statistics-explained/index.php/Glossary:Classification_of_the_functions_of_government_%28COFOG%29)

- Analyse the existence of major case law of administrative and constitutional courts in order to assess the interpretation of principles of good administrative behaviour and the main problems occurring in the process of their application.
- Assess whether the legislation on administrative procedures is coherent, complete and compatible with the principles of good administrative behaviour.
- Analyse the government's key public service planning documents to look for statements on good administration. Look for concrete objectives, activities designed to achieve them and their costs, indicators to measure achievement of the aims, designated responsible institutions, and monitoring and evaluation requirements.
- Interview senior officials, the ombudsman, the judiciary and NGOs to collect information on the extent to which good administration is acknowledged as a government priority, the extent to which legal provisions related to administrative procedures are implemented in practice and the scope of the legislation on administrative procedures.

### Information sources

The information sources include:

- documents defining government priority areas/issues;
- planning documents covering good administration;
- interviews with a sample of officials from ministries, senior officials, the judiciary, the ombudsman and NGOs;
- legislation on administrative procedures;
- collections or summaries of the case law of supreme administrative courts and constitutional courts;
- annual reports and/or analyses of the public authorities and ombudsman showing how administrative procedures are conducted in practice.

### Principle 3: Mechanisms for ensuring the quality of public services are in place.

1. One or several quality assurance tools are used by the administration (e.g. service charters, European Foundation for Quality Management, Common Assessment Framework or other self-assessment frameworks, quality awards, International Organization for Standardization (ISO) or other international standards).
2. Processes for regular monitoring of service delivery, assessment and re-design are in place, based on customer satisfaction and an analysis of users' needs.
3. Service modernisation efforts are structured around achieving savings in the time spent by customers, the costs of acquiring and delivering services and the number of times physical presence is required, as well as improving the ease of obtaining both information about services and the services themselves.
4. Interoperability of registries and digital services to simplify procedures for citizens is promoted through the legal framework and technical preparedness.
5. Mechanisms enabling sharing good practices and their dissemination are in place.
6. Standards of service delivery are set out for the main public services delivered by the public administration.

## Analytical framework

### Methodological approach

The methods used are qualitative and quantitative assessments, based on analysis of strategic documents and activity reports, complemented by interviews to assess whether public services are designed and delivered taking into account the needs of users:

- Analyse government documents and other reports.
- Interview government officials and representatives of NGOs, civil society, the ombudsman, chambers of commerce and consumer/citizen advice organisations.
- Collect data on quality assurance tools and obtain evidence on their use.
- Collect data on training of officials directly involved in service delivery.
- Check whether good practices related to service delivery are disseminated through the Internet, conferences, events, etc.
- Search for and examine service satisfaction surveys at the national level and documentation of quality awards.

### Information sources

The information sources include:

- government documents and other reports, including training strategies and programmes for civil servants;
- standards of service delivery set out in the legislation or soft law acts and in citizen charters, if they exist;
- interviews with government officials and representatives of NGOs and civil society;
- data from a sample of institutions;
- service satisfaction surveys at the national level;
- documentation from quality awards;
- interviews with relevant officials of the body promoting citizen orientation;
- interviews with citizen/consumer advice organisations, chambers of commerce and the ombudsman;
- international and national statistics on establishing businesses<sup>19</sup>;
- government web pages.

### Principle 4: The accessibility of public services is ensured.

1. Territorial access to public services is ensured for all individuals and businesses.
2. One-stop-shops/points of single contact covering a wide range of services are available to individuals and businesses.
3. Communication and handling of official matters are possible through user-friendly electronic channels covering a large range of services.
4. Official websites and published leaflets provide contact information, clear advice and guidance on accessing public services, as well as on the rights and obligations of users and the public institutions providing services.
5. Service provision (including e-services) takes into account the needs of special groups of customers (e.g. disabled persons, seniors, families with children, and foreigners).

<sup>19</sup> Such as those available at <http://www.doingbusiness.org>.

## Analytical framework

### Methodological approach

The methods used are qualitative and quantitative assessments, based on analysis of the accessibility of public services and relevant reports, complemented by interviews to assess whether public services are easily accessible to all customers on an equal basis and are customer friendly:

- Analyse governmental data and reports, and relevant reports produced by other organisations.
- Analyse sample web pages of public institutions.
- Collect information to ascertain whether the public services are accustomed to meeting the needs of special customer groups.
- Interview government officials, NGOs, the ombudsman, associations of disabled persons and the EU Delegation on the accessibility of public services.

### Information sources

The information sources include:

- interviews with associations of disabled persons, government officials, NGOs and the ombudsman;
- government web pages and platforms for e-services delivery;
- government documents and other reports;
- surveys among government authorities;
- data from the tax authorities regarding online tax declarations.

A stylized teal folder icon with a light blue tab on the left side. The tab contains the number 6, and the folder itself contains the text 'Public Financial Management'.

6

## Public Financial Management



## PUBLIC FINANCIAL MANAGEMENT

The budget establishes the financial framework within which the government delivers its economic and social policy objectives for the benefit of its citizens. To make the right choices and respect expenditure limits, robust public financial management (PFM) systems are essential for all elements of the budget cycle – from formulation to execution, including procurement, control and audit.

European Union (EU) candidate countries and potential candidates are expected to have a credible and relevant programme to improve all key aspects of PFM in order to benefit from Sector Budget Support, an increasingly frequent aid-delivery mechanism in these countries. If such countries are to achieve PFM systems centred on delivering results, reforms must take place sequentially, in a manner fitting each country's unique circumstances. There is no one-size-fits-all approach, but good PFM systems rest on certain basic principles and practices, described in the following pages.

The Principles focus primarily on central government. Local self-government is covered only within general government data requirements for budgeting and reporting. Also, apart from the forecasting of total public revenues, the Principles focus on expenditure. However, the collection and administration of tax and other resources are important elements of PFM, and the European Commission (EC) publication *Fiscal Blueprints: A path to a robust, modern and efficient tax administration*<sup>20</sup> and the Public Expenditure and Financial Accountability (PEFA) Programme requirements in this area can be regarded as the standard.

The Principles take into account several international standards such as:

- the EU framework for economic governance (including the rules for budgetary frameworks)<sup>21</sup>;
- horizontal criteria for sectoral budget support under the Instrument for Pre-accession Assistance (IPA);
- the EU Directives on public procurement;
- the opening and closing benchmarks for Chapters 5, 17 and 32 of accession negotiations;
- the PEFA Programme;
- the Organisation for Economic Co-operation and Development (OECD) Principles of Budgetary Governance<sup>22</sup>;
- the International Monetary Fund (IMF) Fiscal Transparency Code;
- the International Standards of Supreme Audit Institutions (ISSAI) of the International Organization of Supreme Audit Institutions.

This chapter defines 8 key requirements and 16 Principles in the public financial management area, in line with international standards and the EU *acquis*.

<sup>20</sup> EC (2007), *Fiscal Blueprints: A path to a robust, modern and efficient tax administration*, Office for Official Publications of the European Communities, Luxembourg,  
[https://ec.europa.eu/taxation\\_customs/sites/taxation/files/.../fiscal\\_blueprint\\_en.pdf](https://ec.europa.eu/taxation_customs/sites/taxation/files/.../fiscal_blueprint_en.pdf).

<sup>21</sup> Council Directive 2011/85/EU.

<sup>22</sup> <http://www.oecd.org/gov/budgeting/principles-budgetary-governance.htm>

## KEY REQUIREMENTS AND PRINCIPLES

### Budget management

**Key requirement:** The budget is formulated in compliance with transparent legal provisions and within an overall multi-annual framework, ensuring that the general government budget balance and the debt-to-gross domestic product ratio are on a sustainable path.

**Principle 1:** The government publishes a medium-term budgetary framework on a general government basis that is founded on credible forecasts and covers a minimum period of three years; all budget organisations operate within it.

**Principle 2:** The budget is formulated in line with the national legal framework, with comprehensive spending appropriations that are consistent with the medium-term budgetary framework and are observed.

**Key requirement:** Accounting and reporting practices ensure transparency and public scrutiny over public finances; both cash and debt are managed centrally, in line with legal provisions.

**Principle 3:** The ministry of finance (or authorised central treasury authority) centrally controls disbursement of funds from the treasury single account and ensures cash liquidity.

**Principle 4:** There is a clear debt management strategy in place and implemented so that the country's overall debt target is respected and debt servicing costs are kept under control.

**Principle 5:** Transparent budget reporting and scrutiny are ensured.

### Internal control and audit

**Key requirement:** National internal control policy is in line with the requirements of Chapter 32 of European Union accession negotiations and is systematically implemented throughout the public sector.

**Principle 6:** The operational framework for internal control defines responsibilities and powers, and its application by the budget organisations is consistent with the legislation governing public financial management and the public administration in general.

**Principle 7:** Each public organisation implements internal control in line with the overall internal control policy.

**Key requirement:** The internal audit function is established throughout the public sector and internal audit work is carried out according to international standards.

