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## REGIONAL OVERVIEW

MONITORING REPORTS

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

WESTERN BALKANS

February  
2022

# Regional Overview Monitoring Reports

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## Western Balkans

### The Principles of Public Administration

February 2022

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# Introduction

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## *The Principles of Public Administration and the EU integration path – measuring the fundamentals*

*The Principles of Public Administration*<sup>1</sup> set out what good public governance entails in practice and outline the main requirements to be followed by administrations during the European Union (EU) integration process. Good public governance is key for achieving economic growth, competitiveness and a better quality of life. Democratic governance and the rule of law require capable, accountable and effective public administrations. In its 2014 and 2018 Enlargement Strategies, the European Commission (EC) highlighted public administration reform (PAR) as one of three “fundamentals first” areas of the EU enlargement process: “Addressing reforms in the area of rule of law, fundamental rights and good governance remains the most pressing issue for the Western Balkans. It is also the key benchmark against which the prospects of these countries will be judged by the EU”<sup>2</sup>.

## *A regional series, with a long-term perspective*

SIGMA monitoring reports<sup>3</sup> assess the state of play and progress in improving the quality of national public administrations. Given the geostrategic importance of the Western Balkans to the EU, and the ongoing accession negotiations, Support for Improvement in Governance and Management (SIGMA) conducts regular monitoring of the region. In 2017, SIGMA established a baseline in all areas of public administration. In 2019, monitoring was conducted against selected Principles. The full scope is covered again in the 2021 reports, which compare performance against the 2017 baseline and regional averages. By analysing the long-term perspective, significant changes are identified.

The assessment period was from July 2017 to July 2021. The data collection period was February-May 2021. The COVID-19 pandemic was at its peak, so in-person meetings were replaced by virtual ones. National experts provided invaluable support during this period in securing the necessary data.

## *Regional overview to provide key insights and recommendations to decision makers and selected performance data*

This document is a regional overview of the full SIGMA 2021 monitoring reports. It analyses the overall state of play and key trends since 2017, and provides insights from key performance indicators that showed significant change at the regional level and reflections on the way forward. The purpose is to provide a regional perspective for each of the thematic areas, in order to complement the more detailed monitoring reports developed for each administration.

SIGMA wishes to thank the Governments for their collaboration in providing the necessary administrative data and documentation, as well as for their active engagement during the two rounds of validation to improve the factual accuracy of all the information used. The collaboration with the Regional Cooperation Council on the Balkan Barometer has been excellent. We also thank the experts from EU member administrations who contributed to the report. Finally, the support of the EC is, as always, appreciated.

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<sup>1</sup> OECD (2017), *The Principles of Public Administration*, OECD, Paris, <http://www.sigmaweb.org/publications/Principles-of-Public-Administration-2017-edition-ENG.pdf>.

<sup>2</sup> European Commission (2018), *A credible enlargement perspective for and enhanced EU engagement with the Western Balkans*, p. 4, [communication-credible-enlargement-perspective-western-balkans\\_en.pdf](http://ec.europa.eu/euipo/communication-credible-enlargement-perspective-western-balkans_en.pdf) (europa.eu).

<sup>3</sup> The monitoring reports are published on the SIGMA website: <http://www.sigmaweb.org/publications/monitoring-reports.htm>.

# Methodology

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**Overall approach – focus on implementation and outcomes, analysing a variety of primary data sources against precise criteria and benchmarks for an objective assessment**

The *Methodological Framework for the Principles of Public Administration*<sup>4</sup> contains a set of standard indicators that SIGMA applies consistently to measure the preconditions and enablers of successful reforms (good laws, policies and procedures, institutional structures, human resources) and the actual implementation of reforms and subsequent outcomes (how the administration performs in practice).

The overall approach recognises that no single measurement method can fully capture the complex issues related to organisational and behavioural change. SIGMA uses information from administrative data, surveys, statistics, interviews, etc., which is cross-checked and triangulated to arrive at a balanced assessment.

## **Data sources and validation**

The main quantitative and qualitative methods applied in the framework are:

- Desk reviews of legislation, regulations and reports (the most recent are analysed if adopted before July 2021)
- Interviews (conducted virtually March-May 2021 with 100+ interviewees per administration, including civil society)
- Review of cases and samples of government documentation (the most recent are analysed)
- Observations of practice and on-site verification (conducted virtually March-May 2021 with national expert support)
- Analysis of administrative data from public registries and national statistics (the most recent when possible; otherwise, from 2020)
- Surveys of the population and businesses through the Balkan Barometer (conducted February-March 2021)<sup>5</sup>
- Surveys of 950 contracting authorities across the region (conducted February-April 2021).

Data was collected through SIGMA's tool for data collection, analysis and validation (PAR.IS). More than 10 000 documents were received regionally for analysis. In 2021, hundreds of government officials were provided direct access to SIGMA's detailed working sheets for calculation of numerical sub-indicator values and justifications for fulfilment of each of the criteria, in addition to fact-checking the draft monitoring reports. The monitoring reports show only the overall indicator values; the detailed criteria-level analysis will be accessible in 2022 through a public portal<sup>6</sup>.

## **Indicator values reflect the level of maturity and preparedness of administrations – from 0 to 5**

The indicator values provide an indication of the administrative capacity and overall performance of national public administrations. This provides an indication of the capability to effectively implement the EU *acquis* and participate in the policy-making processes of the EU.

The point allocation is constructed so that an administration can only receive an overall value of 2 on the basis of the quality of its legislative and regulatory framework; a value of 3 cannot be achieved without showing that implementation of key processes is happening in practice; and in order to obtain a value of 4, the administration needs to show a consistent achievement of relevant outcomes. The value of 5 is

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<sup>4</sup> OECD (2019), *The Methodological Framework of the Principles of Public Administration*, OECD, Paris, <http://www.sigmaweb.org/publications/Methodological-Framework-for-the-Principles-of-Public-Administration-May-2019.pdf>.

<sup>5</sup> Regional Cooperation Council, <https://www.rcc.int/balkanbarometer/home>.

<sup>6</sup> OECD, The Principles of Public Administration Data Portal [database], <https://par-portal.sigmaweb.org/>.

reserved for outstanding performance and full compliance with the Principles and the standards for good public governance.

In 2021, averages of the indicator values were also calculated for each of the six thematic areas of *the Principles of Public Administration*. This enables a comparison of overall trends across the whole administration over time and across the region

### **Understanding how the indicator values are calculated**

Across the six thematic areas, the framework is composed of 48 Principles. Each Principle has one or two indicators. There are 52 indicators in total, with 340 sub-indicators and 1 000 individual criteria. Indicator values are presented at the top of the overview tables, on a scale from 0 (lowest) to 5 (highest). The indicator value is based on the total number of points received for the sub-indicators. The point conversion tables are accessible in the Methodological Framework.

If the required information to assess a sub-indicator is not available or is not provided by the administration, 0 points are awarded. All data requested is needed for a well-functioning public administration, and SIGMA does not estimate performance without adequate evidence.

The monitoring exercise of Bosnia and Herzegovina is being conducted in two phases. In 2021, the areas examined were: policy development and co-ordination, accountability and public financial management (PFM), except external audit. In 2022, SIGMA will study strategic framework of PAR, public service and human resource management (HRM), service delivery and external audit. Therefore, regional data comparisons are based on five or six Western Balkans administrations (WB5 or WB6).

### **Codes used in this report**

<b>ALB</b>	Albania
<b>BIH</b>	Bosnia and Herzegovina
<b>XKV</b>	Kosovo*
<b>MNE</b>	Montenegro
<b>MKD</b>	Republic of North Macedonia, (hereafter "North Macedonia")
<b>SRB</b>	Serbia
<b>WB5</b>	Western Balkan administrations without Bosnia and Herzegovina
<b>WB6</b>	Western Balkan administrations including Bosnia and Herzegovina

\*This designation is without prejudice to positions on status and is in line with United Nations Security Council Resolution 1244/99 and the Advisory Opinion of the International Court of Justice on Kosovo's declaration of independence.

## Regional overview

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Over the past years, the Western Balkan administrations have been implementing reforms and initiatives to modernise and meet the growing demands of citizens and businesses. They are also preparing for future membership of the European Union (EU): to be competitive, to be on equal terms in the internal market, and to uphold standards of good administration, democratic governance and the rule of law.

As part of the revised 2020 EU Enlargement Strategy, the European Commission (EC) is devising roadmaps for three “fundamentals first” areas, where candidate countries and potential candidates need a certain level of preparedness before EU integration can advance: the rule of law, democracy and public administration reform (PAR), and economic criteria<sup>7</sup>.

In the past, little evidence was available to credibly assess the trajectory of the PAR fundamental for the Western Balkan region. Therefore, in 2014, SIGMA developed the *Principles of Public Administration* in co-operation with the EC, to define what well-functioning public administration looks like. In 2017, SIGMA established a baseline to track performance over time across the six areas of PAR defined in the Principles, measured through 52 composite indicators. The 2021 SIGMA monitoring reports show progress in most areas of PAR since 2017, despite the COVID-19 pandemic that started in early 2020 and widespread political instability.

### **Public administrations improved their overall performance since 2017, especially Albania and Serbia**

On average, the performance of Western Balkan administrations improved since 2017 in all areas except strategic framework of PAR, where all administrations except North Macedonia were in the process of either establishing, renewing or extending their PAR strategies in 2020-2021. Albania and Serbia demonstrated the most consistent and substantial improvements across all areas. Albania recorded the highest averages for four areas: policy development and co-ordination, public service and human resource management (HRM), service delivery and public financial management (PFM). Serbia stands out by progressing well overall, especially in service delivery, accountability and budget management, and having the best-performing external audit system. Kosovo advanced the most in its PFM systems, particularly in strengthening budget management. North Macedonia was the only administration that improved its strategic framework for PAR and made good progress in public procurement and accountability. Montenegro has the highest average in the area of accountability, but this has not progressed since 2017. Across all areas, Montenegro progressed the most in public service and HRM.

Figure 1 shows the average of the composite indicator values, on a scale from 0 (lowest) to 5 (highest), for each area and administration.

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<sup>7</sup> For an overview on progress in the rule of law area, see European Court of Auditors (2022), *EU support for the rule of law in the Western Balkans: despite efforts, fundamental problems persist*, p. 32, [https://www.eca.europa.eu/Lists/ECADocuments/SR22\\_01/SR\\_ROL-Balkans\\_EN.pdf](https://www.eca.europa.eu/Lists/ECADocuments/SR22_01/SR_ROL-Balkans_EN.pdf). For overviews on the progress in economic criteria see EBRD (2018), *The Western Balkans in transition: diagnosing the constraints on the path to a sustainable market economy*, <https://www.ebrd.com/documents/comms-and-bis/country-diagnostic-paper-western-balkans.pdf>. OECD (2021), *Competitiveness in South East Europe 2021: A Policy Outlook, Competitiveness and Private Sector Development*, OECD Publishing, Paris, <https://doi.org/10.1787/20765762>. OECD et al. (2020), *SME Policy Index: Eastern Partner Countries 2020: Assessing the Implementation of the Small Business Act for Europe, SME Policy Index*, European Union, Brussels/OECD Publishing, Paris, <https://doi.org/10.1787/8b45614b-en>

**Figure 1. The most progress in Albania and Serbia**

	Strategic framework of PAR	Policy development and co-ordination	Public service and HRM	Accountability	Service delivery	Public financial management
ALB	1.5 ↘	3.5 ↗	3.6 ↗	3.2 ↗	3.8 ↗	3.4 ↗
BIH		2.1		2.4		
XKV	1.0 ↘	2.6 ↘	3.0	2.4 ↘	2.5 ↗	3.3 ↗
MNE	0.5 ↘	2.7 ↘	3.1 ↗	3.4	2.5 ↗	2.7
MKD	2.0 ↗	2.1 ↗	2.6 ↘	3.2 ↗	3.3 ↗	2.9
SRB	0.8 ↘	2.8 ↗	3.2 ↗	3.0 ↗	3.5 ↗	3.3 ↗

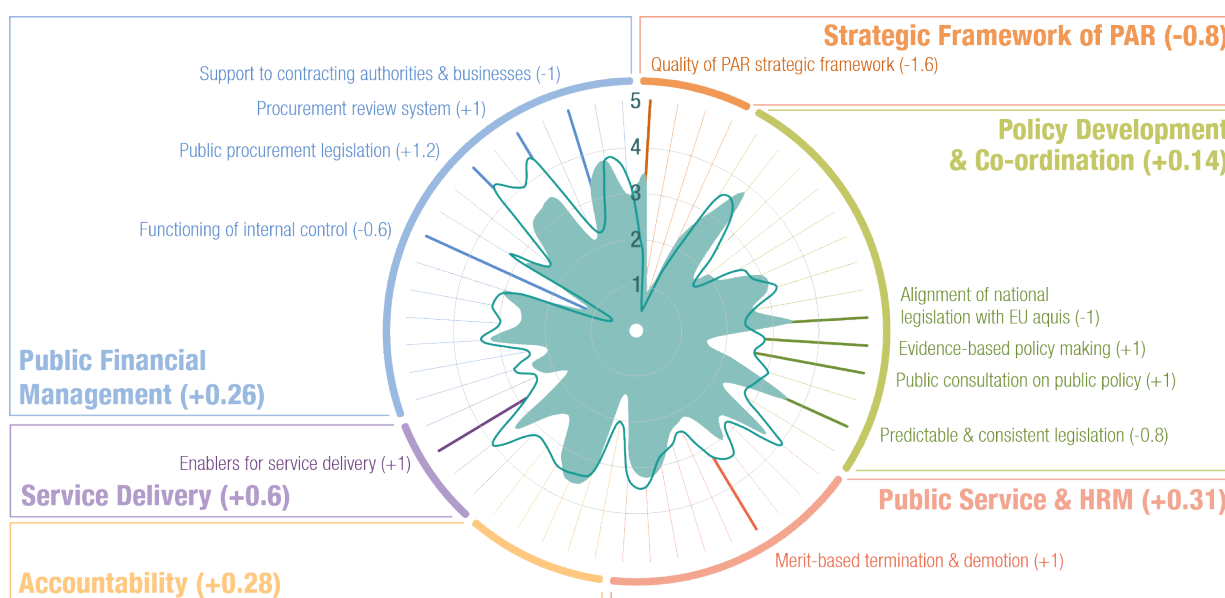
Note: By the time of publication, three areas were not completed for Bosnia and Herzegovina. Upward arrows indicate progress and downward arrows indicate regression. Bold arrows show substantial progress or regression since 2017, defined as anything above or below 0.5.

### **Service delivery improved the most, across all administrations and in all dimensions**

Advancement in policies, regulations and back-office enablers such as the interoperability of systems translated into faster and higher-quality public services from central governments. Albania and Serbia stand out as having made significant progress in service delivery. This demonstrates that when resources and consistent political direction are provided, public administrations can transform and improve rapidly.

Digitalisation of public services has been a key priority in many government agendas, and the COVID-19 pandemic accelerated the sense of urgency. In absolute terms, however, performance varies significantly across dimensions in the service delivery area, with enablers such as digital identity and accessibility to on- and offline services for all users in need of further improvement. In short, governments have prioritised improvements in essential, digital services to businesses, whereas services to citizens are still often not user-centric or easy to access. Administrations must prioritise investments in these underperforming dimensions to ensure sustainable future progression and convergence with EU member countries ([Figure 5 in Service delivery](#)).

**Figure 2. Performance across all dimensions of public administration reform – regional average of indicator values 2017-2021**



Note: The blotted light green field shows the average indicator values from 2017 across all 52 dimensions. The dark green curve shows the 2021 values. The progress for the six area averages are included in brackets. The most significant positive and negative changes in indicator values are also included.

Source: OECD, Principles of Public Administration Data Portal [database], <https://par-portal.sigmaweb.org>, (accessed on 16 February 2022)



### ***Laws improved, but implementation remains weak***

Progress was the most pronounced in the quality of regulations and policy documents, and least for indicators that measure implementation practices and outcomes. Across the region, for the public service and HRM area, legislation was strengthened by 3.7 percentage points, whereas practice improved by only 1.8 percentage point ([Figure 4 in Public service and HRM](#)). Overall progress in the accountability area was largely driven by improvement in the legal framework for ‘accountability and organisation of central government’; however, this dimension remains the worst in absolute terms across the area because laws are still not implemented consistently. In the PFM area, the quality of the legal framework for public procurement recorded both the highest absolute value (4.4) and best improvement (+1.2) across all 52 composite indicators. On the other hand, the practical, operational support of central public procurement institutions to contracting authorities and economic operators has deteriorated since 2017. Similarly, formal systems for regulatory impact assessment and public consultations have been significantly strengthened, but from a low base, and practices are still inconsistent and in need of improvement. Additionally, despite already good legislation in place, laws are very frequently amended, leading to regulatory instability. A lack of timely adoption of mandatory bylaws impedes implementation efforts. Future gains will not come mainly from improving primary legislation, which in many cases is already comparable with what exists in EU member countries. Rather than legal drafting, it is policy implementation, change management and improvement of organisational culture that are needed going forward.

### ***Major reforms rarely succeed without sustained political leadership and public trust***

A predictor of overall progress across the public governance domain since 2017 is the level of continued and consistent political direction and leadership. Mature administrations are expected to deliver public services and scheduled reform processes even in the absence of political leadership, so that major reforms will not suffer or falter from neglect. The public administrations that advanced the most overall – Albania and Serbia – benefited from sustained political support and rising levels of public trust. In Kosovo, Montenegro and North Macedonia, several key public governance reforms did not advance when there was no government in place due to a political deadlock. Public administrations in the Western Balkans have space to increase their capability to sustain reform activities during changes in political leadership.

Trust in government and public institutions can help sustain positive reform plans. In Kosovo and North Macedonia, trust fell not only in government and parliament but also in the Ombudsperson, Supreme Audit Institution and courts ([Figure 6 in Accountability](#)). When trust falls in institutions that are supposed to be politically neutral – such as the Ombudsperson – and should be a factor of stability in periods of political turbulence, it reinforces the need to further support capable and independent oversight institutions and the judiciary.

### ***Better top management and managerial accountability are needed in the Western Balkans***

Despite overall progress since 2017, it is worrisome that several dimensions related to the quality of top management and managerial accountability showed deterioration. Capable and accountable managers are at the frontline of implementing legislation, transforming policy into action, safeguarding public finances and ensuring continuity of government operations. ‘Merit recruitment/dismissal of top civil servants’ was the worst-performing dimension of all in 2021 in the public service and HRM area. The weakest sub-area of PFM in all administrations was internal control and audit. ‘Functioning of internal control’, which provides a measure of managerial accountability, fell on average from 1.2 in 2017 to 0.6 in 2021.

Increasing the talent pool and strengthening the competences of existing top managers will require a dedicated focus on attracting the best candidates and developing this group of civil servants, something that has so far been missing. Existing professional development and training resources are rudimentary, are not aimed at top managers, and deteriorated since 2017. Continued progress in public governance in the Western Balkans depends on more professional, competent, responsive, accountable and stable top management of civil services. Greater managerial accountability is needed, not only to reduce fiduciary risk but also to strengthen trust in the public administration.

# **Strategic framework of public administration reform**

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# Regional summary

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## *State of play and regional trends*

During 2017-2021, the Western Balkans administrations<sup>8</sup> made further efforts to institutionalise and strengthen the concept of strategic planning of public administration reform (PAR). All administrations have used various government planning documents to prepare and implement different complex reforms in all key substantive areas of PAR<sup>9</sup>. Administrations have also established various formal institutional mechanisms for co-ordination, monitoring and steering reform implementation. Despite these and other positive developments, the actual implementation of planned reforms across the region has been weak. Further efforts are needed to improve the quality of planning, provide stronger political support, enhance financial sustainability and improve monitoring to achieve better implementation results. While formal structures of co-ordination and management of PAR are established in all administrations, additional efforts are needed to make them function more effectively, with more active involvement of all external stakeholders in PAR monitoring and implementation.

The 2021 SIGMA monitoring in the region coincided with a period of transitioning from old to new strategic frameworks of PAR in many administrations of the Western Balkans. During 2020-2021, most administrations in the region were in the process of renewing, updating and/or extending various strategies included in their national strategic frameworks of PAR 2020-2021. The process of formal adoption of several key strategic documents in some administrations, including in Kosovo, Montenegro, and Serbia, was not finalised and completed as of June 2021, the official cut-off date of the SIGMA monitoring exercise. Furthermore, the COVID-19 pandemic, as well as other factors and events, created challenges for some administrations, causing further delays in reform planning, monitoring and reporting. All of these factors significantly affected the individual administration and regional results of SIGMA's monitoring in the strategic framework of PAR area.

The overall regional average for the strategic framework of PAR area indicators in 2021 was 1.2, lower than the 2017 average of 2. Albania and the Republic of North Macedonia (hereinafter 'North Macedonia') were the only administrations that had valid and complete strategic frameworks of PAR as of June 2021. North Macedonia is the only administration that recorded progress in the indicator value since 2017, mainly because its formal strategic planning documents for PAR or public financial management (PFM) areas were approved in 2018; hence, those were not reflected in the baseline figures of 2017. In 2021, at the time of completion of the SIGMA monitoring, Kosovo, Montenegro and Serbia were still finalising their new strategic frameworks of PAR, which has created gaps in various areas of the strategic framework of PAR, negatively affecting the value of many indicators.

## *Despite delays and gaps in the process of development of new strategic frameworks of PAR, the quality of all valid planning documents was found to be adequate*

Since 2017, all Western Balkans administrations have made good progress in further institutionalising strategic planning and monitoring of reforms in all key substantive policy areas based on formal government planning documents. The overall comprehensiveness and quality of the valid PAR planning documents are assessed to be good and adequate to the existing national standards and requirements. In general, PAR is being prioritised in other government planning documents in most administrations, which is important for securing broad support for PAR and ensuring coherence and alignment between different government planning documents. In all administrations, most of the valid PAR and PFM

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<sup>8</sup> The regional summary is based on the findings of the SIGMA monitoring reports of Albania, Kosovo, Montenegro, the Republic of North Macedonia and Serbia. Bosnia and Herzegovina is not included as the monitoring of the strategic framework of PAR area will be conducted in 2022.

<sup>9</sup> The substantive areas, as defined by the Principles of Public Administration, include: policy development and co-ordination, public service and human resource management, accountability, service delivery and public financial management.

strategies are supported with detailed action plans. The majority of the planned reform measures included in the valid action plans are assessed to be reform-oriented, which can contribute to major systemic and institutional improvements. Some administrations did not have valid (approved) action plans to support implementation of strategies, which has negatively affected the overall monitoring results (for example, the 2021 Action Plan of the Better Regulation Strategy 2.0 of Kosovo was not available).

### ***Actual implementation of reforms across the region remained low in 2017-2021***

Formal mechanisms and structures for monitoring and reporting of PAR are established in all administrations, as envisaged in the relevant strategic planning documents. But weaknesses and gaps exist in the actual implementation of planned reforms and in the effectiveness of performance measurement frameworks, particularly the use of indicators to assess the overall progress towards achievement of policy objectives and outcomes. Overall, PAR reporting in the region is focused mainly on the outputs in all administrations. Additionally, there is a practice of preparing and adopting annual implementation reports on PAR planning documents quite late in the calendar year, sometimes in July and August. This practice of late preparation, discussion and approval of annual monitoring reports does not help address effectively all implementation challenges and make timely interventions, based on the findings of monitoring, to improve implementation. The monitoring reports have also revealed several instances of not preparing and/or formally discussing implementation monitoring reports by key decision makers.

The effectiveness of actual implementation of planned reforms is relatively low in all administrations of the region. On average, across all administrations, less than half of annually planned reform activities were fully implemented in 2020. The situation in this regard is unchanged compared to the 2017 monitoring. Weak implementation results can be partly attributed to overly ambitious planning, broader weaknesses and shortcomings in government planning and monitoring systems, and to limited capacities and resource allocation for PAR implementation. For example, in Albania and North Macedonia, on average only about half of the annually planned measures in the respective PAR planning documents were fully implemented in 2018-2020. Serbia recorded an improvement in implementation of its PAR Strategy in 2020 compared to 2017 (61% compared to 33%), while no results were available about the implementation of the Regulatory Reform Programme. Kosovo and Montenegro had not finalised and published the annual implementation results for the PFM strategies as of June 2021 for them to be considered in the monitoring results.

### ***Ensuring financial sustainability of reforms remains a challenge for most of the administrations due to underlying weaknesses in costing, financial planning and the heavy reliance of PAR on external (donor) funding***

All PAR planning documents that were enacted and valid as of June 2021 did include some information about the estimated costs and sources of funding for most planned measures. But the quality of costing is overall rudimentary and does not always provide full information on different types of resource requirements to ensure effective financial planning and monitoring. In all administrations of the region, there is heavy dependence on external sources, such as technical assistance funded by foreign partners and donors. The majority of PAR activities that require additional resources for their implementation are normally expected to be funded by donors. While the planned donor funds are usually available, actual funding of PAR activities from the domestic budget has not been ensured consistently across any administration of the region. The medium-term financial plans and annual budgets are not aligned with the cost estimates from the PAR plans and/or do not even contain the required references to PAR priorities.

***Ensuring that all formal co-ordination and management structures function fully and effectively, with stronger involvement of external stakeholders, remains a challenge in all administrations***

Organisational and managerial responsibility for overall co-ordination, monitoring and reporting of PAR is established in all administrations. Formal structures and mechanisms within the national systems exist to guide and steer PAR implementation. However, these structures and co-ordination mechanisms are not functioning fully and effectively in all areas. For example, the political-level structures for PAR co-ordination in Albania did not meet in 2020-2021. On the other hand, Montenegro had a functioning political-level PAR Council in place, while the administrative-level structure for PAR co-ordination and management was still being established as of June 2021. Regular and close monitoring and co-ordination of reform implementation across different areas is not always possible in most administrations due to the weaknesses in the functioning of administrative-level structures. Active participation and involvement of external stakeholders in the formal structures for monitoring of PAR is not systematically ensured in the regional administrations, except in Montenegro. There is a need to ensure more regular consultation and involvement of civil society organisations in the review, monitoring and validation of reform outcomes.

***The way forward***

- All Western Balkans administrations should plan ambitious reforms but be realistic as to what can be achieved in the short, medium and long term. Additional efforts are needed to ensure timely and full implementation of all planned measures.
- All administrations should ensure regular monitoring and reporting on PAR implementation, focussing more on the outcomes and impacts, and ensuring all external stakeholders are involved. All annual monitoring reports should be prepared and published on time, preferably during the first quarter, to help address implementation challenges.
- The administrations should aim to reduce the reliance of PAR implementation on donor funds and ensure better alignment between the resource estimates in the PAR planning documents and the financial allocations of the area reforms in the state budget.
- All PAR co-ordination mechanisms, at both the political and administrative levels, should be used more effectively to monitor implementation, address implementation challenges and exchange best practices, with active participation of external stakeholders.

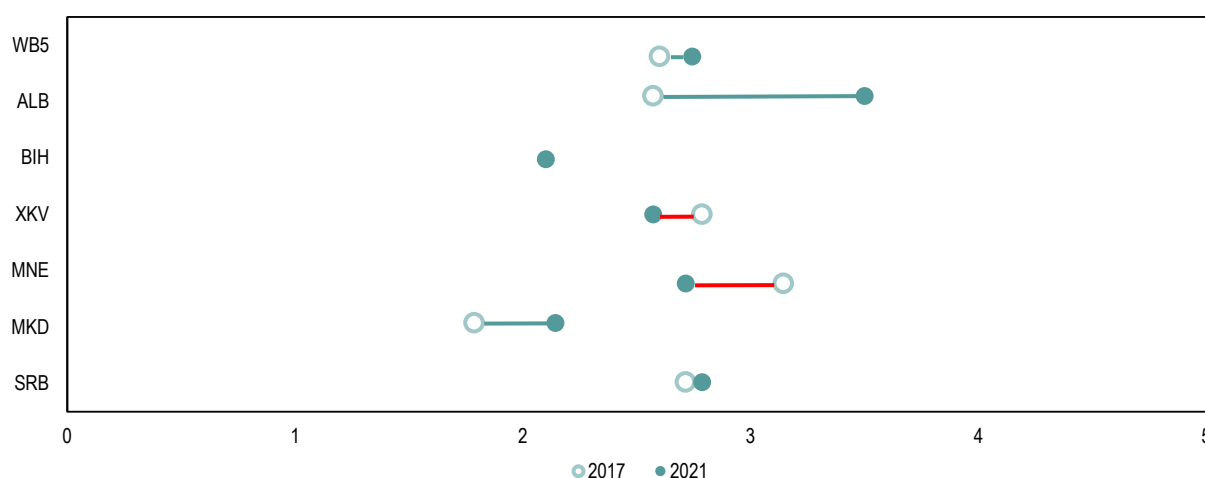
## **Policy development and co-ordination**

# Regional summary

## State of play and regional trends

Between 2017 and 2021 the Western Balkans administrations recorded modest progress in policy planning, policy development and co-ordination. The regional average value of the policy development and co-ordination area increased slightly, from 2.60 in 2017 to 2.74 in 2021<sup>10</sup>. Progress was driven mainly by improvements in Albania, North Macedonia and Serbia, which all enhanced certain elements of the methodological and regulatory frameworks for policy making and policy planning.

**Figure 3. Advancements mainly in Albania, North Macedonia and Serbia have contributed to the slight increase in the overall regional policy development and co-ordination indicators compared to 2017.**



Since 2017, the indicators measuring evidence-based policy making, stakeholder engagement and interministerial consultation show greater improvements in many Western Balkan administrations, mainly due to the adoption of key regulations and of previously missing guidelines, as well as a better and more consistent application of existing tools of regulatory policy management in practice. Nevertheless, all administrations still face major challenges in ensuring fully harmonised and effectively functioning government planning and co-ordination systems, including planning, monitoring and reporting on European Union integration (EI) and further strengthening of the quality, relevance and impact of key regulatory management tools, such as regulatory impact assessment (RIA) and public consultation.

<sup>10</sup> When comparing to 2017, the regional average does not include Bosnia and Herzegovina, as 2017 comparable data does not exist. If the 2021 Bosnia and Herzegovina result is included the regional area average is 2.64.

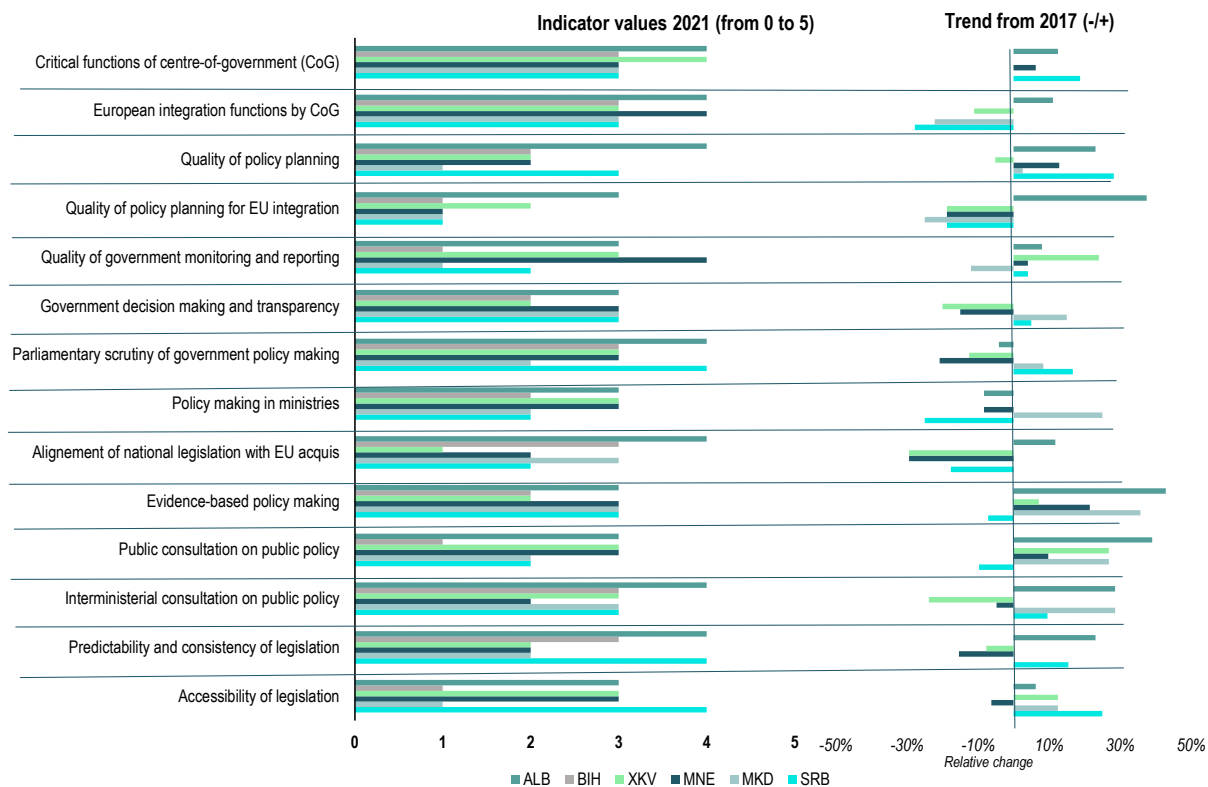
Figure 2. Visible improvements in evidence-based policy making and public consultation on public policy



<https://par-portal.sigmaweb.org/areas/2/>

(accessed 15 February 2022)

Figure 3. Mixed results across different policy development and co-ordination indicators; major challenges remain in many administrations, including in EI planning, co-ordination and transposition





***The main centre-of-government (CoG) functions are formally established, but weaknesses remain in implementation and co-ordination.***

All Western Balkan administrations have formally established most of the critical CoG functions<sup>11</sup> necessary for effective policy co-ordination, communication and smooth functioning of government decision making. Different models of CoG are established in the region, and they often involve several government institutions responsible for performing various CoG functions. Co-ordination of work between and within different CoG institutions, which is essential for effective government policy making, remains a challenge for all administrations. Compared to 2017, some improvements have been recorded in the availability of central guidelines to support line ministries in their work, but gaps also remain in this area in some administrations. CoG bodies co-operate and co-ordinate with each other during the preparation of government annual work plans only in Albania and Kosovo. At the same time, co-ordination within and between the General Secretariats, Offices of the Prime Minister and/or similar CoG institutions during the review of individual policy proposals remains weak in all Western Balkans administrations.

All administrations have also formally established the critical functions<sup>12</sup> for co-ordination of EI activities and processes. They have also developed required guidelines to support implementation of these critical EI functions. However, the formal mechanisms and co-ordination bodies for EI, both at the political and administrative levels, were not found to be fully functional in any of the administrations of the region (as of June 2021). Infrequent meetings and weaknesses in the functioning of central co-ordination bodies do not ensure timely and substantive discussions to identify and address implementation challenges.

***No major improvements in the quality of planning or monitoring of government work; gaps and weaknesses exist in EI planning and monitoring in many administrations***

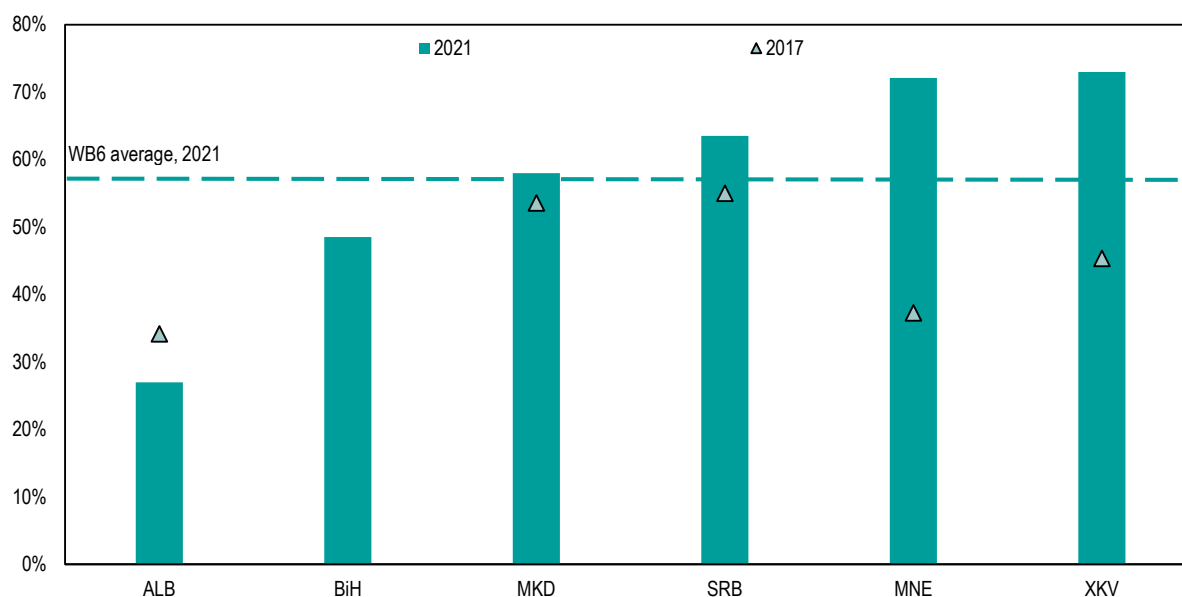
Overall in the region, the quality of government planning has improved slightly since 2017, but major challenges remain in enabling a fully harmonised and an effectively functioning planning system of government work. Administrations face different types of challenges, such as gaps in the methodological frameworks, limited co-ordination and central guidance, which result in weak planning and implementation of government work. For example, the share of legislative commitments that are not implemented on time and are thus carried forward from one year to the next remains excessively high for most administrations (Figure 4).