**Principle 8:** The operational framework for internal audit reflects international standards, and its application by the budget organisations is consistent with the legislation governing public administration and public financial management in general.

**Principle 9:** Each public organisation implements internal audit in line with the overall internal audit policy documents, as appropriate to the organisation.

### Public Procurement

**Key requirement:** Public procurement is regulated by duly enforced policies and procedures that reflect the principles of the Treaty on the Functioning of the European Union and the European Union *acquis*, and are supported by suitably competent and adequately resourced institutions.

**Principle 10:** Public procurement regulations (including public-private partnerships and concessions) are aligned with the European Union *acquis*, include additional areas not covered by the *acquis*, are harmonised with corresponding regulations in other fields and are duly enforced.

**Principle 11:** There is central institutional and administrative capacity to develop, implement and monitor procurement policy effectively and efficiently.

**Key requirement:** In case of alleged breaches of procurement rules, aggrieved parties have access to justice through an independent, transparent, effective and efficient remedies system.

**Principle 12:** The remedies system is aligned with the European Union *acquis* standards of independence, probity and transparency and provides for rapid and competent handling of complaints and sanctions.

**Key requirement:** Contracting authorities are adequately staffed and resourced and carry out their work in accordance with applicable regulations and recognised good practice, interacting with an open and competitive supply market.

**Principle 13:** Public procurement operations comply with basic principles of equal treatment, non-discrimination, proportionality and transparency, while ensuring the most efficient use of public funds and making best use of modern procurement techniques and methods.

**Principle 14:** Contracting authorities and entities have the appropriate capacities and practical guidelines and tools to ensure professional management of the full procurement cycle.

### External audit

**Key requirement:** The constitutional and legal frameworks guarantee the independence, mandate and organisation of the supreme audit institution to perform its mandate autonomously according to the standards applied for its audit work, allowing for high-quality audits that impact on public sector functioning.

**Principle 15:** The independence, mandate and organisation of the supreme audit institution are established and protected by the constitutional and legal frameworks and are respected in practice

**Principle 16:** The supreme audit institution applies standards in a neutral and objective manner to ensure high-quality audits, which positively impact on the functioning of the public sector.

## Budget management

**Key requirement: The budget is formulated in compliance with transparent legal provisions and within an overall multi-annual framework, ensuring that the general government budget balance and the ratio of debt to gross domestic product are on a sustainable path.**

In order to better manage public resources a government should have a medium-term financial plan based on the objectives it wishes to achieve and the financial resources available to it. It must also ensure that the multi-annual costs of all spending are clearly stated, so that the annual budget is set within a medium-term financial horizon. This approach, together with long-term estimations in selected public spending areas (e.g. pensions and health care), will help inform the government, the parliament and the citizens of the financial parameters and leeway for new policy development.

Within the budget process, it is vital to set realistic expenditure allocations while respecting the fiscal rules and the parameters of an overall top-down ceiling. Revenue forecasting is equally important, since an inaccurate forecast of potential revenue could result in the expenditure ceiling being set at an unsustainable level.

**Principle 1: The government publishes a medium-term budgetary framework on a general government basis that is founded on credible forecasts and covers a minimum time horizon of three years; all budget organisations operate within it.**

1. The medium-term budgetary framework (MTBF) is published each year, taking into account the latest available data.
2. The MTBF is co-ordinated at the central level by the ministry of finance (MoF) on the basis of input from, and consultation with, line ministries and subordinated bodies.
3. The MTBF clearly sets out the macroeconomic projections and the revenue and expenditure expectations on which it is based.
4. Revenue and expenditure plans are based on agreed government policy. They include the future costs of existing policies and the estimated costs of any new policies to be introduced during the period and are in line with national fiscal rules.
5. The targets for the budgetary aggregates, particularly the general government balance and the ratio of debt to gross domestic product, are sustainable.
6. The programming of IPA funds is co-ordinated with the overall MTBF and budget preparations and is based on the overall strategic priorities of the government.
7. The MTBF includes a sensitivity analysis of the major variables.
8. The MTBF notes the long-term costs of investment to be incurred during the period.
9. A clear and credible plan for structural economic reforms exists and is coherent with the fiscal policy.
10. The strategic plan of each public sector organisation is consistent with the overall MTBF.
11. There is an independent body (fiscal council), in line with EU requirements to monitor compliance with fiscal rules and the MTBF.

## Analytical framework

### Methodological approach

The method used is mainly quantitative assessments, based on an analysis of the MTBF publication using published data, supplemented by interviews with senior officials:

- Assess the completeness of information on the principle in the MTBF documentation.
- Examine how the economic and fiscal forecasts of the MoF compare with those of independent bodies (e.g. the IMF, the World Bank, the EC, the fiscal council).
- Examine the accuracy of forecasts by comparing forecasts in the MTBF with outturns in the last three years.
- Examine the revenue forecasts in light of the existing revenue receipts and intended sources of any new revenue.
- Assess whether the MTBF is based on information from existing sectoral policies and whether ministries provide systematic input to MTBF preparations.
- Determine whether the spending estimates clearly show the costs of existing policies/services and the costs of new policy initiatives as separate items.
- Review the reasonableness of sensitivity factors used, based on relevant international or domestic data.
- Examine the MoF's circular of instruction to line ministries for evidence that the macroeconomic and budgetary parameters are clearly outlined.
- Review two strategic plans at the organisational level, to determine whether they are in line with MTBF assumptions and whether they distinguish between costs for existing policies and costs for new policy initiatives (i.e. additional funding needs).
- Determine which fiscal rules (balance, debt, expenditure, revenue) and correction mechanisms are in place.
- Establish whether an independent body (such as a fiscal council) exists and check that the rules of procedure (RoP) and other documents regulating its work enable it to fulfil its role as an independent monitor of organisational compliance with fiscal rules and policies.

### Information sources

The information sources include:

- organic budget law and other relevant regulations;
- MTBF and other fiscal policy documents (e.g. Pre-accession Economic Programme);
- MoF circular to line ministries;
- economic and fiscal forecasts and reports of independent bodies (e.g. the IMF, the World Bank, the EC, the fiscal council);
- treasury data on monthly and annual spending outturns;
- annual financial report of the government;
- strategic plans of line ministries;
- published reviews of plans of budget organisations (if available);
- interviews with relevant officials from the MoF, as well as officials from the fiscal council.

**Principle 2: The budget is formulated in line with the national legal framework, with comprehensive spending appropriations that are consistent with the medium-term budgetary framework and are observed.**

1. The budget process is based on transparent legal provisions that define public moneys and the roles of the government and the MoF, with a timetable that allows each of them time to fulfil their responsibilities in the process.
2. The parliament has the time and resources to analyse and debate the budget proposal.
3. The budget's coverage is comprehensive and includes IPA funds and other donations.
4. The government approves a top-down expenditure ceiling within which the budget is framed.
5. The MoF sets out, in an annual circular, the overall approach, timetable and assumptions that must underpin the estimates of the different budget organisations.
6. The budget organisations comply with the budget circular by providing the MoF with comprehensive, accurate and transparent estimates, including contingent liabilities and costs for the years beyond the budget year.
7. A mechanism is in place to ensure that national co-financing is available for all IPA programmes.
8. Capital investment projects are subject to appropriate investment analysis and prioritised according to assessments of their overall final costs and benefits, taking into account the priorities to obtain EU funding.
9. The MoF publishes a list of what constitutes fiscal risks.
10. The published budget is transparent and:
  - sets out the macroeconomic assumptions that underpin it;
  - separates capital and current expenditure, and pay and non-pay expenditure;
  - contains separate forecasts for baseline (existing) expenditure and new policies;
  - indicates the final outturns for the current year for comparison purposes;
  - includes contingent liabilities and multi-annual commitments of capital spending.

## Analytical framework

### Methodological approach

The methods used are both quantitative and qualitative assessments, using data to analyse the quality of the annual budget and also reviewing the legislation and documentation from a sample budget organisation, complemented by interviews with senior officials from the MoF and budget organisations:

- Examine the revenue forecasts, particularly in the light of the current-year performance.
- Compare the government's macroeconomic projections in the latest annual budget publication with the projections of international and domestic organisations for the same period.
- Review a sample budget estimate request to the MoF by a line ministry to see if the timetable has been observed, whether multi-annual costs and commitments are part of the return and whether the return clearly states the capital spending requirements and splits current spending into pay and non-pay expenditure.
- Compare the planned budget revenue and expenditure (analysing capital and current expenditure separately) with the outturn of the latest available calendar year.
- Verify on a sample basis whether IPA funds and the required co-financing are part of the state budget.
- Check whether the MoF consults with the IPA co-ordinator on any proposal for IPA funding.
- Examine the process for approving a sample of two recent investment proposals to determine whether they have been subject to an appropriate appraisal process.
- Analyse whether information exists on fiscal risks and contingent liabilities (including state guarantees and potential negative lawsuits).
- Verify if there is information on long-term projections of revenues and expenditures.
- Review the relevant legislation.