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<sup>11</sup> OECD (2017), The Principles of Public Administration, Paris, p. 19, <https://www.sigmaweb.org/publications/Principles-of-Public-Administration-2017-edition-ENG.pdf>.

<sup>12</sup> OECD (2017), The Principles of Public Administration, Paris, p. 21, <https://www.sigmaweb.org/publications/Principles-of-Public-Administration-2017-edition-ENG.pdf>.

**Figure 4. In most administrations, the quality of legislative planning has declined since 2017, as evidenced by excessively large shares of planned legislative initiatives carried forward from one year to the next**



The quality of sectoral and cross-cutting strategies, which form an important component of the overall government strategic planning system, has slightly improved since 2017. Most of the sector strategies analysed during the 2021 monitoring met the minimum quality requirements, such as the availability of adequate analysis and definition of the policy problem and objectives, as well as provision of minimal cost estimates of planned measures. However, weaknesses remain in ensuring full alignment between policy and financial plans. Additionally, individual activities in the sectoral action plans were not always found to be included in the government annual work plans, which can create confusion and inefficiency in overall government planning and implementation. Planning of sector strategies has also worsened in most administrations since 2017, as the adoption of a large share of planned sector strategies was carried forward to the next year.

All administrations have established the necessary legal and regulatory basis to achieve harmonised planning of EI work, but implementation has been inconsistent and slow. The status of EI planning documents is clearly established, and the roles and responsibilities of key institutions are defined in regulations in all administrations except Montenegro. Challenges remain in actual implementation, as a large number of EI-related legislative commitments were not adopted as planned, including in Montenegro and Serbia. North Macedonia did not have a valid EI plan after the previous National Plan for the *Acquis* Alignment expired in 2019. Administrations in Bosnia and Herzegovina have initiated work to elaborate a new Programme of Integration, but it is yet to be finalised. For most administrations, the costing of the EU integration plans and their alignment with other planning documents remains a challenge. This is particularly the case for Albania and Serbia, as evidenced by a large share of EI measures not included in their annual work plans in 2021. In Kosovo and North Macedonia, valid EI plans were not in place at all. As a result, there is a slight reduction in the regional average of the relevant indicator value for 2021 compared to 2017.

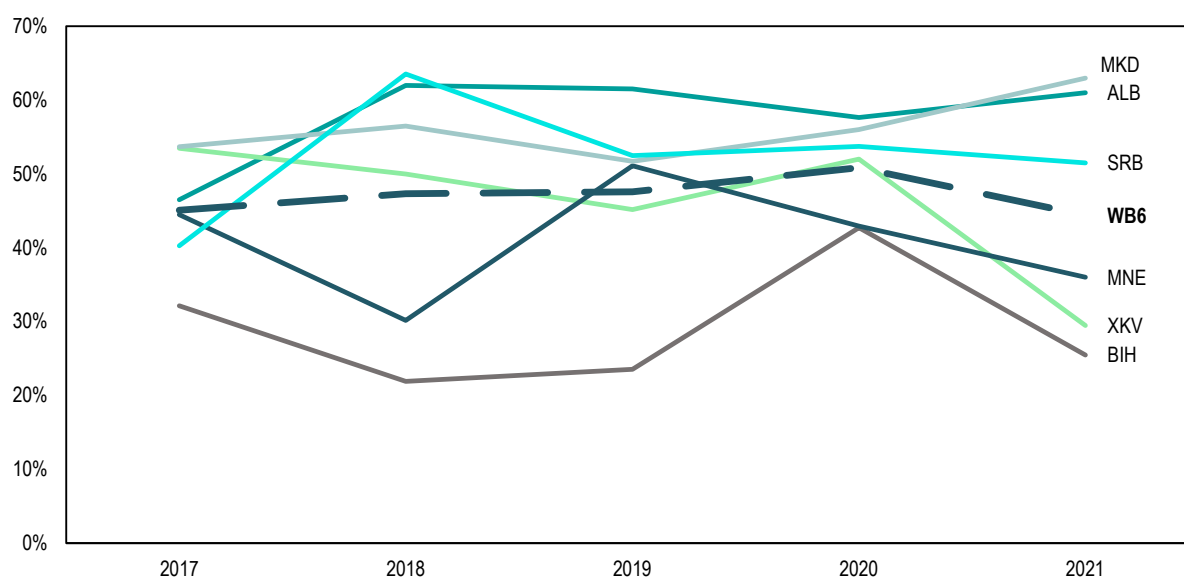
The quality of government monitoring and reporting has slightly improved in the region since 2017, largely driven by a strengthened legal framework and a better quality of sample reports in 2021. At the same time, the indicator value measuring the public availability of key government reports has fallen since 2017, as only the annual report on the implementation of the state budget is systematically published in all administrations. Monitoring reports on the implementation of government work plans and reports on sector strategies are not regularly published in many administrations. For the reports that are published, they

primarily focus on activities and do not provide information about progress towards the achievement of objectives and outcomes.

***Processes and rules are established to support government decision making, but challenges remain in parliamentary scrutiny of government policy making***

In general, all administrations have established adequate legal frameworks and mechanisms for organising and effectively managing government sessions, ensuring overall openness and transparency of government work. No tangible overall progress has been recorded since 2017, however, as various challenges remain in the administrations, particularly when it comes to ensuring timely preparation and submission of items for government approval and advance publication of all key documents such as agendas of government sessions. Serbia is the most consistent in enforcing key quality-control procedures and checks before government sessions, while other administrations still face challenges, particularly when it comes to conducting reviews and checks on the coherence of draft policy proposals with the government's priorities and previously announced policies. Different electronic tools are utilised to organise and manage the preparatory work for government sessions. These online tools have proved to be particularly useful for many administrations during the COVID-19 pandemic. All government decisions are made available online in most administrations, except Kosovo, Serbia, and some levels of administration of Bosnia and Herzegovina. Furthermore, the draft agendas of upcoming government sessions are published in advance only in Montenegro. Overall, the perceived clarity and stability of government policy making by businesses in the region has remained unchanged at about 48% in 2017 and 2021 (Figure 5).

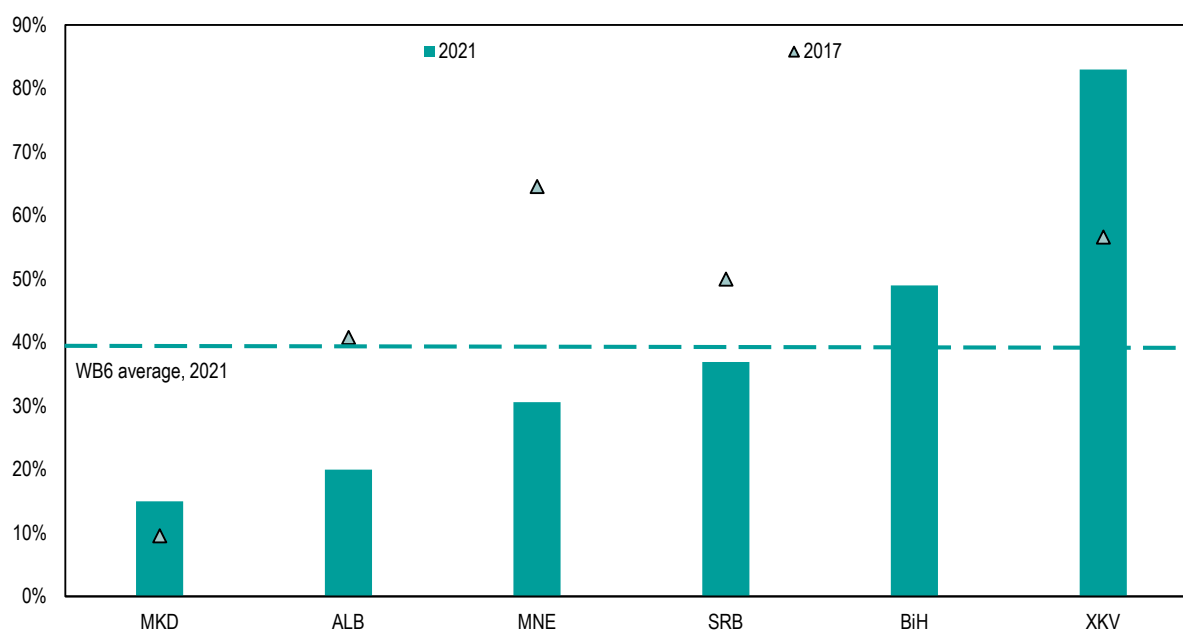
**Figure 5. The perceived clarity and stability of government policy making has remained largely unchanged for the period of 2017-2021**



Source: Regional Cooperation Council (RCC) (2021), Balkan Barometer Business Opinion database (<https://www.rcc.int/balkanbarometer/>).

The quality and effectiveness of parliamentary scrutiny of government policy making has slightly improved since 2017, but major challenges remain. Co-ordination between legislative activities and the work of the parliament and government is not effectively organised or managed in most administrations. Regular meetings between administrations of the executive and legislative branches to discuss and plan legislative work of the parliament take place only in Albania. A large share of government-sponsored laws considered by the parliaments does not originate from the approved government work plans in most administrations (Figure 6). This is an issue particularly for Albania, Montenegro, North Macedonia and Serbia. In addition, governments are not consulted systematically on the new draft laws initiated by members of parliament in many administrations. Finally, parliaments of the region do not appear to have adequate mechanisms or practice systematic evaluation and review of major laws and policies.

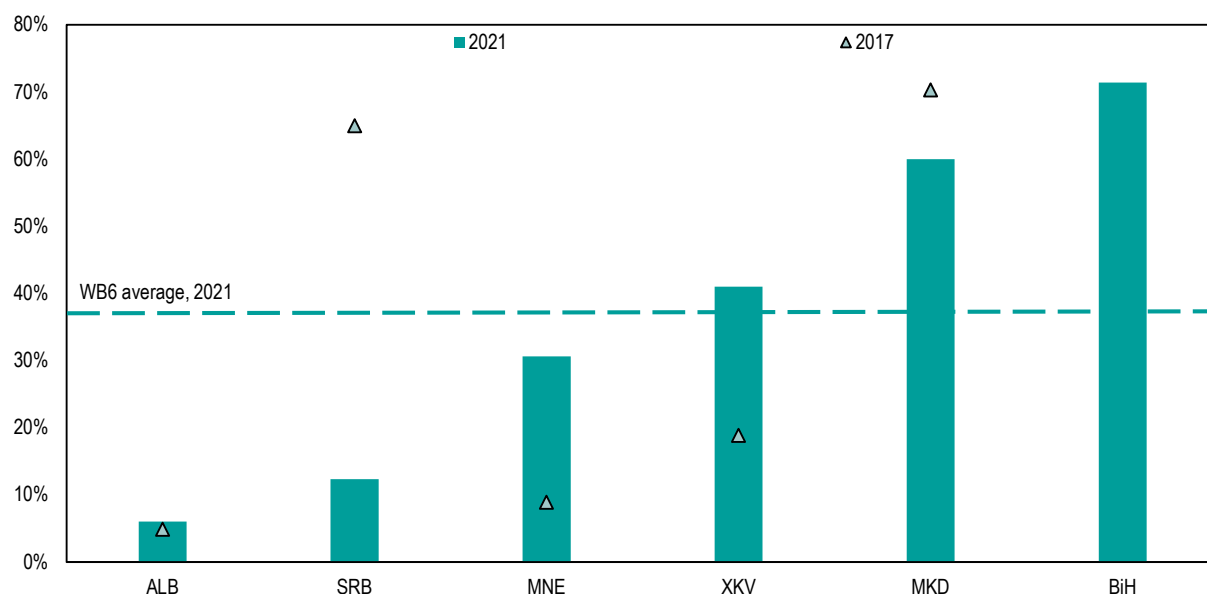
**Figure 6. Large shares of approved government-sponsored laws bypass government legislative planning in several administrations**



Note: Based on the review of the government legislative plans and actual laws considered by the parliament in the previous calendar year (2016 and 2021). The data shows the share of approved government-sponsored laws that were not included in the official government legislative plans. The Bosnia and Herzegovina country result is calculated by taking the simple arithmetic average of the three levels: the State level, the Federation of Bosnia and Herzegovina and the Republika Srpska. Comparable data only exists for 2021.

Several administrations continue using excessively the shortened or extraordinary proceedings to prepare, process and adopt government-sponsored laws (Figure 6). Excessive use of shortened proceedings limits the time and possibility for adequate review and debates of new proposals before they are adopted by the parliament, compromising the overall quality of legislation. The parliament of Albania does not overuse this type of procedure, and Serbia has also improved since 2017. Despite some improvement since 2017, North Macedonia continues processing a large number of laws using extraordinary or shortened procedures.

**Figure 7. Many administrations continue using extensively shortened or extraordinary proceedings to approve laws (% of all approved laws)**



Note: Based on the review of legislative activities of the most recent full calendar year before the assessments (2016 and 2020). The Bosnia and Herzegovina country result is calculated by taking the simple arithmetic average of the three levels: the State level, the Federation of Bosnia and Herzegovina and the Republika Srpska. Comparable data only exists for 2021.

***Further institutionalisation and more consistent use of tools for evidence-based and participatory policy making since 2017, but the overall impact of these tools on quality of policies remains limited***

Overall, line ministries in the region have an adequate mandate for initiating and managing the policy-making process, but most lack detailed internal rules and procedures to clarify roles and responsibilities of different units of ministries in order to ensure effective internal co-ordination and consultation to help improve quality of policy making. Based on the review of sample cases, there is no evidence in any of the administrations of consistent and full consultation of all key internal ministerial units during policy making.

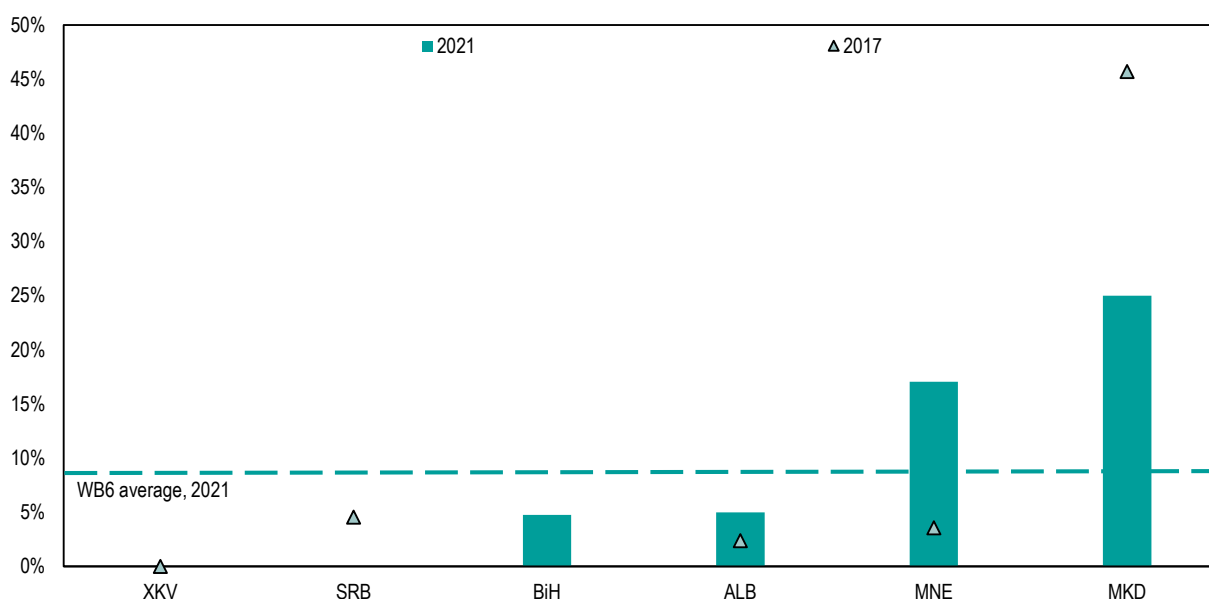
The effectiveness and quality of transposition of the European Union (EU) *acquis* has declined slightly compared to 2017. While administrations of the region have the necessary procedures and requirements in place to ensure informed transposition of the EU *acquis*, the actual implementation of the transposition plans was weaker in 2021 than in 2017 (except for Albania). Most administrations, with the exception of Bosnia and Herzegovina and North Macedonia, have challenges in ensuring timely translation of the original EU law to help plan and implement evidence-based transposition.

RIA and public consultations, as the two main regulatory management tools for ensuring evidence-based and participatory policy making, are now formally established and used in all administrations of the Western Balkans. Albania was the last administration to formally introduce and institutionalise RIA in policy making in 2019. The indicators for these two areas have shown noticeable improvements compared to 2017, largely in the recognition of strengthening of the regulatory and methodological frameworks and more consistent implementation of the existing formal rules. The consistency of conducting public consultation has improved significantly in most administrations since 2017. Still, the use and impact of these tools to improve design and quality of final policies have not seen much progress since 2017 in most administrations. This relates particularly to systematic analysis and use of feedback received during public consultation to inform the final policy design, analysis and approval.

The regulatory framework is also adequate for ensuring effective interministerial consultation in all administrations. Ensuring consistent and full implementation of the formal rules, such as allowing sufficient time for review and commenting during interministerial consultations and consulting sufficiently with all key ministries and CoGs during policy development, are areas for improvement for all administrations.

Key regulations and guidance for ensuring the quality of legal drafting is in place in the region. Quality control of legal drafting is established and consistently implemented in all administrations, except Kosovo and some levels of administration in Bosnia and Herzegovina. The share of laws amended one year after being adopted remains high in Montenegro and North Macedonia (Figure 7), further highlighting weaknesses in the quality of legislative drafting and planning. The sub-legal acts that are necessary for implementing laws are usually not adopted before the respective laws take effect, thereby reducing legal clarity and causing unnecessary implementation challenges.