- Verify that the budget timetable complies with international standards and is respected.

**Information sources**

The information sources include:

- constitution and legislation governing PFM procedures, including the organic budget law;
- published budget for the most recent year;
- MTBF and other fiscal policy documents;
- final account of the latest available year;
- reports by the supreme audit institution (SAI);
- latest IPA planning documents;
- budget estimate request from sample budget organisation to the MoF;
- media reports;
- interviews with relevant officials from the MoF, two line ministries and an extra-budgetary fund, as well as members of the parliamentary committee with responsibility for considering the annual budget.

**Key requirement: Accounting and reporting practices ensure transparency and public scrutiny over public finances; both cash and debt are managed centrally, in line with legal provisions.**

Cash management is central to successfully monitoring and controlling expenditure during the year. It covers both the revenue and expenditure of government. Inadequate systems and information make it difficult to align cash flow with spending allocations and to allow for timely remedial action where necessary.

Debt management should also be exercised at a central level, covering the entire general government area, to avoid unauthorised borrowing or borrowing at sub-optimal costs.

Strong systems for reporting of financial data, based on reliable accounting information, are essential for the successful control of government spending. Information on public finances should be published on a regular basis so that the parliament and citizens can see clearly the progress of spending and revenue collection during the course of the budget year.

**Principle 3: The ministry of finance (or authorised central treasury authority) centrally controls disbursement of funds from the treasury single account and ensures cash liquidity.**

1. The budget legislation provides for a treasury single account (TSA) into which all cash received from any source (taxes, fees or other income) is paid, normally by the end of the same working day.
2. The legislation provides that only authorised payments may be made from the TSA.
3. The cash management or treasury function is managed through the TSA, under the control of the MoF/treasury authority.
4. The MoF/treasury authority prepares its own cash flow projections at an aggregate level, after consulting with line ministries and other state bodies concerned, at least on a monthly basis.
5. The monthly profiles for each public sector organisation provide a clear picture of the cash flow under the main budget headings and clearly include the different elements – pay, non-pay current, capital and own resources.
6. The treasury system incorporates adequate coding structures to facilitate detailed analysis of expenditure and income.
7. Regular reconciliation takes place between the treasury information system, accounting information systems and bank account data.
8. A monitoring system is in place to ensure that public sector organisations neither exceed the budget allocations without prior legal authorisation nor enter into commitments that have the effect of circumventing this requirement.
9. State-owned (and municipal) enterprises are required to seek prior approval from their controlling body before undertaking any fiscal risk.



## Analytical framework

### Methodological approach

The methods used are mainly quantitative assessments, using data from the treasury system, supplemented by qualitative assessments based on interviews with senior officials to assess the quality of the cash management system:

- Examine the law/regulations underpinning the TSA.
- Review the powers of the MoF/treasury authority in relation to operating the TSA.
- Check that the cash received is paid into the TSA.
- Check that the cash balances in all government bank accounts (including accounts for extra-budgetary funds and government-controlled project accounts) are identified and consolidated.
- Assess whether cash flow projections are at an appropriate aggregate level.
- Check whether each public sector organisation inputs or verifies its monthly profiles of expected spending once its budget allocation is decided and ensures it has internal procedures to monitor cash flow during the year.
- Review the adequacy of the process for monitoring cash flow during the year, including examining the coding system for recording expenditures and revenues.
- Examine samples of cash flow forecasts of two organisations for comprehensiveness and accuracy; compare these to their actual budget as decided by the parliament.
- Check that where a ministry or other organisation has information and accounting systems separate from the treasury accounting system, appropriate reconciliation arrangements are in place.
- Establish the basis of accounting for the government's financial statements and, in particular, arrangements for recording and reporting financial commitments.
- Check whether carry-overs to the next calendar year are permitted and, if so, to what extent and how actively they are used. If they are not permitted, check whether the level of spending increases towards the end of the year.
- Assess the level of arrears recorded and any significant changes to the previous year's level.
- Examine reports of independent bodies (e.g. the IMF, the World Bank, the EC, fiscal council) for commentary on budget execution and accounting.

### Information sources

The information sources include:

- laws and regulations governing the TSA;
- instructions by the MoF/treasury authority to line ministries and other state bodies;
- published monthly outturns compared to monthly cash flow projections/ profiles;
- records of payments into the TSA;
- reports to the MoF on spending commitments;
- reports of independent bodies (e.g. the IMF, the World Bank, the EC, fiscal council);
- interviews with relevant officials from the MoF/treasury authority.

**Principle 4: There is a clear debt management strategy in place and implemented so that the country's overall debt target is respected and debt servicing costs are kept under control.**

1. There is a clear debt management strategy<sup>23</sup> (including risk and sensitivity analysis) to ensure that the debt is sustainable and can be serviced.
2. The debt management strategy is published and feeds into the annual budget process.
3. Government borrowing and guarantees are always within the limits set in the annual budget.
4. The responsibilities of different government bodies involved in debt management (MoF/treasury agency/central bank) are clearly delineated.
5. Only the MoF/treasury agency carries out central-government borrowing.
6. Borrowing or guarantees or the entering into contracts involving other instruments that could carry a financial risk by any state-owned bodies, including local government or state-funded enterprises, is constrained in legislation and must be authorised in advance by the MoF/treasury agency.
7. The levels and costs of borrowing by local government and state-owned enterprises (SOEs) are regularly reported to the MoF/treasury agency, and any changes are duly noted.
8. Systematic co-operation is in place between the debt management and cash management functions.
9. An annual report on debt management is prepared soon after the end of the budget year.
10. The SAI audits debt management.

## Analytical framework

### Methodological approach

The methods used are both quantitative and qualitative assessments, using published data to analyse the quality of the debt management strategy and reviewing the relevant legislation, complemented by interviews with senior officials from the MoF:

- Review the legal basis for the control of government borrowing and the regulations underpinning the TSA.
- Review the MoF/treasury authority's powers in relation to the operation of the TSA.
- Check if the cash balances in all government bank accounts are identified and consolidated (including those for extra-budgetary funds and government-controlled project accounts).
- Assess if cash flow projections are at an appropriate aggregate level.
- Check if each public sector organisation inputs or verifies its monthly profiles of expected spending once its budget allocation is decided and ensures that it has internal procedures to monitor cash flow during the year.
- Review the adequacy of the process for monitoring cash flow during the year, including examining the coding system for recording expenditures and revenues.
- Analyse samples of cash flow forecasts of two organisations for comprehensiveness and accuracy; compare these to the actual budget as decided by the parliament.
- Establish the basis of accounting for the government financial statements and, in particular, arrangements for recording and reporting financial commitments.
- Check whether carry-overs to the next calendar year are permitted and, if so, to what limits and how actively they are used. If they are not permitted, check whether the level of spending increases towards the end of the year.
- Ascertain the level of arrears recorded and any significant changes to the previous year's level.
- Review the debt management policy and any reports on debt management.
- Check adherence in recent years to the annual borrowing and guarantee limits.

<sup>23</sup> Can be part of other government strategies or published as a separate document.

- Analyse how the central authority plans and executes additional borrowing and issuing of treasury bonds and similar instruments.
- Review the procedures for the control of borrowing by local government and SOEs and the reporting arrangements for any such borrowing.
- Check whether external audit covers the debt management policy.
- Analyse reports of independent bodies (such as the IMF, the World Bank, the EC, fiscal council) for commentary on the budget execution and accounting

### Information sources

The information sources include:

- legislation and other relevant regulations governing debt management;
- published debt management reports;
- circulars and instructions by the MoF/treasury authority to other state bodies;
- reports to the MoF/treasury authority from other state bodies;
- interviews with relevant officials from the MoF/treasury authority;
- reports by the SAI;
- reports of independent bodies (e.g. the IMF, the World Bank, the EC, fiscal council, Central Bank, the rating agencies).

### Principle 5: Transparent budget reporting and scrutiny are ensured.

1. The MoF publishes monthly reports of central government revenue, expenditure and borrowing within four weeks of the month's end.
2. The report is compiled from reports by central government spending bodies and the revenue collection agencies to the MoF on their spending and revenue in the previous month.
3. The reports note and explain variations from the original spending and revenue profile, and include future spending commitments made during the month.
4. The MoF publishes local government quarterly financial data in line with the EU Directive 2011/85/EU before the end of the next quarter.
5. The annual financial report of the government is comprehensive (including IPA funds) at the state government level and includes generic information at the general government level.
6. Fiscal risk is continuously monitored and SOEs are required to submit their annual audited financials, including an income statement, balance sheet, statement of changes in equity and cash flow statement.
7. The annual financial report is published not later than six months after the end of the financial year, is audited by the SAI and is discussed by the relevant parliamentary committees before the next budget discussions.
8. The data for each organisation is appropriately reconciled with accounting information, and the accounting standards are defined.
9. The national standards for accounting are aligned with the minimum requirements in place for EU member countries, particularly those defined in the EU Directive 2011/85/EU, and enable providing data compliant with ESA2010<sup>24</sup>.
10. The annual financial report is in a format that mirrors the presentation format of the budget and explains any variation from the budget figures.
11. The annual financial report includes an overview and analysis of state assets covering all assets above a specified minimum value threshold.

<sup>24</sup> Regulation (EU) 549/2013 on the European System of National and Regional Accounts in the European Union.

## Analytical framework

### Methodological approach

The methods used are mainly quantitative assessments, based on information contained in the annual financial report and a sample of in-year reports submitted to, and published by, the MoF, complemented by qualitative assessments based on interviews with senior officials:

- Examine the monthly reports published by the MoF in the previous year, analysing monthly expenditure outturns against the profile and reviewing the reasons for peaks in spending (including “year-end fever”).
- Examine the published monthly reports for revisions of data from earlier reports that could indicate a weakness in the reporting system.
- Ask MoF officials whether all reports from budget organisations were submitted in a standard format in line with MoF guidelines, and review whether examples indicate and explain variations.
- Examine the latest budget/financial report from one line ministry to determine the level of detail provided to the MoF.
- Examine the procedures for in-year monitoring of fiscal risk.
- Check whether state-owned companies are required to submit their annual audited financial reports, including an income statement, balance sheet, statement of changes in equity and cash flow statement.
- Establish whether local government quarterly reports are published and are comprehensive.
- Review the annual financial report for clarity and comprehensiveness.
- Check whether the annual financial report clearly refers to the accounting standards used for preparing it.
- Review the annual financial report for consistency with Eurostat standards.
- Review the arrangements for recording assets and stocks, including appropriately valuing holdings in state-owned (or municipal) enterprises.
- Examine how variations are accounted for.

### Information sources

The information sources include:

- published monthly reports;
- MoF guidelines;
- local government quarterly reports;
- interviews with officials in the MoF and two selected ministries;
- annual reports and the published budget documents;
- interviews with the key staff compiling the annual financial report and the relevant staff from the statistical office;
- publicly available reports of the parliamentary committee on budget and finance;
- annual report and the audit opinion of the SAI;
- other reports of the SAI.

## Internal control and audit

**Key requirement: National internal control policy is in line with the requirements of Chapter 32 of European Union accession negotiations and is systematically implemented throughout the public sector.**

Internal control<sup>25</sup> is a key pillar of the public internal financial control (PIFC) arrangements that countries wishing to join the EU are required to implement under the provisions of Chapter 32 of the EU *acquis*. Some EU member countries pursue the same objectives under the concept of public internal control.

Internal control applies to all public sector organisations. Although implementing internal control is a complex and challenging task, well-established arrangements for the financial management and internal control of public resources are essential to ensuring they are utilised efficiently, effectively and economically. These arrangements should facilitate managerial accountability and the delegation of authority to different levels of management with appropriate accountability reporting.

**Principle 6: The operational framework for internal control defines responsibilities and powers, and its application by the budget organisations is consistent with the legislation governing public financial management and the public administration in general.**

1. The laws and other regulations setting the operational framework for internal control apply to all public organisations and are in line with the model of the Committee of Sponsoring Organisations<sup>26</sup>.
2. The internal control laws and regulations are consistent with the laws and regulations governing civil and public service arrangements and organisational structures.
3. The laws and regulations governing budgetary and treasury arrangements, EU fund management, public accounting and other PFM arrangements facilitate the development of managerial accountability through appropriate delegation and reporting.
4. The management and control systems for using EU funds meet the relevant EU requirements and are in line with national internal control procedures, unless specifically explained and justified.
5. A clear strategy and action plan that sets out realistic steps and change management plans to develop internal control in public sector organisations is in line with the overall PFM system, and its reform plan is in place and regularly reviewed and updated.
6. The ministry responsible for implementing internal control has clear legal authority to issue subsidiary regulations and guidelines on internal control implementation and development.
7. The ministry responsible for implementing internal control reports regularly to the government, either specifically on internal control or as part of a wider PIFC/PFM progress report.
8. Where financial inspection exists, it is supervised by the ministry responsible for the overall state budget, is concerned with compliance, is driven by complaints and clear indication of irregularities, focuses on potential risks of fraud, corruption or major financial abuse, and does not duplicate the objective of internal audit.

<sup>25</sup> Also defined as financial management and control in the national laws and strategies, as well as in the documents related to Chapter 32 of EU accession negotiations.

<sup>26</sup> Committee of Sponsoring Organisations of the Treadway Commission. These principles were originally drafted to apply to private sector companies.

## Analytical framework

### Methodological approach

The method used is mainly qualitative assessments, using interviews with senior officials and a review of written documentation:

- Review and analyse all relevant legislation (including regulations) to determine whether it is comprehensive and facilitates the development of internal control and whether the different laws are mutually compatible.
- Determine whether the legislation provides that internal control applies to all public organisations and allows for different arrangements according to the type and size of the organisations.
- Determine whether the legislation defines the responsibilities of the head of the organisation, the most senior civil servant and any other manager entrusted with achieving internal control objectives.
- Determine whether the legislation provides for appropriate organisational structures to underpin internal control, including appointing a high-ranking head of finance within the organisation.
- Examine whether the staff complement of the central harmonisation unit (CHU) is compatible with the size of the public sector, is trained in internal control and has experience in PFM and public organisation policy.
- Review the annual report prepared by the CHU and compare actual progress against the internal control strategy and action plan.
- Establish whether the head of the CHU and other senior staff regularly consult with the organisation responsible for civil service organisational arrangements and MoF departments responsible for budgetary, treasury and public sector accounting policy and whether they actively promote internal control.
- Study any public administration guidelines to determine whether they allow for heads of organisations to develop their own organisational arrangements, delegated authority and the appointment of qualified finance officers.
- Determine whether the budgetary and other relevant regulations allow for delegation of budgets within organisations.
- Review the treasury documentation to assess the level of treasury control, if any, over payments.
- Determine whether any proposed changes to budgetary and treasury arrangements and to public accounting and procurement laws properly reflect internal control requirements and whether the CHU is regularly consulted on proposed such changes.
- Determine whether change management arrangements go beyond the CHU organising seminars and conferences and issuing rules and guidelines but also include active leadership of change management initiatives in budget organisations.
- Interview senior officials from the CHU and relevant organisations to assess any problems with implementation of, and adherence to, the legislation.

### Information sources

The information sources include:

- primary and secondary legislation regulating financial management and other management arrangements in public sector organisations;
- circulars and other guidelines on the organisational structure of public organisations, delegation of authorities and appointment of senior officials;
- organisational structures;
- internal control strategy and action plan;

- budget circular and any other documents relating to controls exercised by the MoF over public expenditure;
- reports to and response from the minister responsible for implementing internal control;
- annual report of CHU to the responsible minister or the government;
- minutes of PIFC councils or similar (where they exist);
- senior finance officer job specification;
- internal control guidance issued to managers and other training materials (other than to line ministry finance staff);
- comments by the SAI on internal control implementation;
- reports by the EC or audit authority on management and control systems for IPA-funded programmes;
- reports of technical assistance projects and international organisations (e.g. the World Bank);
- procedures of the anti-fraud co-ordination service network and minutes of the meetings, if available;
- documentation of practical steps taken to develop managerial accountability in public organisations, including identifying difficulties experienced.

**Principle 7: Each public organisation implements internal control in line with the overall internal control policy.**

1. Each organisation has issued an internal regulation committing to implementing internal control, including:
  - appointing a suitably qualified finance officer at a high level within the organisation with the authority to implement internal control throughout the organisation;
  - establishing budgets for relevant line managers, along with delegation and accountability arrangements compatible with internal control requirements;
  - establishing objectives for all senior and middle managers of the organisation;
  - ensuring that management information is regularly provided to the appropriate levels of the organisation.
2. Where subordinate or second-level organisations exist:
  - each second-level organisation meets internal control requirements for an organisation of its type and size;
  - its relationship with the higher or first-level organisation is clearly defined in a regulation or similar written document.
3. State-owned and municipal enterprises are subject to robust governance arrangements by their “owner” first-level organisations.
4. Internal control procedures in public organisations:
  - clarify responsibilities within the organisations;
  - ensure that risks are regularly assessed and risk-mitigation measures are implemented;
  - ensure that policy proposals initiated by the organisations include an estimate on budgetary costs;
  - make calculated choices between alternative ways to achieve objectives;
  - keep financial commitments within budget limits;
  - ensure that the use of financial resources (e.g. through procurement operations or human resource costs) is in accordance with the existing budget;
  - enable detection and reporting of irregularities (both for national and IPA funds);
  - allow an audit trail of key financial decisions, including those relevant to IPA-funded programmes.
5. The CHU organises at least one annual review of progress across the public sector organisations with regard to aligning financial management and internal controls to the established legal and operational requirements.