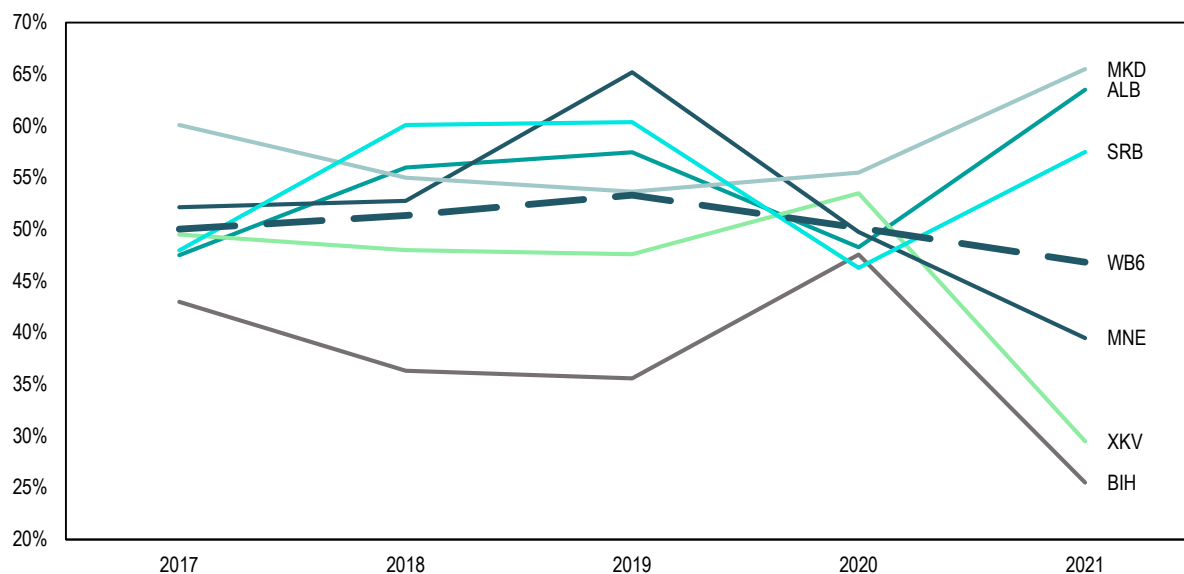
**Figure 8. The share of laws amended within one year after adoption remains high in several administrations, which suggests underlying weaknesses in the quality of planning and legislative drafting in the region (%)**



Note: The assessment results are based on the review of cases of amendments of approved new laws adopted in previous two years preceding the assessment year (2015/2016 and 2019/2020). Kosovo and Serbia had no laws amended. The Bosnia and Herzegovina country result is calculated by taking the simple arithmetic average of the three levels: the State level, the Federation of Bosnia and Herzegovina and the Republika Srpska. Comparable data only exists for 2021.

All primary and secondary legislation are still not accessible online and free of charge from official central sources in several administrations, particularly Albania, Bosnia and Herzegovina and North Macedonia. The accessibility of consolidated versions of primary and secondary legislation in all administrations is not ensured, either, except in Serbia. The perceived availability of laws and regulations affecting businesses shows a slight decline on average for the region compared to 2017 (Figure 9).

Figure 9. Perceived accessibility and availability of key laws and regulations affecting businesses has slightly deteriorated compared to 2017



Source: Regional Cooperation Council (RCC) (2021), Balkan Barometer Business Opinion database (<https://www.rcc.int/balkanbarometer/>).

### The way forward

- Further empower and strengthen the CoGs and improve their internal co-ordination to ensure more consistent implementation of all essential 'gate-keeping' functions and achieve stronger policy co-ordination and policy coherence.
- Make additional efforts to operationalise and systematically use national structures and instruments for EU integration co-ordination, planning, monitoring and reporting.
- Improve the existing mechanisms for co-ordination and co-operation between the government and the parliament for better legislative planning to reduce the share of laws adopted by shortened procedures, ensure more systematic review by government all draft laws initiated in the legislative branch and achieve more systematic scrutiny of major policies by the parliament.
- Apply regulations and methodologies for RIA and public consultations more consistently and fully in practice, enhance capacities of line ministries and CoGs to improve the quality of policy analysis and ensure early planning and implementation to increase their use and impact in policy design and final decision-making.

# **Public service and human resource management**

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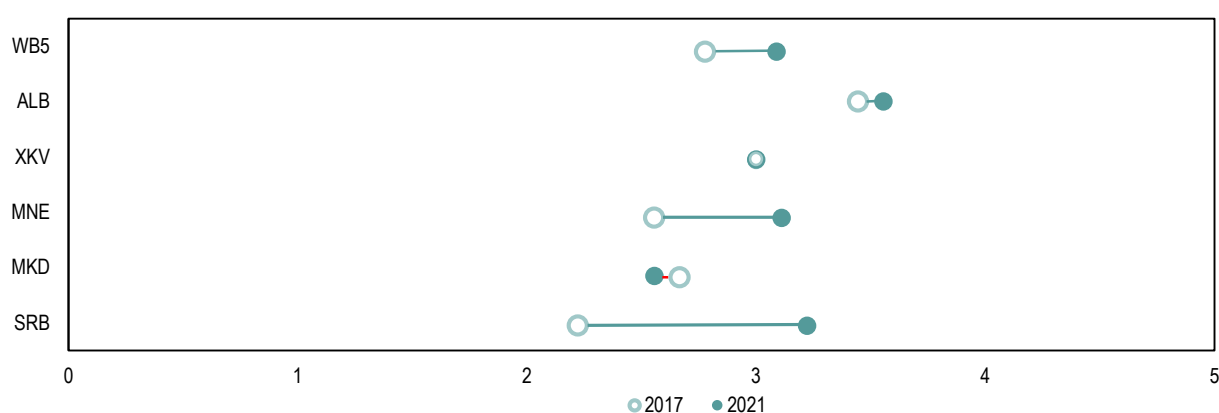
## Regional summary

### State of play and regional trends

In the public service and human resource management (HRM) area, administrations in the Western Balkans<sup>13</sup> have made moderate progress since 2017 with the average of all indicator values increasing from 2.8 to 3.1.

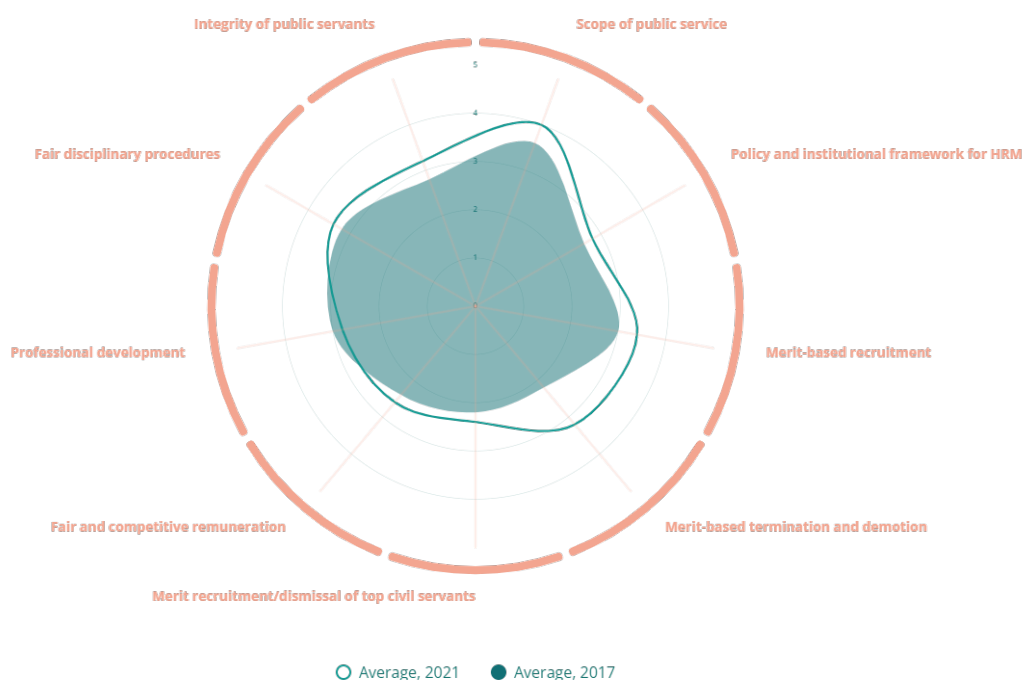
Albania has the highest average of 3.56, with slight progress. Serbia increased by 1 to 3.22. Montenegro also advanced, while Kosovo's average is unchanged and the Republic of North Macedonia slightly decreased.

**Figure 4. Modest regional progress in the public service and HRM area since 2017, though not for Kosovo or North Macedonia**



<sup>13</sup> The regional summary is based on the findings of the SIGMA monitoring reports of Albania, Kosovo, Montenegro, the Republic of North Macedonia and Serbia. Bosnia and Herzegovina is not included as the monitoring of the public service and HRM area will be conducted in 2022.

Figure 5. Modest progress overall in the public service and HRM area across the region since 2017, though not for professional development and training for civil servants



<https://par-portal.sigmaweb.org/areas/3/>

(accessed on 15 February 2022).

“Professional development” slightly decreased in its value between 2017 and 2021. All other indicators increased, with “Merit-based termination and demotion” progressing the most by 1. “Scope of public service” is where most administrations have the highest absolute value (4). “Merit recruitment/dismissal of top civil servants” remains the weakest, with an average value of 2.4, followed by “Fair and competitive remuneration”, with an average value of 2.6.

Across all the administrations monitored, 42% of the indicators measuring public service and HRM development improved between 2017 and 2021, while 20% deteriorated. The values for each administration are presented in Figure 3.

**Figure 6. Adequacy of horizontal and vertical scope of public service improved significantly and remains the most advanced indicator. Professional development and training for civil servants deteriorated. All other indicators improved, with merit-based termination of employment and demotion of civil servants improving the most.**

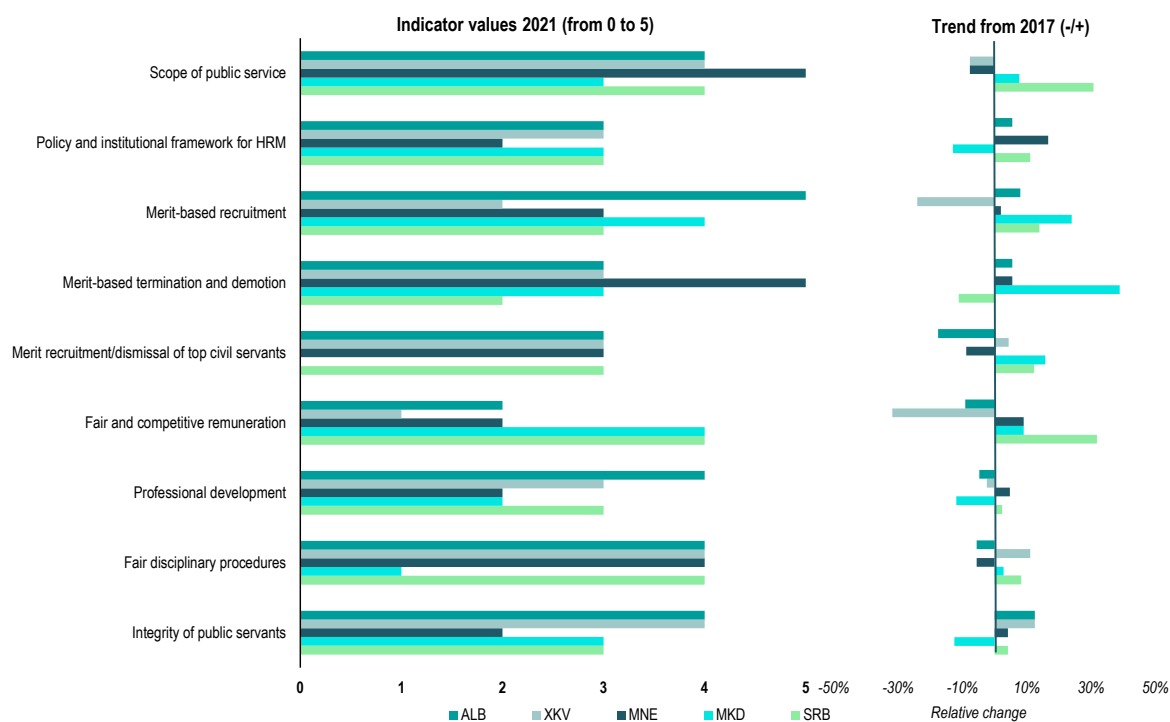
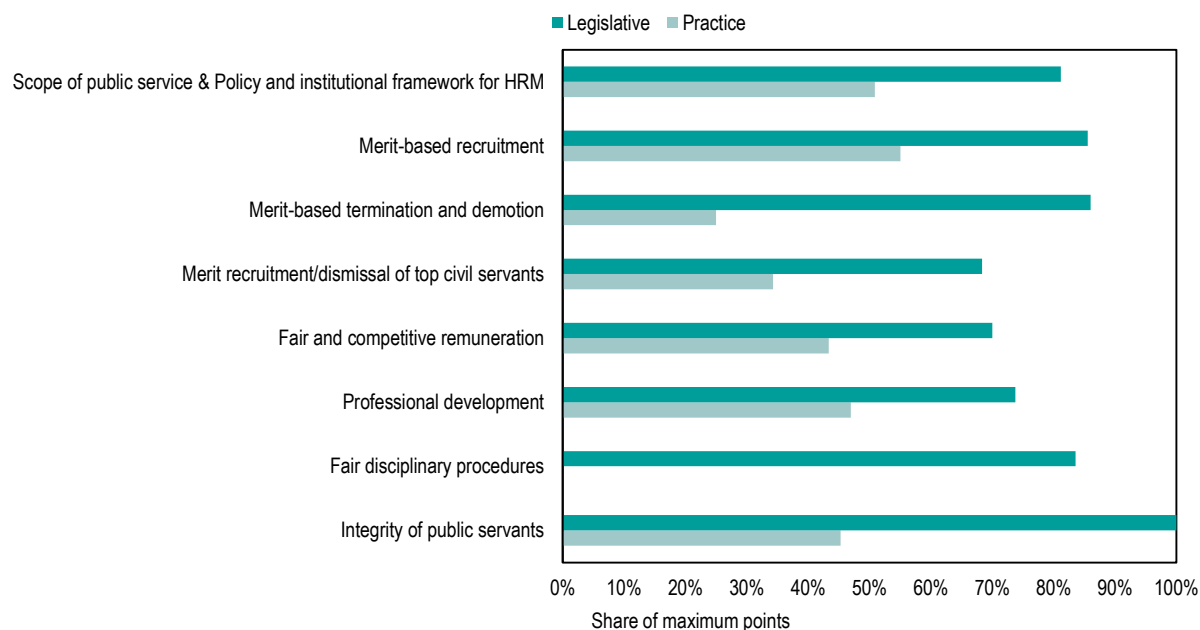


Figure 4). Proper implementation of legislative provisions is necessary to make the civil service in the Western Balkans an attractive employer, considered free from corruption and capable of effectively implementing government policies.

**Figure 7. Share of maximum points for each indicator, aggregated separately for sub-indicators related to the existence and quality of legislation and to its implementation (observed practices), indicating an important gap between a decent legislative framework and its proper implementation.**



***The vertical scope of the civil service is adequate, but public bodies with regulatory, service delivery and administrative functions are often excluded***

In general, all administrations have a good legislative framework that adequately delineates the vertical scope of the civil service. The lowest categories of staff performing ancillary and support tasks are excluded from the civil service. The most senior managerial positions in public administration, responsible for managing agencies and the largest organisational units in ministries, are in most cases classified as civil servant positions. However, in some cases the appointments to such positions are not based on competition and merit, or the regular procedures are bypassed through temporary appointments (acting officials), as discussed below.

The horizontal scope of the civil service has become increasingly fragmented, with public bodies being removed from the common civil service systems. In some administrations, this process concerns regulatory bodies (Montenegro and Serbia); in others, the definition of “direct service delivery units” is sometimes extended to functions previously covered by civil service legislation (Albania), while in North Macedonia bodies such as the Ministry of Interior and the Customs Office have distinct regulations, not fully aligned with the civil service principles. On the other hand, the 2019 civil service legislation of Kosovo authorised the Government to issue secondary legislation binding also on a number of independent institutions and was therefore considered unconstitutional by the Constitutional Court.

***Central co-ordination institutions for the civil service exist, with adequate scope of responsibility, but capabilities for modern HRM still need significant improvement***

In all administrations, a central human resource (HR) co-ordination body exists and is responsible, among other matters, for the support and co-ordination of HR units in individual institutions. These units are, in general, still relatively weak and only develop internal capacities to cope with everyday challenges. Centrally implemented HRM information systems (HRMIS) are an essential tool to enhance strategic HRM, reporting and planning. All administrations have undertaken ambitious projects to develop such IT tools that will be interoperable with the payroll system and other state registers. However, no system is

complete, rolled out to all institutions and populated with complete data. Hence the existing HRMIS in the Western Balkan administrations do not yet allow for data-driven analytics and HRM.

**Table 1. Databases for human resource management are still lacking complete and updated information.**

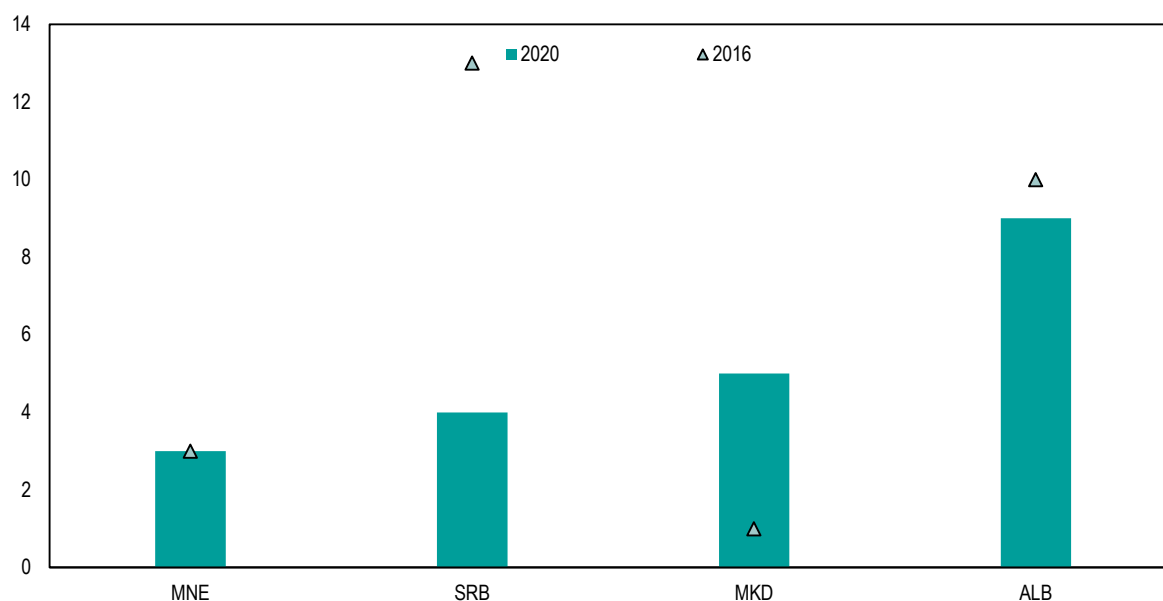
	ALB	XKV	MNE	MKD	SRB
Database(s) are interoperable with other relevant systems (at least with the payroll system), or if there is no central database then all data sets must be standardised and provide data in real time, include all employed civil servants and institutions required by regulations, allow quick reporting and has comprehensive data on public servants in all bodies analysed	x	x	x	✓	x
Data is updated in real time. If no central database exists then data sets in all analysed bodies must be updated in real time	✓	x	x	✓	x
Database(s) and data include all employed civil servants and institutions required by the relevant regulations. If no central database exists then data sets in all analysed bodies must include all employed civil servants required by the relevant regulations	x	✓	x	✓	x
Database(s) and data allow quick reporting on all relevant HR areas, as noted above. If no central database exists then data sets in all analysed bodies must include all employed civil servants required by the relevant regulations	x	x	x	x	x
Data on public servants is comprehensive. If no central database exists then data sets in all analysed bodies must include all employed civil servants required by the relevant regulations	✓	✓	x	x	x

Note: A green checkmark means that in 2021 the criterion was fulfilled. A red cross means that it was not fulfilled.