## Analytical framework

### Methodological approach

The method used is mainly qualitative assessments, based on interviews with senior officials and reviews of a variety of written documentation. If quantifiable data exists, it is used to complement the analysis:

- Examine the internal regulations on implementation of internal control in sample line ministries and one large agency or a social fund.
- Establish the extent to which the budgetary and operational objectives have been delegated down through the organisation's management structure.
- Establish whether the delegated budget holders are consulted about the compromises required to meet budgetary limits.
- Establish whether the (performance) objectives of the delegated budget holders reflect changes in the budget available to them.
- Examine each organisation's strategic plan to determine whether the corresponding accountability arrangements are in line with financial responsibility for the budget.
- Where a ministry or other organisation has information and accounting systems separate from the treasury accounting system, determine whether the necessary reconciliation arrangements are in place.
- Verify if management information and data are organised and analysed systematically and are shared among the different levels of the organisation.
- Examine a selection of reports by internal audit units to establish whether any weaknesses in the underlying systems have been identified and dealt with.
- Examine the arrangements between line ministries and their second-level organisations.
- Examine the practical steps being taken to implement internal control and establish managerial accountability, including that:
  - the objectives set for each senior manager are applied to subordinate managers;
  - managers are required to report on achievements during the year against objectives, including the efficiency and effectiveness with which objectives have been achieved;
  - managers are required to provide explanations for financial variations against the target's set;
  - managers at all levels account for risks while fulfilling their responsibilities, report strategic risks to the head of the organisation and manage them appropriately.
- Check that the organisation has developed appropriate accounting, costing and reporting systems that:
  - permit managers to effectively control and manage commitments;
  - inform managers about actual financial progress during the financial year;
  - allow for re-forecasting expenditure and income during the current year;
  - ensure investment proposals are subject to a robust cost-benefit analysis before they are submitted to the government for approval.
- Assess whether the responsibilities of the senior finance official in the sample line ministries and other public organisations exceed those of a financial controller or accountant/bookkeeper.



**Information sources**

The information sources include:

- internal regulations on internal control implementation for each of the sample organisations;
- strategic plans of the sample organisations;
- organisations' management structures and delegation arrangements;
- budget preparation and allocation processes, including programme budget arrangements;
- internal reports that show spending compared to budgets, commitment levels, performance against target and other management information, including risk management;
- accounting and costing systems, including the coding structure, reconciliation arrangements with the treasury system and financial reporting arrangements;
- internal guidelines for investment appraisal procedures;
- agreements between and reports from second-level to first-level organisations;
- internal audit reports;
- reports by the SAI;
- annual performance reports;
- interviews with key officials responsible for internal control in each of the sample line ministries and other public organisations.

**Key requirement: The internal audit function is established throughout the public sector and internal audit work is carried out according to international standards.**

Internal audit is a key pillar of PIFC that countries wishing to join the EU are required to implement under the provisions of Chapter 32 of the *acquis*. The EC defines internal audit in the same manner as the Institute of Internal Auditors<sup>27</sup>: “Internal audit is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.” Internal audit is the means by which the top manager and management team of an entity receive assurance from an internal source that internal controls are appropriately designed and operate effectively, to ensure the organisation achieves its objectives.

The implementation of internal audit within an organisation depends on its size, complexity and objectives. Hence, not all public organisations are expected to implement internal audit exactly the same way.

**Principle 8: The operational framework for internal audit reflects international standards, and its application by the budget organisations is consistent with the legislation governing public administration and public financial management in general.**

1. The law and regulations for internal audit are consistent with the definitions of the Institute of Internal Auditors<sup>28</sup> and are in line with regulations governing the civil service and public administration, allowing for the development of internal audit and appointment of internal auditors who are independent from other activities within an organisation.
2. The law provides that internal audit applies to all public organisations but allows actual arrangements to differ depending on the type and size of the organisation.
3. The law or regulations specify the operational arrangements for internal audit, including the minimum size, independence and reporting arrangements, internal audit standards, manuals, code of ethics and certification.
4. The ministry with overall responsibility for introducing internal audit has clear legal authority to establish a CHU and to issue subsidiary regulations and methodological guidance on implementing and developing internal audit.
5. The CHU for internal audit sets central standards, co-ordinates its implementation and related training activities and arranges for an annual review of the quality of internal audit activity, including strengths and weaknesses and indicators of progress on implementation against the action plan.

<sup>27</sup> The Institute of Internal Auditors, <https://na.theiia.org/Pages/IIAHome.aspx>

<sup>28</sup> International Standards for the Professional Practice of Internal Auditing – International Professional Practices Framework.

## Analytical framework

### Methodological approach

The method used is mainly qualitative assessments, based on interviews with senior officials and a variety of written documentation:

- Assess whether relevant laws and regulations facilitate the development of internal audit, define responsibilities and provide for operational and transitional arrangements.
- Study arrangements for applying internal audit standards and, where international standards have been applied, study adaptations to local circumstances.
- Review (e.g. in a PIFC or PFM policy statement) the strategy and action plan for implementing internal audit, and compare actual progress against the action plan.
- Assess whether internal audit training plans and the quality of any internal audit certification programme meet the relevant standards.
- Review the internal audit manual and any other documents on key principles, roles, responsibilities and operational activities.
- Review the annual report of the CHU on progress in implementing internal audit during the year, including the quality of any performance indicators and reporting arrangements.
- Determine whether CHU staffing is in proportion to the size of the public sector, comparing planned and actual staffing.
- Determine whether the CHU budget allows it to function effectively.
- Examine the advisory material issued by the CHU to internal auditors.
- Assess whether internal audit is clearly distinguished from financial inspection and, as internal audit develops, whether financial inspection increasingly centres on requests to investigate potential areas of fraud, corruption and major financial mismanagement.
- Study comments made by the SAI in its reports about internal audit.
- Interview relevant officials from two line ministries and one public sector organisation to ascertain whether they adhere to audit legislation and to identify any problems with the legislative framework.

### Information sources

The information sources include:

- legislation and relevant regulations;
- official records of numbers of planned, actual and qualified staff in CHU for internal audit;
- strategy and action plan for internal audit;
- guidance and training material and any certification scheme;
- annual report and other internal audit reports to, and responses from, the MoF;
- comments by the SAI on the implementation of internal audit;
- reports of technical assistance projects and international organisations (e.g. the World Bank);
- interviews with key CHU officials.

**Principle 9: Each public organisation implements internal audit in line with the overall internal audit policy documents, as appropriate to the organisation.**

1. The head of the organisation has established an internal audit function that fits the size and complexity of the organisation and is in line with national legal requirements.
2. Public sector organisations that are required to do so have established an internal audit charter in line with national legal requirements.
3. Strategic and annual internal audit plans exist for the organisation and are based on an assessment of both business and business-system risks, including arrangements for recording assets. The views of the different management levels have been taken into account when preparing those plans.
4. The strategic and annual plans are based on an assessment of all aspects of an organisation's business, including actions co-financed by IPA.
5. The head of internal audit reports to the head of the organisation and also consults with the senior financial officer and chief administrative officer about the findings of the internal audit reports before submitting them to the head of the organisation.
6. A systematic follow-up process ensures that agreed internal audit recommendations are properly implemented.

## Analytical framework

### Methodological approach

The method used is mainly qualitative assessments, based on interviews with senior officials and review of a variety of written documentation. If quantifiable data exists, it is used to complement the analysis:

- Study the internal audit arrangements for two line ministries and one large agency or a social fund, including the internal regulation on internal audit issued by the head of the organisation.
- Determine whether second-level organisations have a strong internal audit function or, alternatively, whether arrangements are made to provide an adequate internal audit function.
- Examine whether a suitably qualified and experienced person has been appointed to head the internal audit function.
- Request information on the numbers of approved internal audit posts, funded posts and staff actually in post, as well as their experience.
- Assess the adequacy of the financial resources and the numbers of staff in the internal audit units selected.
- Study the strategic and annual internal audit plans.
- Examine the actual implementation of the annual internal audit plan, which should follow the strategic plan and should have been prepared in consultation with all key managers and the senior finance officer.
- Establish the extent to which the internal audit work takes into account the element of risk and reflects the difference between business risk and business-system risk.
- Examine whether all audits are conducted in accordance with the agreed plans and according to the standards specified by the ministry responsible for the implementation of internal audit.
- Analyse a sample of recent audit reports prepared by a sample of public sector organisations.
- Establish whether an adequate follow-up process is in place.
- Assess the relations between the CHU and the head of the internal audit unit.
- Examine the management arrangements for ensuring the quality of the work of the internal audit unit, and in particular:
  - whether the head of unit manages the standard of internal audit performance in accordance with the required level of performance agreed with the head of the organisation;

- to what extent the actual internal audit activity follows the internal audit plan regarding both time and content;
- whether auditees have an opportunity to clarify or correct any facts included in the audit reports;
- whether the internal reporting arrangements within the organisation, especially to the senior finance officer, allow the officer to advise the head of the organisation on the quality of the internal financial control systems;
- how the head of the organisation reacts to, and decides how to respond to, the recommendations of an audit report;
- how the head of the internal audit unit manages the follow-up process.
- Examine a sample of recent internal strategic and annual audit plans, as well as audit reports from sample public sector organisations.
- Check that the head of internal audit makes internal audit reports available to the SAI.
- Review the membership and activities of any established internal audit committee.
- Check with the CHU that the annual internal audit plans of public organisations required to have an internal audit function conform to national legal requirements.
- Use audit reports from a sample of at least six public organisations (at least half of which are ministries) to assess the quality of internal audit.