### ***Legislation provides for merit-based recruitment, but there is scarcity of candidates and capabilities for competency-based selection progress slowly***

Merit-based recruitment of non-senior civil service positions has become a standard in all Western Balkan administrations, as established by their legislation. Very few exceptions are observed in the region: in Serbia, a significant number of civil service positions (over 10%) are under temporary contracts that require no recruitment competition. Serbia is also the only administration where some direct political influence can be exercised by political interventions in the structure of the selection panels; while in Kosovo, the new legislation that entered into force in July 2020 has not yet been applied and no external recruitments have taken place under the new system. The most common challenge is the very low competitiveness in the recruitment process, due to only a small number of candidates competing for civil service positions. This situation challenges the principle of open and competitive recruitment and can be a reflection of the low trust in the fairness of selection processes.

**Figure 5. Average number of eligible candidates per vacancy is extremely low in most administrations. It increased in North Macedonia but significantly dropped in Serbia**

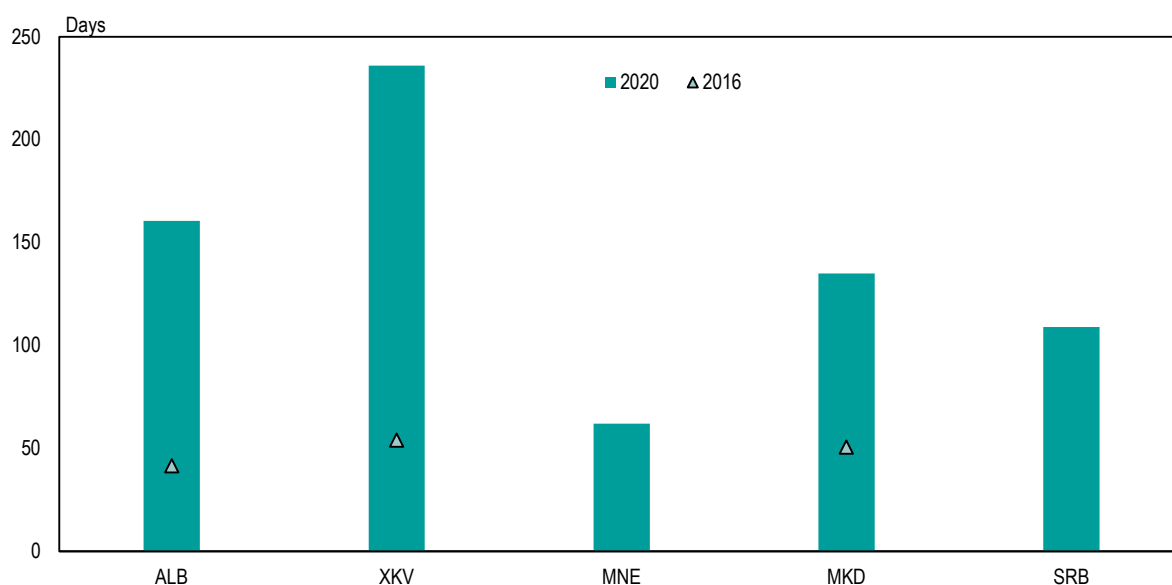


Note: Data is not available for Kosovo.

In 2020, all administrations (with the exception of Serbia, where recruitment plans do not exist, and of Kosovo, for the reasons presented above) implemented their annual recruitment plans at the level of 63%-86% and were able to retain almost all newly hired civil servants (only in Montenegro was this ratio at 84%). Serbia stands out in the region by its implementation of a competency model throughout the public administration and its successful incorporation in the recruitment procedures. Albania is to be commended for its prompt introduction of fully online recruitments to the civil service, just weeks after the national lockdown caused by the COVID-19 pandemic.

As in most EU/OECD countries, COVID-19 had a negative impact on the length of the recruitment procedures in 2020. A significantly increased average number of calendar days elapsed between the announcement of a vacancy and the publication of the selection results in 2020 in each of the administrations is reflected in Figure 6.

**Figure 6. The number of days required to hire a civil servant significantly increased in 2020 because of the COVID-19 pandemic and related suspension of recruitment procedures**



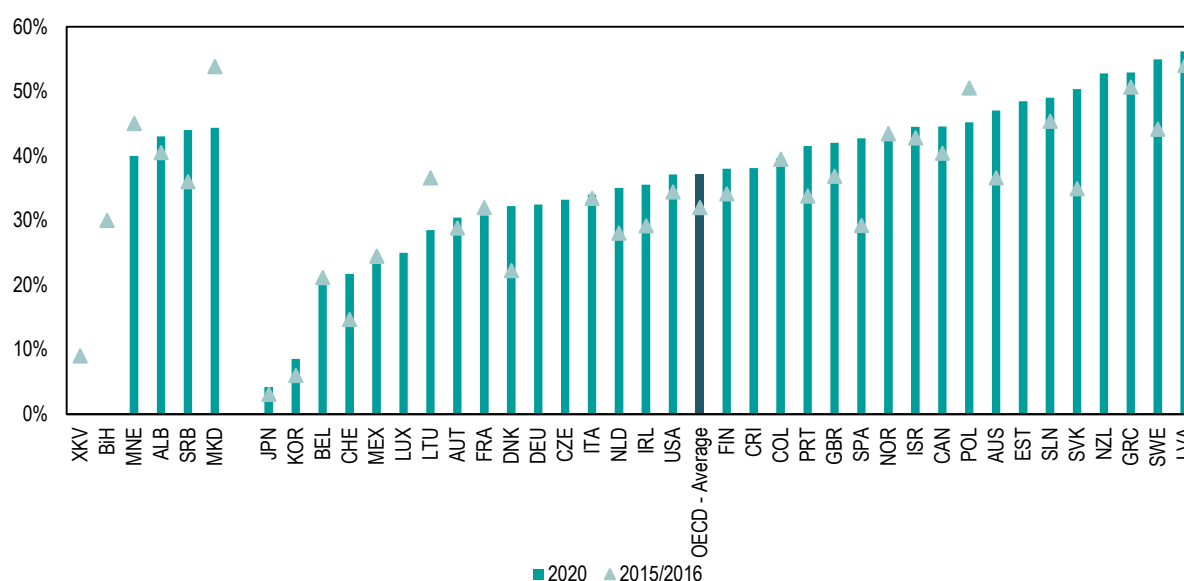
### ***De-politicisation and professionalism of top managers has not yet been achieved, either in legislation or in practice***

Fostering effective leadership through competence, stability, professional autonomy and responsiveness of accountable top managers is the most significant challenge in the public service and HRM area in the region. Kosovo, the administration with the most adequate legislation, had not applied the new regulations by the time of the 2021 monitoring exercise. In Montenegro, the recent political shift led to changing more than 50% of senior managers, which revealed the level of politicisation of the top layer of the civil service. Moreover, the legislation does not explicitly exclude politically appointed persons as members of competition commissions for senior positions, which leaves room for undue political influence. In North Macedonia, the system is not competitive and merit-based because legislation allows discretionary appointments and dismissals of senior managers without due assessment of their competencies. In Serbia, the provisions of the law are not abided by, with a continuously excessive number of “acting” managers (over 60% of all managerial positions). The specificities of the Albanian system (with competitive recruitment to the corps of top managers) in theory allow for flexible yet merit-based management of these positions, but in practice the Government exclusively exploits exceptions instead of implementing the critical provisions.

Based on the data available, in the Western Balkans there is little stability at the level of senior managers in particular after a change of government. De-politicisation and professionalisation of senior managers in the civil service has not yet been achieved.

The area where the Western Balkans surpassed the OECD/EU averages is gender balance in senior civil service positions. Most of the Western Balkan administrations have over 40% of women in senior civil service positions, while the OECD average is 37%. Data on 2020 was not available for Kosovo.

**Figure 7. Share of women in senior civil service positions is above the OECD average in four Western Balkan administrations**



Note: The data for Western Balkans refers to a number of women in senior civil service positions divided by the total number civil servants in senior level positions in the latest full calendar year, expressed as a percentage. Data for the OECD countries refers to gender equality in senior management positions in central governments. Data relates to central government administration only.

OECD (2021), *Government at a Glance 2021*, OECD Publishing, Paris, p. 107, <https://doi.org/10.1787/1c258f55-en>.

### ***Fairness, competitiveness and transparency of salary systems remain a challenge***

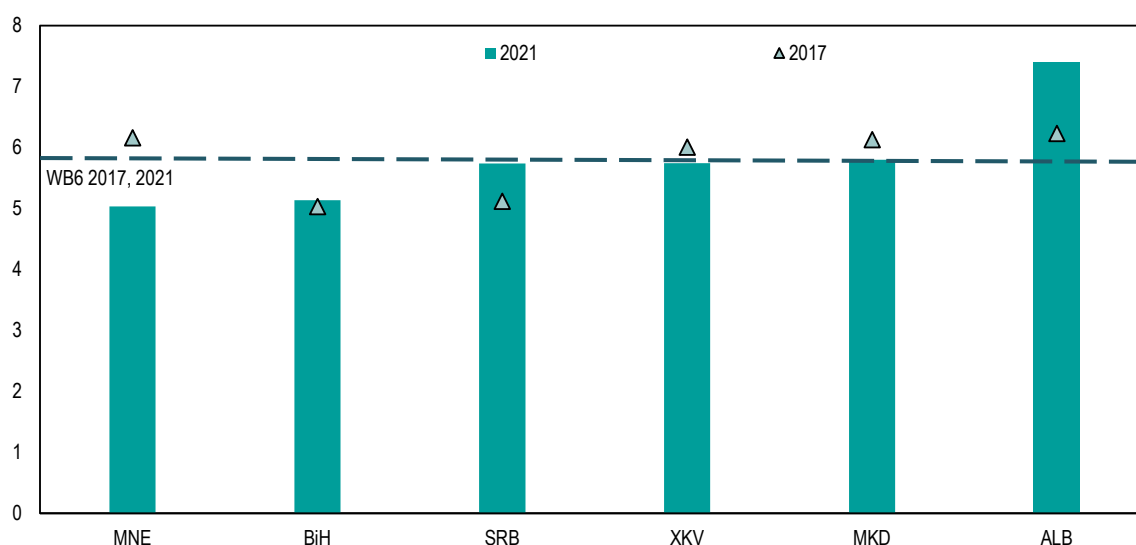
The quality of the remuneration systems for civil servants varies significantly in the region. The rationale based on a system of job classification, reasonable seniority progression and limited performance-related bonuses exists in Montenegro, North Macedonia and Serbia. However, in Montenegro a fair allocation of base salaries is not fully ensured due to unclear and insufficient regulation on job descriptions, evaluation and classification, and criteria for granting some salary supplements. Salary reforms are pending in Albania and in Kosovo. In Kosovo the 2019 Law on Salaries was judged unconstitutional. Data on salaries is scarce and insufficiently transparent (also due to an incomplete HRMIS), and does not allow for an accurate comparison with the private sector to assess their competitiveness – although in Kosovo, North Macedonia and Serbia they seem competitive with officially communicated private-sector salaries. Moreover, precise information on offered salaries is published in vacancy announcements only in North Macedonia. In Albania, Montenegro and North Macedonia, several salary supplements have been introduced but not always with clear allocation criteria, which is creating distortions in the salary systems.

### ***A strategic approach to the professional development of civil servants, linking its different components and aiming to enhance performance, is lacking***

Central institutions responsible for organising horizontal training of civil servants exist in all administrations; they perform particularly well in Montenegro and Serbia. Nevertheless, budgetary resources for training are scarce, and capacities concerning sector-specific training vary greatly across public bodies. The COVID-19 pandemic fostered online training in Albania, Montenegro and Serbia, whose central training institutions adapted quickly to the new situation.

A strategic approach to the professional development of civil servants is at an early stage. Training needs analysis and plans considering strategic priorities exist, but they focus mainly on horizontal functions. Mobility and promotion are still not used proactively as tools for professional development, and their current effectiveness is limited. The absence of performance management systems hinders the individual appraisal of civil servants. Their implementation is still largely formalistic. An excessive share of highest-performance grades impedes the identification and reward of best performers. The public servants' perception of meritocracy reflects the room for improvement and attains only moderate levels, except in Albania, where results are higher.

**Figure 8. Perceived level of meritocracy in the public sector is similar in Western Balkan administrations with little change since 2017, with Montenegro slightly decreasing and Albania increasing**



Note: Respondents (working in the public sector) are asked to what extent they agree with the following statement on a scale from 1 to 10: “In the public sector most people can succeed if they are willing to work hard”.

Source: Regional Cooperation Council, Balkan Barometer Public Opinion database (<https://www.rcc.int/balkanbarometer/>).



### *Corruption in public bodies continues to be perceived as a problem, and disciplinary systems are weak*

Across the region, anti-corruption bodies are established to promote integrity, but they focus mainly on political authorities and high-risk areas (i.e. procurement). It is outside of their mandate to cover the civil service as a whole. Governments across the region have thus far not established strategic objectives or adequate institutional arrangements to mitigate corruption risks across the public sector. Therefore, in most cases, there is an adequate regulatory framework but very limited proactive actions on integrity in the public administration. Some administrations have developed integrity plans and appointed integrity officers in the individual public bodies, while others have not yet taken effective measures in high-risk areas. According to the Balkan Barometer, the perception of corruption in public bodies is high and the payment of bribes to public officials and professionals is still relatively common, even if decreasing<sup>14</sup>.

In some administrations, the disciplinary system presents weaknesses that risk allowing unfair use by top officials and a sense of impunity amongst certain offenders. The percentage of disciplinary sanctions confirmed by courts is very low in Serbia (28%) and North Macedonia (31%), which implies procedural weaknesses and/or unfair or unlawful disciplinary sanctions.

#### *The way forward*

- The legislation and how it is applied to top managers in the civil service should be a subject of wide political consensus and ensure a high level of their professionalism, stability, responsiveness and accountability.
- Taking individual institutions or types of bodies out of the civil service system should be prevented: exceptions lead to system fragmentation, which is detrimental to its effective functioning.
- The public administration should increase efforts to be considered an employer of choice, offering attractive jobs, competitive compensation packages and career perspectives able to attract and retain talented professionals.
- Recruitment and selection procedures should continue to be improved, to ensure the candidates who best fit the job requirements are hired based on experience, knowledge, skills and competencies to enable them to do their job well.
- Administrations should invest further in public servants' development and optimise resources by adopting a holistic approach focussed on strategic priorities.
- Personnel management should be supported by professional HR units and the central HRM body, making full use of instruments available to them, including HRMIS.

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<sup>14</sup> Regional Cooperation Council, Balkan Barometer Public Opinion and Business Survey databases (<https://www.rcc.int/balkanbarometer/>).

# Accountability

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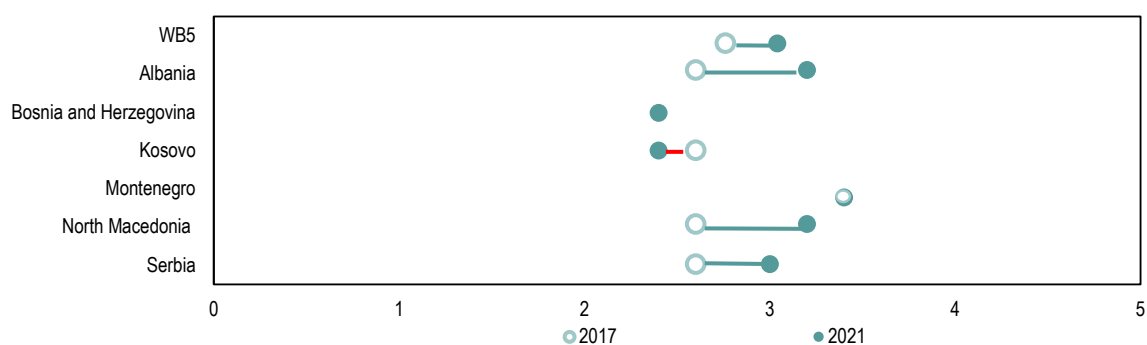
## Regional summary

### State of play and regional trends

Accountability mechanisms were generally strengthened in recent years in the Western Balkans, but this reflects mainly incremental improvements in the regulatory and institutional frameworks, whereas actual practice and outcomes have not improved significantly, and in some cases the situation has even deteriorated.

Three administrations improved their area averages from 2017 to 2021 (Figure 1). However, compared to other areas, the progress was modest. Montenegro continues to have the highest area average of 3.4 in the region, but this is unchanged from 2017. Albania and North Macedonia improved the most over the period, but Serbia advanced as well. Kosovo's area average deteriorated to 2.4, the same as Bosnia and Herzegovina.

Figure 8. Modest regional progress in the accountability area, except for Kosovo and Montenegro



**Within the accountability area, organisation of the central government remains the most problematic overall, but access to information deteriorated the most since 2017. Administrative justice improved the most**

The accountability area covers a wide range of dimensions: macro-organisation of public administration, access to information, external oversight, administrative justice and public liability. Figure 2 shows the indicator values from 0 to 5 for each.

Figure 9. Modest progress in all dimensions, except accessibility of public information and external scrutiny and oversight



<https://par-portal.sigmaxweb.org/areas/4>

(accessed on 15 February 2022).

The accountability area improved from a low base in “central government organisation and accountability”, from 1.4 in 2017 to 2 in 2021, mainly because legal frameworks were improved. In absolute terms, however, this dimension remains the worst across the area because laws are still not implemented consistently. Access to public information deteriorated the most over the period. Some improvements were made to already-strong legal frameworks, but actual proactive disclosure of key data by governments declined. The falling implementation rate of recommendations from Ombudsperson institutions was the main cause of regression for the indicator values for “external scrutiny by oversight bodies”. The most positive trend that can be found at the regional level is for administrative justice. However, the large backlog of court cases remains a major problem in many administrations.

Figure 3 shows the variation by administration. Kosovo regressed in accountability because public information became less accessible and the effectiveness of the Ombudsperson in scrutinising the executive deteriorated.

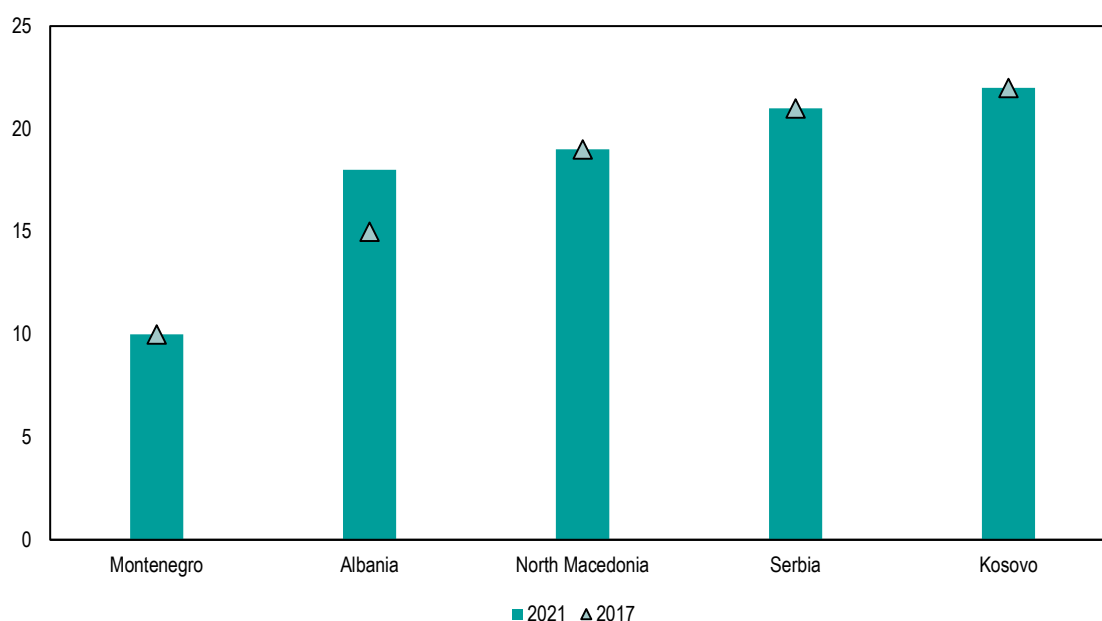
**Figure 3. Accountability and organisation of the central government improved from 2017, but in absolute terms remains the worst in 2021. The most significant deteriorations were for Kosovo. Administrative justice improved the most.**



The organisation of the central government continues to be one of the weakest areas of public administration across the region. Since 2017, the regulatory frameworks have generally improved except for accountability mechanisms between ministries and subordinated bodies, where regulations are still inadequate. In the few administrations where a clear typology of central government bodies is in place, it is still not implemented consistently in practice. Policies to manage central government bodies are inadequate, and accountability and performance management frameworks are lacking.

One direct consequence of the lack of policy and regulation is the excessive number of public agencies reporting to the parliament in all Western Balkan administrations. Another is that subordinated bodies do not systematically report to ministries about their performance and activities on the basis of jointly agreed plans. Delegation of decision making has improved in Albania and Kosovo, but in the rest of the region decisions are highly centralised.

Figure 4. The number of agencies subordinated to parliament remains very high across the region



Note: The values exclude constitutional bodies. The values for Bosnia and Herzegovina are not shown as the administration's constitutional set-up makes comparisons difficult. However, there are 3 agencies subordinated to parliament in the Federation of BiH, and 10 in the Republika Srpska, 2 in the Brčko District and 8 at State level.

### Administrations are less transparent in 2021 compared to 2017

Legislation on access to public information is adequate, generally fulfilling international requirements. Some minor improvements were made since 2017. However, the institutions responsible for monitoring whether the legislative requirements are fulfilled by public bodies have been weakened in all administrations since 2017, except in Montenegro and North Macedonia, and are not capable of performing their basic functions adequately. The most significant decline was in Kosovo, where the two-year delay in appointing the Commissioner for Information and Privacy had serious negative impacts on the functioning of the responsible agency.

Worrisomely, access to public information in practice has deteriorated across the region. Albania is the only administration that substantially progressed on accessibility of public information since 2017, now reaching 4 as the overall indicator value, together with Serbia. Proactive transparency (publication of data and information on websites) is weak across the region. Table 1 shows that several key data sets that were publicly available in 2017 were no longer available in 2021.

Table 1. Proactivity in disclosure of data sets by the central government

	ALB	BIH	XKV	MNE	MKD	SRB
Consolidated versions of all primary laws	✓	×	×	×	×	✓
The state budget	✓	×	✓	✓	✓	✓
The results of the last national elections published, aggregated on one website	✓	×	✓	✓	✓	✓
National statistics on gross domestic product and unemployment	✓	×	✓	✓	✓	✓
The government's annual (or multi-annual) work plan	×	×	×	✓	✓	✓
The government's annual report	×	×	✓	×	×	✓
Legislative proposals of the government as sent to parliament	✓	×	✓	✓	×	✓
Public tenders announced by central government, aggregated on one website	✓	×	✓	✓	×	✓
Results of all public tenders awarded by central government, aggregated on one website	✓	×	✓	✓	×	×
Company registry	✓	×	✓	✓	×	✓
Land registry	✓	×	×	✓	×	✓
Salaries of individual senior civil servants in all ministries	×	×	×	×	×	×

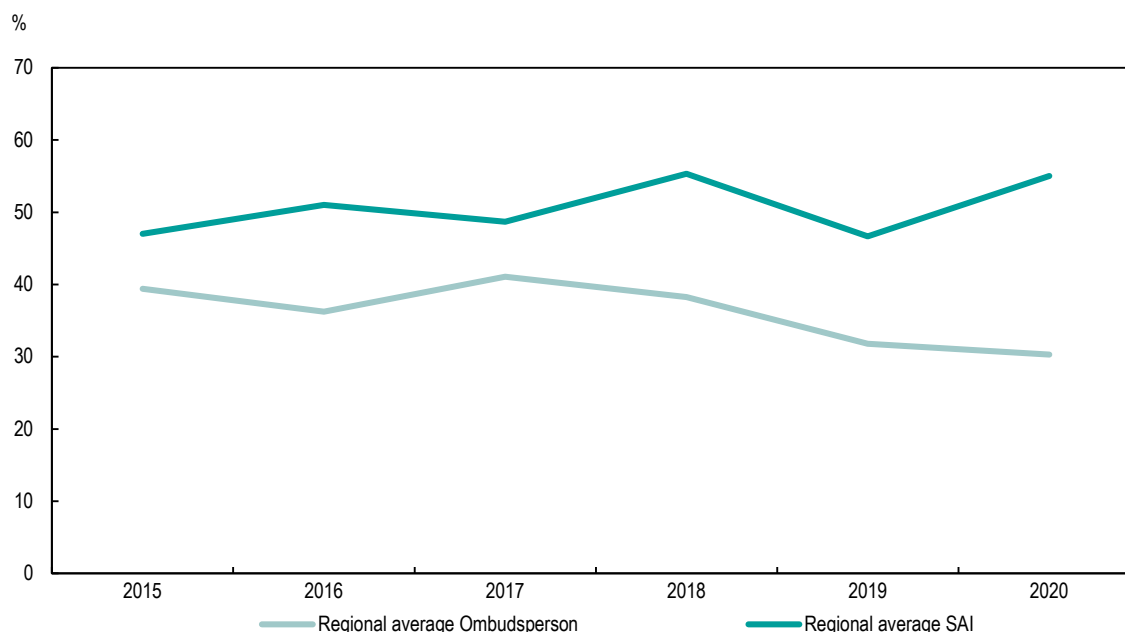
Note: A bold green checkmark denotes that this criterion was not fulfilled in 2017 but was in 2021. A red cross shows where the criterion was fulfilled in 2017 but no longer in 2021. A faded grey cross means nothing was in place in 2021.

**External oversight institutions are protected by legislation, but have little impact in practice. Their recommendations are routinely ignored by state bodies, and citizens have low trust in them**

The legislative framework to protect the independence of external oversight bodies (Ombudsperson, Supreme Audit Institution [SAI]) and courts is well-established, but the rates of implementation of their recommendations continue to be very low across the region for the oversight bodies. Especially the implementation rates for recommendations from the Ombudsperson institution have dropped since 2017. This, combined with the low levels of public trust in the Ombudsperson, SAIs and courts, is a warning sign that external oversight mechanisms need strengthening. Better collaboration with and stronger support from parliament is essential.

Figure 5 shows that public authorities do not, as a rule, accept and implement recommendations issued by the Ombudsperson institutions in the region. This seriously undermines the Ombudsperson institution, and reduces the effectiveness of its role in overseeing and scrutinising the public administration. Kosovo has the lowest rate, with only 19% of recommendations implemented. Next is Albania at 26%. Bosnia and Herzegovina's rate stands at 31%, and Montenegro has the highest rate at 45%. North Macedonia and Serbia do not publish information on the implementation of fully implemented recommendations. There are no official European Union (EU)-level statistics on this key performance indicator, but a review of annual reports from the Ombudsperson institutions in EU member countries shows that the EU average is above 70%, in contrast with the Western Balkan average of 30%. The implementation rate for SAIs in the region has on average improved slightly, from 49% in 2017 to 57% in 2021. Serbia has the highest rate at 75%, followed by Montenegro at 62%, Albania at 50% and Kosovo at 40%. North Macedonia did not publish information on fully implemented recommendations.

**Figure 5. Low Implementation rates for recommendations from Ombudsperson institutions and Supreme Audit Institutions; falling since 2017 for Ombudsperson.**

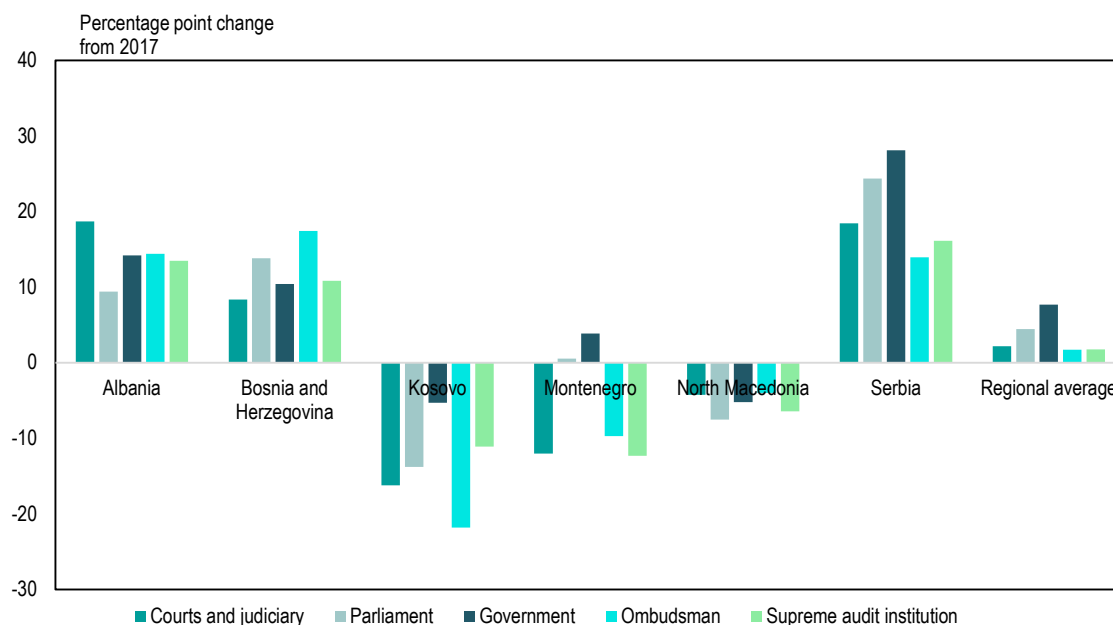


Note: The regional average for the Ombudsperson institution excludes North Macedonia and Serbia, as no data was available. The regional average for the Supreme Audit Institution does not include Montenegro or North Macedonia, as the time series data was not available.

Citizens' trust in courts and oversight institutions is very low across the region. Only 34% of citizens reported that they "trend to trust" or "totally trust" courts in 2021. The EU average level of trust in courts in 2021 was 52%. As shown in Figure 6, trust has increased since 2017 in Albania, Bosnia and Herzegovina, and Serbia, but decreased in Kosovo, Montenegro and North Macedonia. Trust in parliament is similar at 34% across the region, while it is slightly higher for the Government (38%), SAI (37%) and the

Ombudsperson (42%). Trust in parliament and in government across the EU is respectively 35% and 36%, equally low<sup>15</sup>.

**Figure 6. Trust in courts, parliament, Ombudsperson and Supreme Audit Institution has fallen in Kosovo, Montenegro and North Macedonia since 2017, but increased in Albania, Bosnia and Herzegovina and Serbia**



Source: Regional Cooperation Council, Balkan Barometer Public Opinion database (<https://www.rcc.int/balkanbarometer/>).

***Administrative justice systems made steady progress on strengthening the regulatory and institutional frameworks, but access to justice continues to be hindered in practice by severe backlogs of court cases***

All court administrations made improvements to the regulatory and institutional frameworks for administrative justice; for example, by implementing electronic court-case management systems and increasing the public availability of court rulings. The main weaknesses to be addressed remain the high, and in many cases growing, backlogs of cases, and the public perception that courts are not independent or trustworthy institutions.

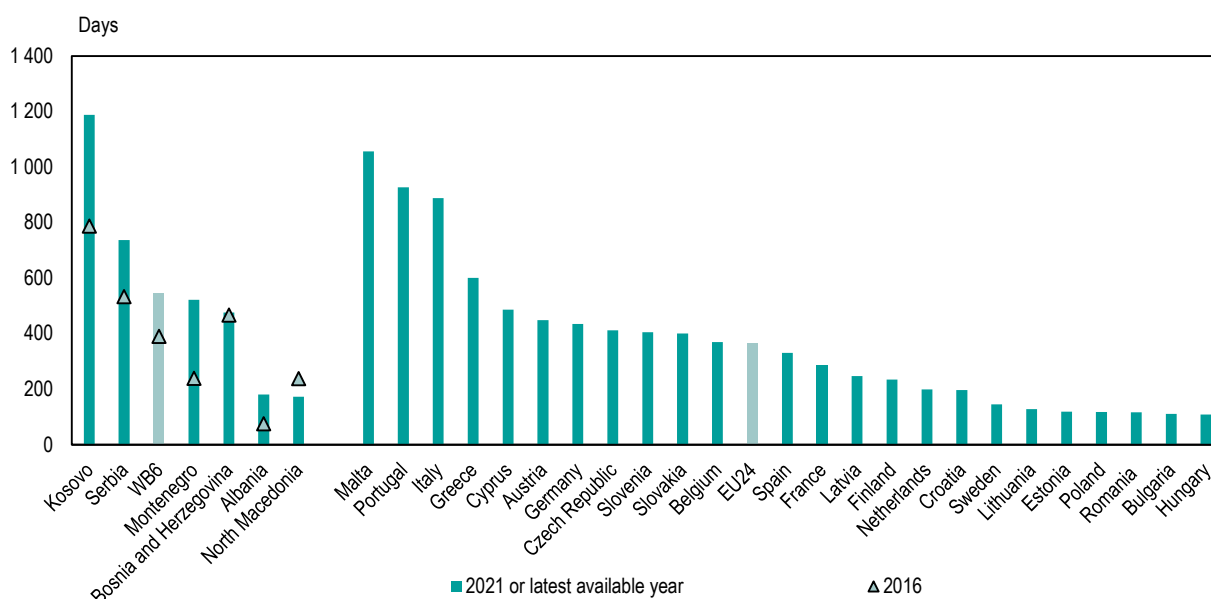
The efficiency of administrative courts (calculated disposition time and clearance rates) deteriorated across the region except in North Macedonia, and even there progress was marginal. The calculated disposition time shows how many days on average a citizen has to wait for the resolution of a court case. Figure 7 illustrates that citizens in Albania and North Macedonia have a much lower waiting time than in the rest of the region. The Western Balkan 2020-2021 average is higher than in 2016-2017, and above the EU average. Western Balkan rates are, however, artificially low compared to EU countries because of the “ping-pong” of cases between different court instances and between the court and the administration<sup>16</sup>. The disposition times for Kosovo and Serbia are so high that resolving a case can take respectively two or three years.

<sup>15</sup> Standard Eurobarometer 94, Public opinion in the European Union, Winter 2020-2021, p. 42.

<sup>16</sup> OECD (2020), *Government at a Glance: Western Balkans*, OECD Publishing, Paris, p. 138, <https://doi.org/10.1787/a8c72f1b-en>



**Figure 7. Disposition time for administrative court cases varies significantly across the region but on average is higher than in the EU. There are growing backlogs since 2017**



Source: Data provided by the judicial administrations in the Western Balkan region. Data for European Union countries is drawn from the Council of Europe (2020), European judicial systems: European Commission for the Efficiency of Justice (CEPEJ) Evaluation Report 2020, Evaluation cycle (2018 data), Strasbourg, p. 108.

### **Public liability is secured in legislation, but the application in practice suffers from a lack of data**

Overall in the region, citizens can seek compensation through the courts in case of mistreatment by the administration. The situation has not changed since 2017, but more administrations were able to document that the system works in practice (compensation is paid). What is still missing, however, is for administrations to analyse the reasons for such cases and address them proactively. Thus, there is a need to further strengthen data availability in order to better analyse the causes of public liability cases.

### **The way forward**

- Improve access to information across the region by strengthening monitoring and enforcement functions of supervisory bodies and proactive publication of data.
- Reinvigorate reform efforts to implement new legislation on organisation of the central government, focussing specifically on reducing the number of public bodies subordinated to parliaments and strengthening performance management frameworks.
- Support the work of oversight bodies (Supreme Audit Institution and Ombudsperson institutions) through greater support from parliaments and responsiveness by state bodies in implementing recommendations. Build trust in courts and oversight institutions.
- Improve the efficiency of administrative courts to reduce the backlogs and provide better access to justice.

## **Service delivery**

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# Regional summary

## State of play and regional trends

Service delivery is the area that has most substantially improved in the Western Balkan region<sup>17</sup>. The average of all indicator values increased from 2.5 in 2017 to 3.1 in 2021 (Figure 1).

There are positive trends on improving service delivery with a strong focus on digital services in Albania, with a composite average indicator value of 3.8 in 2021 compared to 3.3 in 2017; in Serbia, at 3.5 in 2021 and 2 in 2017; and to a lesser extent in North Macedonia, at 3.3 in 2021 and 2.8 in 2017. However, only slight progress was made in modernising public service delivery in Kosovo and Montenegro.