### Information sources

The information sources include:

- internal regulation on internal audit issued by the heads of the sample organisations;
- strategic and annual audit programmes;
- arrangements for applying internal audit to second-level organisations;
- internal audit charter;
- management structures and delegation arrangements within organisations;
- size, structure and budget of internal audit departments/units;
- internal audit reports;
- external reports on internal audit (e.g. by the SAI);
- statistics on follow-up arrangements;
- agendas and minutes of internal audit committees;
- interviews with key officials, including the senior financial officer and chief administrative officer, and with officials from the SAI.

## Public Procurement

**Key requirement: Public procurement is regulated by duly enforced policies and procedures that reflect the principles of the Treaty on the Functioning of the European Union and the European Union *acquis* and are supported by suitably competent and adequately resourced institutions.**

Good public procurement practice requires a sound policy-making and regulatory framework, and institutional structures and arrangements that will ensure the regulatory system functions effectively. A well-functioning and sound public procurement system, however, is dependent not only on its legislative and institutional structures, but also on the extent to which the horizontal policy, legal and institutional environment manages to accommodate the specific needs of that system. This environment includes, among other elements, external audit, financial control, budget rules and planning, administrative and civil service laws, competition law, commercial law, labour law, and environmental legislation.

The quality of, and capacity for, public procurement reforms are ultimately expressed through a strong and knowledgeable political focal point at high ministerial level within a government and through central public procurement bodies with a clear political mandate and the authority and capacity required to carry out their tasks. Policy making and co-ordination should be characterised by clarity, coherence and continuity. There is also a need to organise the political relationship, communication and accession negotiations with the EU. While candidate countries are required to transpose the public procurement EU *acquis* into national legislation, they should also adhere to EU good practice in areas not covered by the detailed provisions of the EU Directives – not only to qualify for admission to the EU, but also to further their own development in a context of scarce resources and globalisation.

**Principle 10: Public procurement regulations (including public-private partnerships and concessions) are aligned with the European Union *acquis*, include additional areas not covered by the *acquis*, are harmonised with corresponding regulations in other fields and are duly enforced.**

1. Public procurement legislation reflects fundamental policy goals and principles of public procurement (including public-private partnerships (PPPs) and concessions), such as value for money, free competition, transparency, equal treatment, mutual recognition and proportionality, and supports integrity in public procurement.
2. Public procurement legislation (including PPPs and concessions) is in compliance with the *acquis* and in accordance with the requirements agreed with the country under the EU integration process, both in terms of substance and timing.
3. Outside the scope of the EU Directives, particularly below the EU thresholds but also in areas where a member country is free to include national provisions, the legislation reflects the principles of the Treaty on European Union and good European practice and offers a proper regulatory balance commensurate with the nature and size of the contracts.
4. Secondary and tertiary legislation reflects the same key principles as the primary legislation and promotes sound and efficient procurement.
5. New and amended legislation is prepared in consultation with the whole procurement community and made effective only when all those concerned are reasonably well-prepared to manage and apply the new legislation.
6. As soon as they have become effective, regulations are consistently and comprehensively applied across the public procurement system, with primary legislation complemented, as appropriate, by corresponding secondary legislation, prepared in a timely manner.
7. Procurement regulations are clear, free from overregulation and unnecessarily bureaucratic approaches, and frequent changes to them are avoided.
8. Procurement regulations, budget and expenditure regulations and other related regulations, such as contract law, are harmonised so that public contracts can be prepared, awarded and managed within a time frame and in a manner that is commensurate with good project-management principles.

## Analytical framework

### Methodological approach

The method used is essentially qualitative assessments, based on an analysis of the regulatory framework and supporting documentation, as well as interviews with key decision-makers and practitioners:

- Analyse the degree of compliance with the *acquis*, including identifying non-compliant areas or provisions.
- Analyse the extent of rules and provisions for procurement below the EU thresholds or outside the scope of the EU Directives and their appropriateness and compatibility with the principles of the Treaty on European Union and EU common practice and standards.
- Analyse secondary legislation and guidance documentation, including the availability of model tender and contract documentation, in order to determine whether the secondary legislation is aligned with the *acquis* and the primary legislation, and whether and how it is applied.
- Analyse regulations and working materials in the public consultation process to determine the extent of public consultations during the process of developing regulations and the monitoring of their use and appropriateness.

### Information sources

The information sources include:

- all legislative acts on public procurement, including PPPs and concessions;
- key secondary legislation and guidance documentation;
- working materials (e.g. consultation tables, meeting agendas and minutes);
- interviews with policy makers, practitioners and other stakeholders.

### **Principle 11: There is central institutional and administrative capacity to develop, implement and monitor procurement policy effectively and efficiently.**

1. There is a clear political and legal mandate for an entity with a policy-making function to initiate, outline, implement and monitor public procurement reform in all sectors (unless allocated differently e.g. in the case of PPPs and concessions) and all aspects (e.g. capacity building, modernisation of procedures, green procurement and integrity) and within the whole public administration.
2. There are clear and comprehensive policies for the orderly, longer-term development of the public procurement system, which may take the form of a national strategy and action plan, whether specific to public procurement or covering PFM at large.
3. Dedicated capacity is available and well-used for implementing and revising the strategy for developing public procurement (including PPPs and concessions).
4. A designated entity with the mandate and the capacity to communicate with the EU institutions and co-ordinate EU-related public procurement matters (including PPPs and concessions) is in place and working.
5. The legislation defines the distribution among the central procurement institutions and PPPs/concessions institutions of their respective functions and responsibilities, which typically would include:
  - A long-term policy framework;
  - primary legislation;
  - secondary policies and regulation;
  - international co-ordination;
  - oversight and monitoring;
  - advisory and operational support;
  - publication and information;
  - professionalisation and capacity building;
  - operational development and co-ordination.
6. Potential conflicts of roles and interests are avoided, addressed in applicable legislation and built into the organisational design of the institutional structure.
7. The public procurement institutions have the necessary authority and resources to exercise their functions and duties effectively and efficiently, and they do so.
8. A well-functioning central electronic portal is in place for the publication of tender and contract notices, as well as other important information and guidance.
9. Advice and guidance to contracting authorities and entities and economic operators on applying the procurement legislation is available on demand and is practical and useful.
10. An oversight and monitoring system for public procurement is in place, providing ready access to data on public procurement operations and, thereby, on implementing all applicable principles, policies and regulations.



## Analytical framework

### Methodological approach

The methods used are qualitative assessments of legislation and working practices and quantitative analysis:

- Analyse the laws and regulations establishing the central institutional framework in order to determine the quality, completeness and consistency of the institutional framework and any possible conflicts of interest.
- Interview high-level representatives of the central procurement institutions (including at the political level) and practitioners (contracting authorities and economic operators and their organisations).
- Analyse and describe the functioning of procurement portals and monitoring systems using quantitative methods.

### Information sources

The information sources include:

- all acts regarding the establishment of the central institutions on public procurement, PPP/concessions, and in the defence sector;
- key secondary legislation and guidance documentation;
- data from procurement portals and monitoring systems;
- interviews with policy makers and practitioners.

**Key requirement: In case of alleged breaches of procurement rules, aggrieved parties have access to justice through an independent, transparent, effective and efficient remedies system.**

A crucial mechanism for protecting the legality and integrity of the procurement process is guaranteeing access to justice by organisations and businesses participating in public tenders. Directive 2007/66/EC (which amended Directives 89/665/EEC and 92/13/EEC) defines the basic requirements for a review system to deal with complaints submitted by dissatisfied tenderers: speed, effectiveness and independence from contracting authorities. However, EU member countries are left to decide on the choice of administrative and legal solutions for organising the review system, resulting in a variety of models implemented. Among the key determinants of a well-functioning review system are the transparency and efficiency of the procedures, the institutional capacity, the quality of the decisions and how they are implemented. Topics of special interest in this respect include standstill periods, interim measures, contract ineffectiveness or alternative penalties, compensation of damages, cost of access to the appeal system, and access to judicial review and published decisions.