Figure 1. Substantial progress in the service delivery area

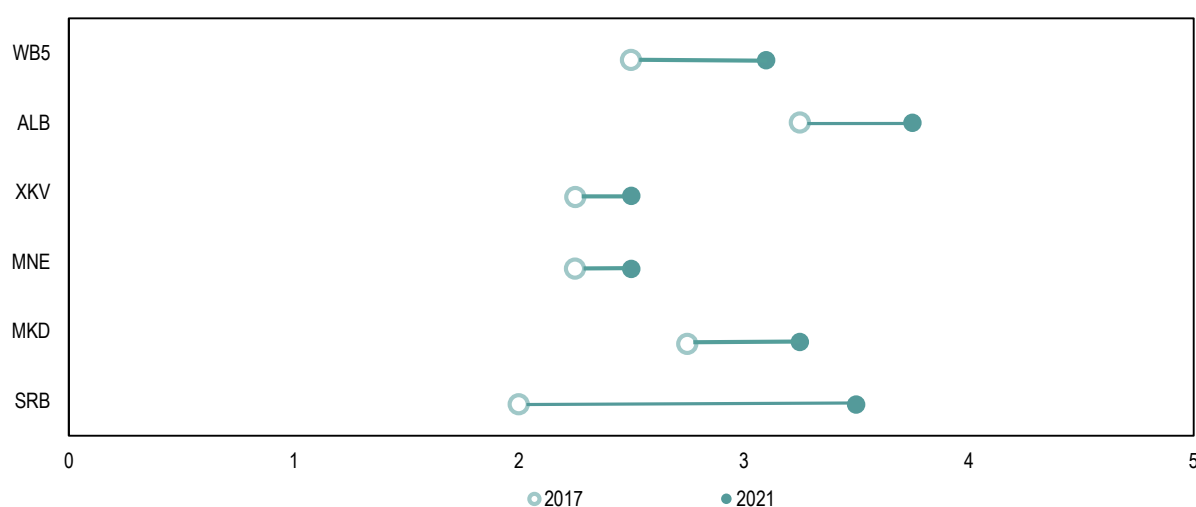
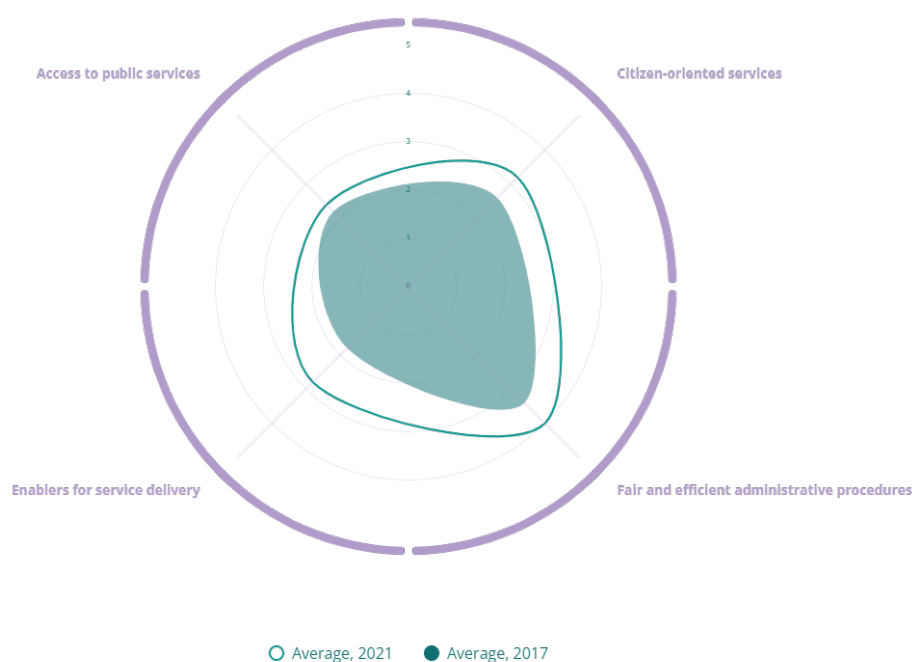


Figure 2 shows that the improving trend stems from progress in all dimensions. The value for ‘citizen-oriented services’ increased from 2.2 in 2017 to 3 in 2021. ‘Fair and efficient administrative procedures’ increased from 3.4 in 2017 to 4 in 2021. In 2017, the value for the ‘Enablers for service delivery’ was 1.6 and in 2021, 2.2. Finally, ‘Access to public service’ improved from 2 in 2017 to 2.4 in 2021. Digitalisation of public services has been a key priority in many Government agendas, and the COVID-19 pandemic has accelerated the sense of urgency. However, in absolute terms performance varies significantly across dimensions. “Fair and efficient administrative procedures” receives a high value on average, but “enablers” and “accessibility” only 2.2 and 2.4 respectively in 2021. Administrations must prioritise investments in these underperforming dimensions to ensure sustainable future progression and convergence with EU member countries.

<sup>17</sup> The regional summary is based on the findings of the SIGMA monitoring reports of Albania, Kosovo, Montenegro, Republic of North Macedonia and Serbia. Bosnia and Herzegovina is not included as the monitoring of the service delivery area will be conducted in 2022.

Figure 2. Improvement in all dimensions of service delivery since 2017



Source: OECD, Principles of Public Administration Data Portal [database], <https://par-portal.sigmaweb.org/areas/5/>, (accessed on 15 February 2022)

Figure 3 provides a view of indicator values since 2017 with relative change. Kosovo and Montenegro demonstrated lower maturity in three of four dimensions and regressed in terms of citizen-oriented service delivery and accessibility of public services. North Macedonia has regressed the most in the accessibility of public services.

Figure 3. Service delivery 2021 indicator values and trends since 2017



### **Strategic framework and institutional set-up proves a solid basis, but is not yet present across the region**

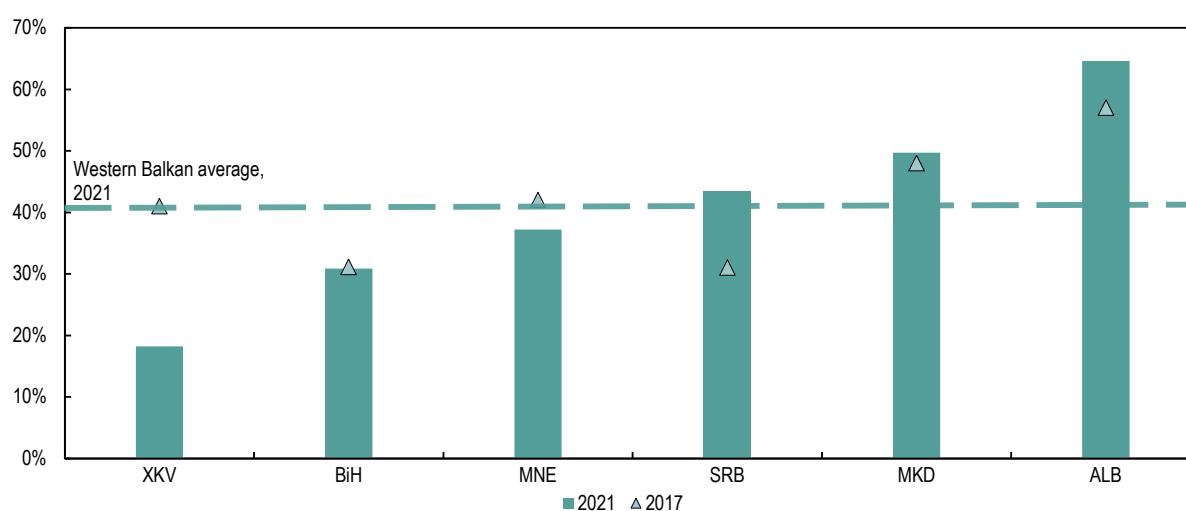
A sound policy framework is in place or currently in progress in the administrations in the region. At the time of the 2021 SIGMA monitoring exercise, the expired strategies and plans on service delivery in Kosovo and Montenegro were not yet replaced by a comprehensive and coherent strategy and action plan that applies a complete set of policy measures, actively supports institutions and monitors progress. Moreover, in addition to the general PAR strategies, the modernisation of service delivery is also guided by other strategic documents related to digital government (eGov, artificial intelligence, administrative simplification).

Administrations benefit from a responsible leading and co-ordinating actor and clear administrative and political leadership on service delivery policy. This is lacking in Kosovo. Central ministries in Montenegro and North Macedonia have a mandate to co-ordinate the entire service delivery area, but the modernisation of public services is still fragmented and the ownership of some of its aspects remains unclear. Although dedicated teams are in place in several institutions in Serbia, the responsibility for the development of public services in general is still fragmented, and some of the aspects remain uncovered.

In Montenegro, North Macedonia and Serbia, there is no review of major digital government projects by a central agency. This could hamper the interoperability and integration of the information systems established via these projects.

It is interesting to note that these regional differences are also reflected in citizens' perception of public service delivery.

**Figure 4. Perceived quality of public service delivery by citizens (%)**



Note: The 2017 Western Balkan average was one percentage point higher than the 2021 average.

Source: Regional Cooperation Council (RCC) (2021), Balkan Barometer Public Opinion database (<https://www.rcc.int/balkanbarometer/>).

### **Administrations have understood the importance of digitalisation, but progress is uneven**

Regionally the digital transformation has been high on the political and administrative reform agendas, but results within administrations have been uneven. Based on a clear policy framework and political support, countries like Albania and Serbia rapidly digitised services. The availability of online services has proved to be an asset during the COVID-19 pandemic. Despite the improvements in digitalisation, many services are still provided only in a traditional form, leaving the potential provided by digital enablers often underutilised.

Besides the unevenness of digitalisation throughout the administrations, the differences in focus should be noted. Digital for business already yields very positive results (Table 1); however, for citizens results are more mixed (Table 2).

**Table 1. Digital uptake for businesses**

	Albania	Kosovo	Montenegro	North Macedonia	Serbia
Starting a business – a one-stop shop or fully digital	✓	✓	✓	✓	✓
Digital uptake corporate income tax (%)	100	99	No data	96.32	100
Digital uptake value added tax (%)	100	100	100	100	100

In dealing with personal income tax, the level of digitalisation is very high in all administrations, whereas in other services like renewing an identification (ID) card or registering a vehicle, only a few process steps can be completed digitally.

**Table 2. Digital uptake for citizens**

	Renewing ID			Vehicle registration			Personal income tax		
	Appointment	Application prefill	Fees	Appointment	Application prefill	Fees	Digital process	Support docs	Pay
Albania	✓	✗	✗	✓	✓	✗	✓	✓	✓
Kosovo	✗	✗	✗	✗	✗	✗	✓	✓	✓
Montenegro	✗	✗	✗	✗	✗	✗	✗	✓	✓
North Macedonia	✓	✗	✓	✗	✗	✓	✓	✓	✓
Serbia	✓	✗	✓	✗	✗	✓	✓	✓	✓

### Service delivery enablers are in place, but their potential remains untapped

The digitalisation of services is well-supported by the instalment of interoperability platforms and an increasing number of interoperable information systems in all administrations. The number of information systems exchanging data over the interoperability platform (the Government Gateway, Government Service Bus or others) has increased, but the quality assurance of the registries is not systematically assured and is often inadequate.

Important enablers such as the digital signature are becoming more streamlined with the EU electronic identification, authentication and trust services (eIDAS) regulation, except in Albania and Kosovo. Although the electronic signature is operational and freely available or at least offers a free option for obtaining a certificate, except in North Macedonia, the uptake is still very low. This severely limits the wider use of digital services.

Despite inventories or catalogues of services existing in Albania, Kosovo and North Macedonia, a general lack of service standards, systematic and methodological support for service providers, and central monitoring of service delivery against established metrics should be noted. Apart from Albania, there are no service standards set and, apart from e-services, no performance data on service delivery centrally collected.

**Table 3. Developing and monitoring service standards and performance**

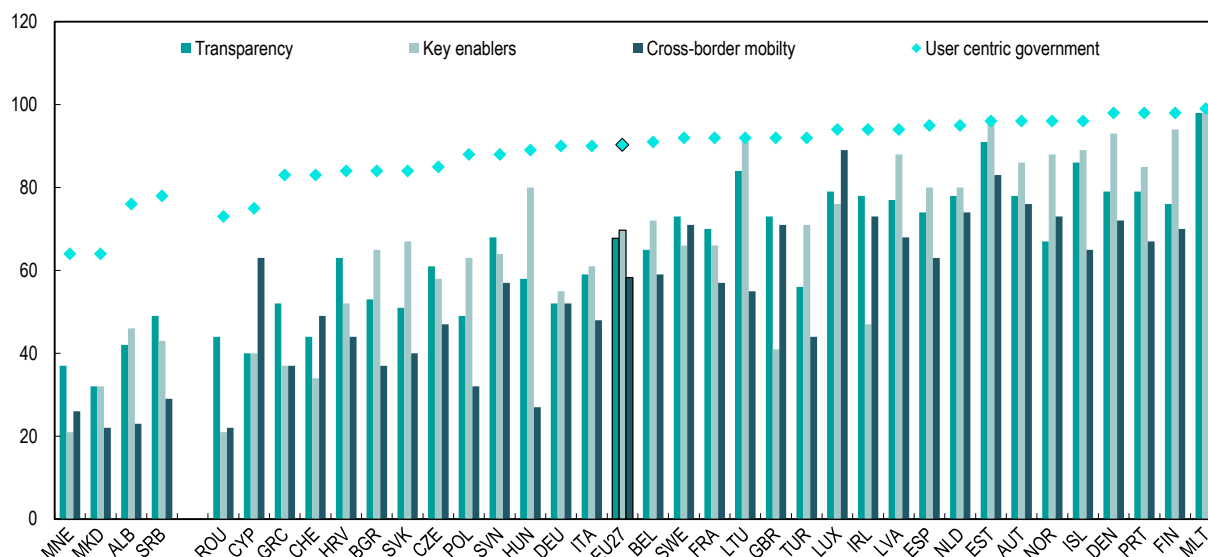
	Albania	Kosovo	Montenegro	North Macedonia	Serbia
Service standards	✓	✗	✗	✗	✗
Inventory of services	✓	✓	✗	✓	✗
Responsibility for monitoring service delivery	✓	✗	✗	✗	✗
Methodology performance metrics	✓	✗	✗	✗	✗
Performance metrics on total volume	✓	✗	✗	✗	✗
Performance metrics on cost	✓	✗	✗	✗	✗

Note: A bold green checkmark denotes that this criterion was fulfilled. A red cross shows where the criterion was not fulfilled.

The adoption of quality management and user engagement tools and techniques is modest, and not centrally encouraged or supported.

Through the European Commission's eGovernment Benchmarking reports, the EU member states and four Western Balkan administrations' performance is measured on four aspects. Figure 5 shows that despite progress on several key enablers, work still needs to be done as the Western Balkan administrations perform lower than the EU countries. Albania and Serbia are achieving close to the EU average for user-centricity. For the other areas, the administrations in the Balkan region do not meet the EU average.

Figure 5. Western Balkan region compared to EU member countries



Note: Biannual average 2019 and 2020.

Source: European Commission (2021), "User Centricity compared to Transparency, Key Enablers and Cross-Border Mobility", in *eGovernment Benchmark 2020 Insight Report*, <https://digital-strategy.ec.europa.eu/en/library/egovernment-benchmark-2020-egovernment-works-people>, p. 21.

### **Administrative procedure legislation guarantees a due-process right to good administration, yet the harmonisation of the special laws is slow and the monitoring mechanisms are weak**

The principles of good administrative procedure are safeguarded by the recently adopted Laws on Administrative Procedures (LAP) in the Western Balkan region. Although the LAPs took effect four to five years ago, harmonising the special legislation with the LAPs has been a slow process. It has mainly focussed on laws, but the secondary legislation often containing the detailed provisions followed daily by the administrative authorities conducting the procedures is excluded. Lastly, the harmonisation process is being approached from a purely legal perspective and is not sufficiently integrated with the simplification, digitalisation and re-engineering processes.

**Table 4. Overview of harmonisation of special legislation with the Laws on Administrative Procedure**

	Number of laws to be harmonised	Number of secondary legislation to be harmonised	Progress by 2020
<b>Albania</b>	There has been no systematic review to determine which legal acts should be changed to comply with code on administrative procedures.		Limited
<b>Kosovo</b>	About 200 laws	Not known	Limited
<b>Montenegro</b>	181 laws	Not known	12 laws harmonised as of 2020
<b>North Macedonia</b>	169 laws	Not known	Limited
<b>Serbia</b>	About 250 laws	Not known	About 150 laws harmonised

Source: Information provided by the ministries responsible for the Laws on Administrative Procedure in SIGMA Paper 62<sup>18</sup>.

Administrations are paying more attention to reducing administrative burdens. Aside from Montenegro, where the plan is under development, all other administrations have a formally approved plan in place that is no more than five years old, as a separate policy document or part of the general service delivery policy that establishes clear objectives for administrative simplification. The responsibility for steering administrative simplification is explicitly assigned to a central institution or unit in these administrations. The efforts still result in a mixed picture when it comes to simplified procedures, shortening of waiting times and efficiency of service delivery processes both related to citizens and businesses. Certainly many services have been improved and have become more efficient, though several popular services assessed still tend to suffer from cumbersome procedures.

#### ***Weak mechanisms for improving the accessibility of services for disadvantaged groups***

Besides the policy on improving accessibility to public services via online portals, in-person services are limited. Even though the number of one-stop shops is increasing and therefore providing better access to public services across Albania and Serbia, the creation of these shops has proceeded more slowly than planned.

The legislative and policy framework in the Western Balkan administrations aims to increase the accessibility of services to people with disabilities, alongside standards for accessibility. The legal, policy and institutional framework for accessibility of citizens with special needs is in place in all administrations, but is not equally implemented in practice. Buildings and related facilities are subject to mandatory accessibility standards in all administrations and sign language is officially recognised, except in Montenegro. On the other hand, only in Albania do central guidance or training capacities exist on how to improve access to public service users with special needs and is the use of plain language promoted. Progress has not been easy, and a mechanism to centrally monitor the accessibility of services for disadvantaged groups has not been established; therefore, the relevant data is scarce.

Common guidelines for government websites exist, except in North Macedonia, but government websites continue to contain many errors as there is no set standard to which they must comply, since there is no formal obligation for public administration websites to comply with the Web Content Accessibility Guidelines (WCAG). Montenegro has recently redesigned all ministerial websites, as shown below.

<sup>18</sup> Ligi, T. and A. Kmecl (2021), "Implementation of laws on general administrative procedure in the Western Balkans", SIGMA Papers, No. 62, OECD Publishing, Paris, p.9. <https://doi.org/10.1787/e5162057-en>. For Montenegro "Report on the conduct of administrative matters for the period 1 January 2020 to 31 December 2020, Ministry of Public Administration, June 2021: <https://www.gov.me/dokumenta/4f2a9033-a42e-416f-8830-e6ffe3b49702>.