**Principle 12: The remedies system is aligned with the European Union *acquis* standards of independence, probity and transparency and provides for rapid and competent handling of complaints and sanctions.**

1. The procurement legislation lays down the mechanisms and institutional set-up for handling complaints in compliance with the EU Directives and covers both public contracts and concessions.
2. The *acquis* mechanisms for ineffectiveness of the contract and the imposition of penalties are transposed into the national legislation.
3. Due consideration is given to achieving the main goals of public procurement (particularly value for money through open, transparent and non-discriminatory competition), as opposed to focusing on purely formal errors and omissions, especially those that do not impact on the outcome of the procurement process.
4. The review and remedies system provides speedy, effective and competent handling and resolution of complaints and sanctions, including comprehensive publication of judgements and their rationale.
5. The review and remedies system is easily available to economic operators, without discrimination and excessive cost.
6. The review organisation handles complaints and sanctions in a timely manner, in accordance with the law, and ensures their effective and competent resolution.
7. Data on the functioning of the remedies system is published without delay.

## Analytical framework

### Methodological approach

The methods used are qualitative assessments of legislation, supported by interviews, and quantitative analysis of statistical data:

- Analyse the laws and regulations establishing the complaints review and remedies system in order to determine the quality and consistency of the institutional framework.
- Interview directors and other key members of the review and appeal bodies.
- Review sample decisions to analyse how the system is functioning in practice.
- Interview contracting authorities and entities, economic operators and other stakeholders.
- Analyse statistical data on operations, taking into account the context.

### Information sources

The information sources include:

- laws, regulations and internal organisation charts, instructions and procedures;
- interviews with key officials and economic operators;
- statistics on the extent and nature of complaints, processing time, judgements, etc.;
- sample judgements made by the review organisation.

**Key requirement: Contracting authorities are adequately staffed and resourced and carry out their work in accordance with applicable regulations and recognised good practice, interacting with an open and competitive supply market.**

An efficient public procurement system is founded on the availability of a professional, value-driven and integrity-conscious management function within contracting authorities and entities that delivers value for money by conducting all the key aspects of the procurement processes professionally and cost-effectively. Successful public procurement operations strongly benefit from the use of a number of tools and approaches that can reduce transaction costs in the whole procurement process, provide more competitive prices and simplify tendering and contracting for contracting entities and economic operators. The main instruments of interest are e-procurement (which may include e-auctions), framework agreements and the establishment of central purchasing bodies and arrangements.

Public procurement is exposed to risks of corruption and fraudulent practices, due to the extensive volume of business transactions that take place. Mitigating measures would focus on building the skills and experience of contracting authorities. Another basic prerequisite for an economic, efficient and effective public procurement system is the presence of an open, competitive and attractive market for awarding public contracts. The public sector market's attractiveness to economic operators depends on many factors, including the fairness and relevance of qualification and award criteria, and the availability of a complaint mechanism. The market should also be free of barriers to participation and allow interested small and medium-sized enterprises to participate where motivated.

**Principle 13: Public procurement operations comply with basic principles of equal treatment, non-discrimination, proportionality and transparency, while ensuring the most efficient use of public funds and making best use of modern procurement techniques and methods.**

1. The planning and preparation of public procurement are given due attention and are carried out competently, in a timely manner and in consultation with the parties concerned.
2. Technical aspects, cost estimation and budgeting consider both the short-term (acquisition) and the long term (operation, maintenance, replacement), as well as the benefits to users, duly taking into account alternative solutions.
3. Procurement procedures are chosen with a view to ensuring effective competition and timely and efficient proceedings (considering the transaction costs incurred both by contracting authorities and entities and by economic operators), and they are proportionate to the nature and value of the items procured.
4. Tender documents contain clear, unbiased technical specifications, with conditions (including selection and contract award criteria) proportionate to the subject matter of the contract at hand and without any unduly onerous procedural requirements.
5. The provisions in the EU Directives concerning compulsory and non-compulsory grounds for excluding tenderers are properly understood and applied by all contracting authorities and entities.
6. The procurement process prioritises economy, effectiveness and efficiency, with a special focus on proper planning and preparation, and effective contract management and control.
7. Instruments to evaluate contract performance and benchmark the economy, effectiveness and efficiency of public procurement proceedings and of contract management by an individual contracting authority or entity are in place and working.
8. Mechanisms, including rules on conflict of interest and collusive practices, are in place to identify and address corrupt and fraudulent practices.
9. A risk-indicator system signals potential integrity problems in the procurement process.

10. E-procurement, as envisaged and described in the EU Directives, is used as an important tool for improving competition and transparency and reducing costs in the procurement process, based on a well-anchored and prepared strategy and action plan for implementing e-procurement at the national level, including e-auctions, if and where appropriate.
11. Framework agreements are used in accordance with EU rules and are implemented and given sufficient regulatory and advisory support by the central public procurement institutions.
12. Centralised purchasing is used for standard products and services of common interest, as foreseen in the EU Directives.
13. Procurement is carried out with due consideration of the state of the supply market and the need for sustainable development of its competitiveness and capacity.

## Analytical framework

### Methodological approach

The methods used are qualitative and quantitative assessments of actual operational practices, based on an analysis of reports and statistical data and including interviews with policy makers, contracting entities and economic operators:

- Assess procurement planning and proceedings preparation.
- Study tender documents and award procedures.
- Analyse national statistics on public procurement operations.
- Assess post-award contract management and evaluation.
- Assess use of framework agreements, e-procurement and centralised purchasing operations, if any.

### Information sources

The information sources include:

- reports, tender documents, contracts and other documentation;
- information derived from interviews;
- official procurement statistics from the competent authorities.

**Principle 14: Contracting authorities and entities have the appropriate capacities and practical guidelines and tools to ensure professional management of the full procurement cycle.**

1. Each contracting authority or entity has a designated, specialised procurement function with the necessary capacity and capability to undertake its duties and responsibilities efficiently and effectively.
2. Procurement officials are recognised as having specific skills, roles and responsibilities, and policies and concrete measures for staff development and adequate training are in place.
3. Well-documented planning and management tools for all stages of the procurement process exist and are used, in particular for the analysis, budgeting, design of contract documentation, choice of contracting strategy and tendering method, determination of selection and award criteria, evaluation of tenders, and award and management of contracts.
4. Administrative systems and routines for improving competition, increasing transparency and reducing costs are in place and are used.
5. Supporting documentation (such as manuals and guidelines, model tender documents, evaluation formats, model tender and award notices, and model contract conditions for works, goods and services) is readily available to procurement officials and economic operators.
6. Means for monitoring public procurement are in place, particularly for collecting procurement data and making it available, with a view to measuring performance and outcomes (both at the national level and at the level of each contracting authority/entity) and identifying the potential for improving the public procurement system.
7. The dedicated, specialised procurement function of the contracting authority or entity fully understands its role as a service provider and maintains excellent relations with all other parties concerned, both external and internal.

## Analytical framework

### Methodological approach

The methods used are qualitative and quantitative assessments of documents, supported by interviews:

- Analyse the regulatory framework and organisational charts.
- Review guidelines, instructions and other written procedures.
- Analyse supporting documentation and statistical data.
- Conduct interviews to analyse working practices. For purposes of information gathering and interviews, identify the main contracting entities, since they normally account for a major share of national public procurement.

### Information sources

The information sources include:

- relevant regulations and internal instructions and organisations;
- representatives of a significant sample of contracting entities of various types and sizes and a small sample of buyers, economic operators and other stakeholders;
- monitoring and reporting departments of central public procurement institutions and contracting authorities.

## External audit

**Key requirement: The constitutional and legal frameworks guarantee the independence, mandate and organisation of the supreme audit institution to perform its mandate autonomously according to the standards applied for its audit work, allowing for high-quality audits that impact on public sector functioning.**

A public financial accountability system requires independent and professional scrutiny of the executive's management of public funds by the SAI. Chapter 32 of the EU accession negotiation process discusses the existence of an operationally and financially independent SAI. This requires the existence of an SAI with a solid basis in the constitution, subject to a specific SAI law based on the Lima Declaration<sup>29</sup> and functioning according to the ISSAI of the International Organization of Supreme Audit Institutions. SIGMA has sought to identify minimum requirements of a functioning SAI under this category.

The legal framework should authorise the SAI to audit all public financial operations, regardless of whether and how they are reflected in the national budget, and to undertake the full range of financial, regularity and performance audits set out in international standards. The legal framework should also maintain the independence of the SAI by granting it the necessary financial, operational and human resources to fulfil its responsibilities. In addition, all SAI members and audit staff should have the qualifications and professional integrity required to carry out their tasks to the fullest extent. An SAI should perform all its tasks in keeping with audit standards, ensuring reliability and consistency by adopting audit manuals and applying effective quality assurance procedures. Delivering professional and objective audit reports in a timely manner is a key condition for ensuring the credibility of the institution. The SAI should be concerned that its work has an impact on the public sector by strengthening the accountability of the government and public sector entities in general. In this context, it should have proper procedures in place to monitor the implementation of audit recommendations and adjust the audit activity as it sees fit.

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<sup>29</sup> The Lima Declaration defines Guidelines on Auditing Precepts, which should be implemented in each country. Available at: <http://www.intosai.org/issai-executive-summaries/view/article/issai-1-the-lima-declaration.html>.

**Principle 15: The independence, mandate and organisation of the supreme audit institution are established, protected by the constitutional and legal frameworks and respected in practice.**

1. The SAI and its necessary degree of independence are established in the constitution or a comparable legal framework. Details may be set out in legislation as set out in the ISSAI.
2. The independence of the head (or members, in case of collegiate bodies) of the SAI is legally protected. The appointment, terms of employment, removal, dismissal and immunity of the head of the SAI (or members, in the case of collegiate bodies) during the normal discharge of duties are guaranteed by the relevant constitutional or legal provisions.
3. The audit mandate is exhaustive, and the SAI has full discretion in discharging its responsibilities. This includes the right to carry out financial, performance and compliance audits.
4. The staff of the SAI has an unrestricted right to access the premises of the audited bodies in order to carry out their audit activity and to decide what information they need for their audits. The law guarantees them unrestricted right to access records, documents and information.
5. The legal framework provides for the financial independence of the SAI from the executive, and the SAI is entitled to use the funds allotted to it under a separate budget heading as it sees fit.
6. The SAI has management and supporting structures allowing it to implement its mandate.
7. The SAI improves the theoretical and practical professional development of its members and staff through internal, external and international programmes.
8. The SAI is empowered and required by the constitution to report its findings annually and independently to the parliament or any other responsible public body, and this report is published.

## Analytical framework

### Methodological approach

The method used is qualitative assessments, based on the constitution and the legislation governing the SAI, including the internal rules and procedures and other relevant documents, complemented by interviews:

- Examine the constitution and SAI legislation to ensure it spells out clearly and in detail the independence of the SAI (ISSAI 10, Principles 1 and 2).
- Determine whether the absence of interference from the executive is ensured in practice. The SAI should be managed autonomously, while taking into account the administrative laws applicable to the whole public sector.
- Ensure that the legislation includes provisions supporting the freedom of the SAI to programme its audit activity (ISSAI 1, Section 13; ISSAI 10, Principles 3 and 6). Examine and ensure that the annual working programme is established according to SAI's internal procedures. Check that those audits are carried out in practice.
- Determine whether the SAI has unrestricted access to information (ISSAI 10, Principle 4). Restrictions to the SAI accessing the information deemed necessary to carry out its audit work may apply and should be recognised by the relevant legal provisions (e.g. in the law regulating external audit). Also examine whether procedures are in place to resolve cases where access to information is denied. Information may be restricted or even denied when necessary to protect national security, individual privacy or commercial confidentiality (ISSAI 1, Section 16 [3]).
- Verify that there is an approved and applied organisational structure which ensures that responsibility for all work carried out by the SAI is clearly assigned.
- Assess the availability of appropriate financial and material resources (e.g. offices and access to training centres, archiving facilities and information technology hardware and software) enabling employees to communicate, access information and document their work.



- Evaluate the decision-making procedures, volume of administrative support and ratio of human, financial and other resources used by the SAI in relation to those allocated specifically for audit work.
- Examine and compare the resources used for mandatory audits with those used for audits selected independently by the SAI. Evaluate the share of the resources allocated by the SAI to requested audits.
- Verify the existence of a strategy or plan for physical infrastructure, information technology and archiving facilities to enable the quality storage of all relevant records.
- Assess the availability of appropriate staff. Check to what extent the human resource management strategy of the SAI actually inspires its human resources policy, particularly with regard to training activities (in-house or not), and their relevance to audit standards and work (ISSAI 40, Element 4). Assess how the recruitment process functions in practice to ensure that the right people are hired. Assess the number of training days, keeping in mind that the guidelines published by the International Federation of Accountants advocate five professional training days per auditor per year.
- Assess whether the strategic development plan or similar document is based on broad internal reviews (e.g. self-assessments) and external peer reviews of the organisation's functioning which are reviewed regularly (i.e. at least once a year). Also assess whether proposals addressed for decision drove progress in achieving the institution's goals.
- Determine whether the SAI is empowered to report on its work annually and independently to the parliament or any other responsible body and to what extent it actually does so. For example, the annual report shall cover all activities of the SAI as well as any other particularly important and significant findings during the year (ISSAI 1, Section 16; ISSAI 10, Principle 5). Determine whether the SAI is free to decide on the contents and timing of its reports, except where specific requirements are prescribed by law.

### Information sources

The information sources include:

- the constitution;
- SAI law;
- organic budget law or equivalent;
- annual financial statements of the state;
- law on social security or equivalent;
- law on fiscal council;
- law on public enterprises;
- civil service law and associated regulations, where applicable;
- SAI internal regulation;
- multi-year audit strategy, annual audit plan, changes in annual audit plans, sample audit reports;
- communication strategy/policy;
- SAI human resources strategy;
- SAI training needs assessment and training strategy;
- statistics on number of staff, vacancies, recruitment, staff development and educational background of staff;
- statistics on continuous professional development (e.g. training attendance, staff certification and personnel qualification);
- series of SAI annual budgets (spanning three to four years);
- SAI annual activity report;
- on-site observation of the SAI's premises and equipment;
- interviews with SAI officials, members and chairpersons of parliamentary committees, auditees, international community, non-governmental organisations (NGOs) and specialised academics.

**Principle 16: The supreme audit institution applies standards in a neutral and objective manner to ensure high-quality audits that positively impact on the functioning of the public sector.**

1. The SAI applies work and audit standards issued by the International Organization of Supreme Audit Institutions or other recognised standard-setting bodies.
2. The work of the SAI is based on independent professional judgement and sound and robust analysis.
3. The SAI plans and conducts the scope of its work by applying the fundamental principles to public sector audit engagements, allowing for financial, performance and compliance audits to promote accountability and transparency over public activities, and fulfilling its responsibilities fully and objectively.
4. The SAI maintains procedures for quality control and ethics on an organisational level, providing reasonable assurance that the SAI and its personnel are complying with professional standards, including integrity, independence and objectivity, confidentiality and competence.
5. A formal mechanism exists for the parliament to consider SAI reports.
6. The SAI provides the legislature, and especially legislative committees, with relevant, objective and timely information.
7. SAI reports are clear and concise. They feature relevant and useful recommendations, based on SAI findings, and establish procedures for following up on audit reports.
8. The SAI communicates widely on its activities and audit results through the media, websites and other means and makes its reports publicly available, all in a timely manner.

## Analytical framework

### Methodological approach

The methods used are qualitative and quantitative assessments, based on an analysis of the relevant documentation and complemented by interviews:

- Verify whether the SAI applies its collective knowledge, skills and experiences to the audit process, and particularly whether it introduces and applies standards for its activity and informs staff of these standards. Review samples (approximately five) of audit files and audit reports and analyse their contents against the wording of the audit standards.
- Check if the existing audit manuals are in line with the fundamental auditing principles (ISSAI 100, 200, 300, 400) and are applied in practice (i.e. whether audit planning is based on risk and materiality, whether audit work provides for audit evidence and sufficient documentation, and whether audit conclusions are balanced).
- Examine the SAI code of ethics or equivalent and ensure that provisions (including rules for corrective measures) exist to monitor the implementation of these requirements and that the SAI applies those measures in cases of non-compliance.
- Assess whether the SAI considers the views of the audited entity (as appropriate) (ISSAI 10, Principle 6).
- Examine the quality control policies and procedures in place to maintain high audit standards, including adherence to ethical requirements. Verify that there is sufficient staff with appropriate competence and capabilities and that work is supervised and reviewed objectively to ensure it is carried out in a neutral and objective manner and to a high standard.
- Examine whether reporting is timely, measured by the SAI and reflected (as appropriate) in its statistics. A legal or agreed time frame should be in place for submitting audit reports.
- Assess whether effective follow-up mechanisms exist on SAI recommendations (ISSAI 10, Principle 7), whether there is a well-functioning parliamentary committee tasked to examine, discuss and act on the reports of the SAI and whether good practices are in place for communicating with the legislature, the executive and the judiciary (ISSAI 20, Principle 7).

- Study the extent to which the SAI takes measures to ensure its audit work impacts on the functioning of the public sector. The SAI shall report (as appropriate) on follow-up measures taken with respect to its recommendations (ISSAI 12, Principle 3.6).

### **Information sources**

The information sources include:

- SAI standards, audit manual, individual audit programmes, internal instructions and guidelines on selecting and using audit procedures;
- multi-annual and annual audit strategy, as well as the audit programmes;
- sample audit reports, audit files and working papers, where possible;
- quality control reports (where they exist);
- SAI law, code of ethics or equivalent document;
- SAI organisational chart identifying a press and media relations function;
- SAI communication strategy or policy;
- press conferences, press releases, content analyses of media reporting;
- SAI annual activity report;
- statistical data on follow-up to recommendations, where available;
- interviews with SAI management and external stakeholders (e.g. NGOs, MoF and selected auditees and other public sector entities, such as the judiciary, members of parliament and media representatives);
- RoP of the parliament.

For more information:

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