**Table 5. Common standards and quality of government websites**

	ALB	XKV	MNE	MKD	SRB
Common content and design guidelines exist for government websites	✓	✓	✓	✗	✓
Web Content Accessibility Guidelines (WCAG) is a mandatory requirement	✗	✗	✓	✗	✓
Compliance of government websites with WCAG. Number of mistakes in 2017 compared to 2021.	14 -> 35	14 -> 30	13 -> 7	27 -> 35	26 -> 29

***The way forward***

- While service delivery has improved in the region, it requires political and administrative leadership to maintain sustainable progress and guarantee ownership to initiate and co-ordinate service delivery improvement initiatives.
- The harmonisation of the General Laws on Administrative Procedures with secondary legislation needs to be intensified and steered away from a too-often purely legalistic approach to be integrated with the simplification, digitalisation and re-engineering of processes plans.
- To increase the uptake of digital signature, governments in the region should continue to make digital signatures and e-payment more appealing by offering user-friendly solutions and promoting their use.
- Developing and monitoring service standards and tracking performance are a key challenge for the region. This should be a key focus in order to increase the use of general quality management instruments and tools in public institutions.
- The legal and policy framework to improve public service accessibility for people with special needs is in place in the region, but governments should take measures in co-operation with representative organisations of people with disabilities to implement, monitor, evaluate and communicate on the implementation of regulations to improve accessibility of on- and offline services.

# **Public financial management**

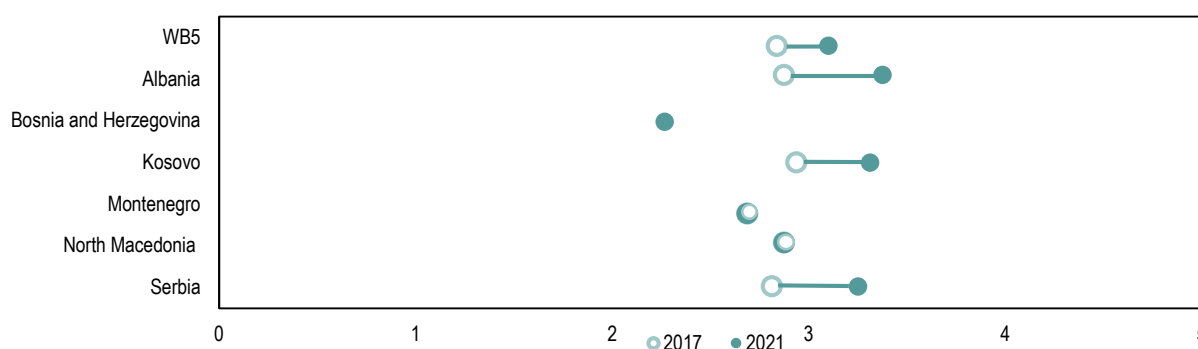
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## Regional summary

### State of play and regional trends

In the area of public financial management (PFM), there has been moderate progress across the region between 2017 and 2021<sup>19</sup>. The average indicator value increased from 2.8 in 2017 to 3.0 in 2021. Albania had the highest average indicator value of 3.4 in 2021, up from 2.9 in 2017, reflecting improvements in budget reporting, procurement legislation and operations. Closely following are Kosovo (2017: 2.9) and Serbia (2017: 2.8), which both progressed to a 3.3 average indicator value in 2021. Improvements are reflected mainly in both administrations' progress in budget management arrangements, although in Serbia the effectiveness of the external audit system showed good progress too. The average values in Montenegro (2.7) and North Macedonia (2.9) are unchanged since 2017.

**Figure 10. Modest regional progress in public financial management since 2017, although Montenegro and North Macedonia have shown no overall change**

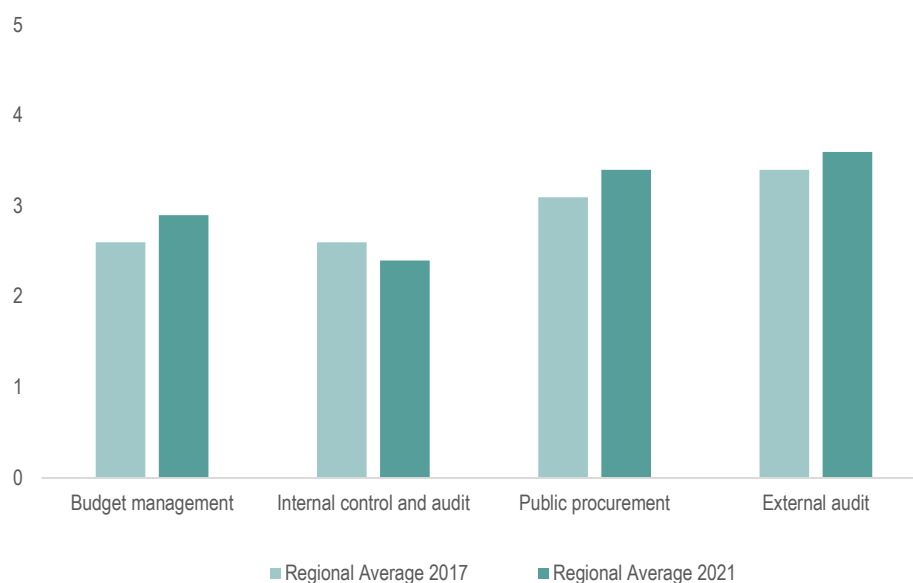


Note: Progress for the region is shown for all administrations except Bosnia and Herzegovina (WB5). SIGMA changed the method of calculating country-level indicator values for Bosnia and Herzegovina in 2021, making direct comparison with 2017 unreliable.

The modest overall progress in the PFM area average covers large variations across and within the four PFM sub-areas: budget management, external audit and public procurement have generally shown steady progress since 2017, but internal control and audit has regressed.

<sup>19</sup> The regional summary is based on the findings of the SIGMA monitoring reports of Albania, Bosnia and Herzegovina, Kosovo, Montenegro, the Republic of North Macedonia and Serbia. External audit data is not included for Bosnia and Herzegovina as the monitoring for this sub-area will be conducted in 2022.

**Figure 11. The public financial management sub-areas have shown improvement since 2017, with the exception of internal control and audit. External audit is the most advanced, followed by public procurement**



Overall, the regional average values show that external audit is the most advanced, as was the case in 2017, with an average value of 3.6, followed by public procurement (3.4) and budget management (2.9). The weakest area remains internal control and audit, which has an average value of 2.4. Serbia's sub-area average of 4.5 in external audit was the highest registered across all sub-areas, followed by Albania with 4.2 in public procurement.

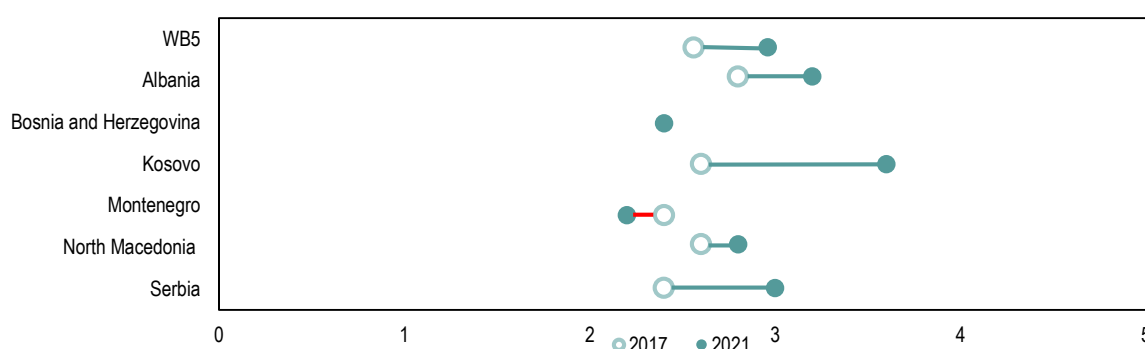
Two dimensions of public procurement recorded both the highest absolute values and highest increase in values on average across all 52 composite indicators: a) quality of legal framework and b) competence of the complaints-handling system, which both had indicator values of 4.4 out of 5. On the other hand, the support of public procurement offices to contracting authorities and economic operators to strengthen the professionalisation of procurement operations deteriorated significantly since 2017. The weakest sub-area of PFM in all administrations is internal control and audit where the value of 'functioning of internal control' fell on average from 1.2 in 2017 to 0.6 in 2021. Better mitigation of fiduciary risk through greater managerial accountability and internal control systems is paramount to improving internal control and audit systems. In comparison, budget management systems perform much better and the trend is upwards, particularly in the development of medium-term budgetary frameworks and reporting on budget implementation. External audit has shown modest improvement from an already high level of performance in 2017. Supreme audit institutions (SAI) are generally sufficiently independent to carry out their mandate, but their effectiveness could be further strengthened if state bodies were more responsive in implementing their recommendations and parliaments provided stronger support.

## Budget management

There has been some improvement in budget management in the Western Balkan region, with the average indicator value increasing from 2.6 in 2017 to 2.9 in 2021.

Kosovo had the highest average of 3.6 in 2021, showing solid progress since 2017 when the average was 2.6. The average of Albania increased to 3.2 in 2021 from 2.8 in 2017. Serbia's area average increased by 0.6 to 3.0. North Macedonia also showed progress, while Montenegro showed some backsliding with a decrease of 0.2.

**Figure 12. Modest regional progress in the budget management area since 2017, with Albania, Kosovo and Serbia improving and Montenegro showing some minor deterioration**



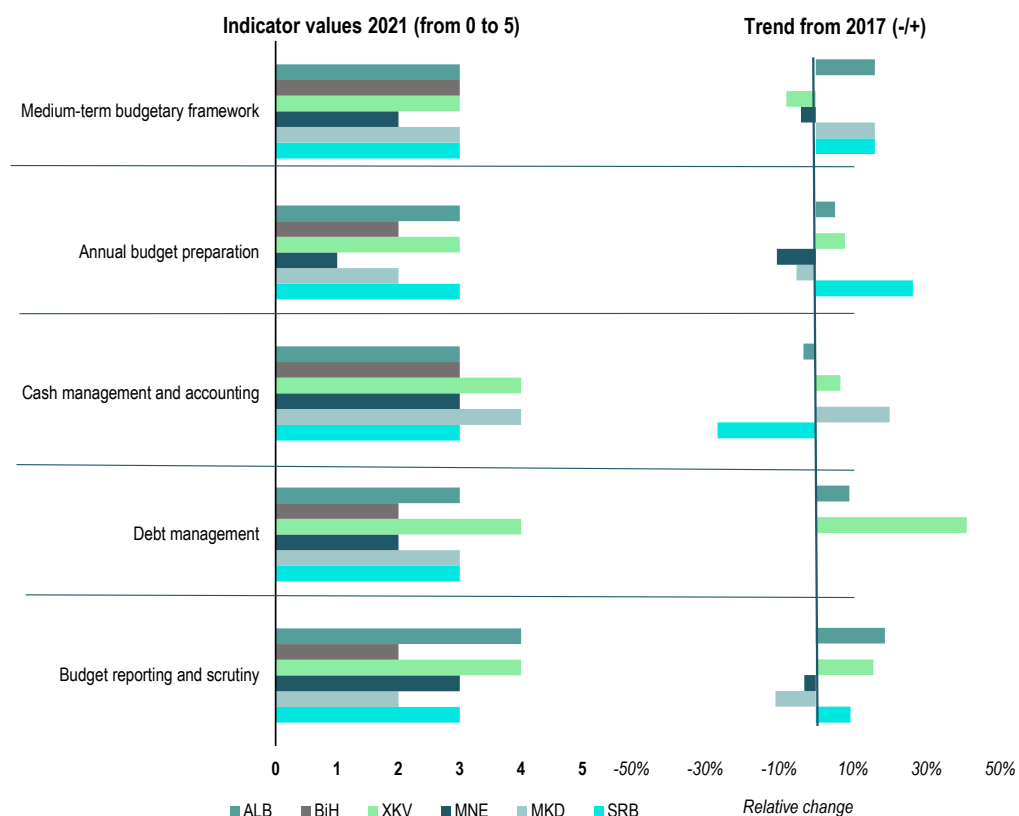
Note: Progress for the region is shown for all administrations except Bosnia and Herzegovina (WB5). SIGMA changed the method of calculating country-level indicator values for Bosnia and Herzegovina in 2021, making direct comparison with 2017 unreliable.

The budget management sub-area covers the quality and credibility of the medium-term budget framework (MTBF) and annual budget process, reliability of budget execution and accounting practices, quality of public debt management, and transparency and comprehensiveness of budget reporting and scrutiny.

There has been improvement in all dimensions compared to 2017, with the 2021 regional value close to a solid 3 except for 'annual budget process', which has a regional average of 2.4.

The most significant improvements are in the indicators for the quality of the MTBF and the transparency and comprehensiveness of budget reporting, with the regional averages for both increasing in 2021 by 0.4 to 2.8 and 3 respectively, due to general improvements in the MTBF documentation and in the quality of the reporting on the use of public finances. While the regional trends are positive, the improvements are generally in specific areas in individual administrations rather than in consistent areas across the region. For example, in Figure 4 the improvement in the medium-term and annual budget process in Serbia is noticeable, although this is tempered by the deterioration in budget execution and accounting practices. In Kosovo, the debt management practices have shown significant improvement.

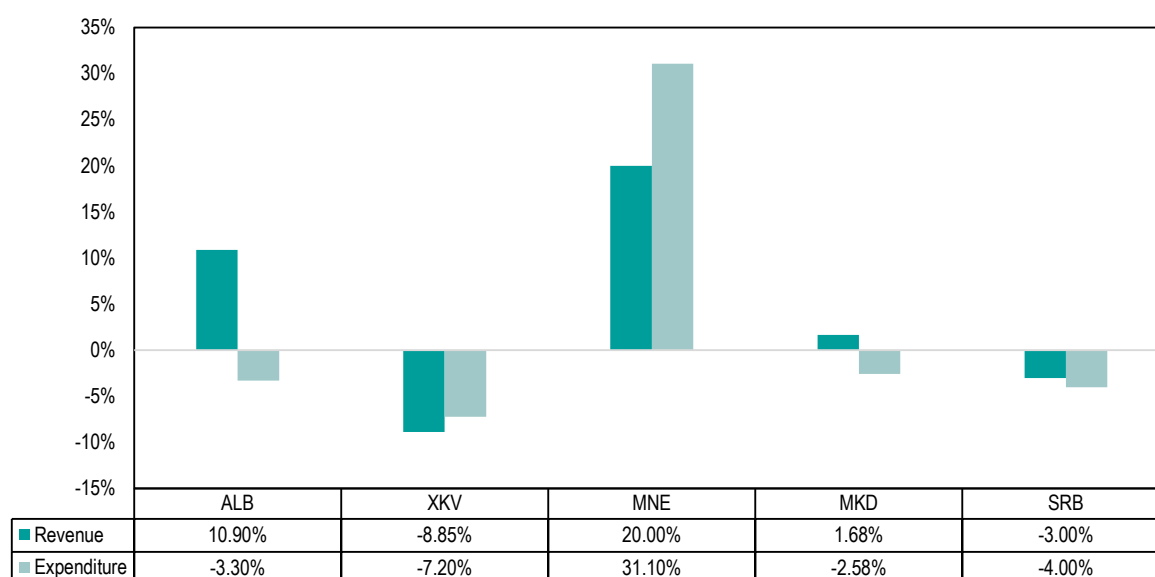
Figure 13. Budget management has improved in 2021 compared to 2017, with all indicators showing modest progress; in particular, the quality of the medium-term budget frameworks and budget reporting showed the strongest and most consistent improvement in performance



*The quality of MTBF and annual budget processes have been strengthened but there is room for improvement, including in the credibility of the revenue and expenditure plans*

All administrations have established MTBFs and, compared to 2017, there have been some improvements in how these have been implemented. A number of shortcomings require improvement, however, and the credibility of the medium-term plans still needs to be improved, as shown in Figure 5; the differences between the forecasts in the medium-term budgets and the actual outturns are highlighted.

**Figure 14. Difference between the 2019 revenue and expenditure outturns and the forecasts in 2018-2020 medium-term budget frameworks**



Source: Figures are for the central government. Planned figures are from the relevant MTBF. Outturn data is from the annual financial/budget execution statement<sup>20</sup>.

In particular, there is incomplete integration of the MTBFs, with sector strategies limiting their strategic policy role; the ceilings for years two and three are generally not firmly established; and there is limited engagement of parliament. Fiscal rules/targets for deficit and debt have generally been established across the region, although in Montenegro and Serbia they were not complied with in 2020. At present only Serbia has established an independent fiscal council to provide oversight of the Government's fiscal plans.

Except for Kosovo and Serbia, there are still challenges in the alignment of the annual budgets with the MTBF. Compliance with the budget calendar continues to be an issue in Bosnia and Herzegovina, Montenegro, North Macedonia and Serbia, with examples of delays identified in both 2019 and 2020. In the case of Bosnia and Herzegovina (State level) and Montenegro, temporary financing arrangements had to be implemented at the beginning of 2021 due to delays in preparing the budget, which in Montenegro's case was caused by the parliamentary elections at the end of 2020. It is also clear that parliaments do not have sufficient time to review and debate the budgets, and that parliamentary scrutiny is an area where significant improvement is still required.

As highlighted in Figure 6, the quality of the budget documentation is an area where further improvement is required particularly in Kosovo, Montenegro and Serbia. The information provided needs to be improved, including on new policy initiatives, contingent liabilities and non-financial performance information.

<sup>20</sup> The values were determined on the basis of 2019 data due to the COVID-19 pandemic in 2020.

**Figure 15. There are gaps in the quality and transparency of budget documentation across all administrations, with Serbia in particular having a number of areas that need to be improved**

	ALB	XKV	MNE	MKD	SRB
The budget documentation sets out the macroeconomic and fiscal assumptions on which the budget is based	●	▶	●	●	●
The budget documentation provides, on the basis of the European System of National and Regional Accounts (ESA), medium-term projections for general government balance, revenue and expenditure	●			●	
The budget documentation indicates the latest estimates of the budget balance, revenue and expenditure of the current year for comparison	●	●	▶	●	
The budget documentation links appropriations to administrative units (first-level budget organisations at a minimum)	●	●	●	●	●
The budget documentation provides information on new policy initiatives	▶				
The budget documentation provides information on contingent liabilities	●				
The budget documentation provides long-term projections (five years or more) for at least the two largest expenditure areas					
The budget documentation presents links between the budget and the government's policy objectives for the upcoming year and provides non-financial performance information	◀	▶	▶	●	◀

Note: A green triangle denotes that this criterion was not fulfilled in 2017 but was in 2021. A red triangle shows where the criterion was fulfilled in 2017 but no longer in 2021.

The quality of budgeting for capital investment projects, including the processes for appraising projects, is still limited. The credibility of the revenue and expenditure plans in the annual budgets improved in Serbia, but has decreased in Kosovo and Montenegro.

### ***Budget execution and accounting practices are well-established, but cash flow forecasting and the management of arrears need improvement***

Budget execution and accounting practices, including cash and commitment management, are generally well-established and have continued to be strengthened since 2017, although there are still deficiencies in cash flow forecasting and planning across the region. Additionally, with the exception of North Macedonia, the management of expenditure arrears has not improved since 2017, with the availability and quality of data on arrears and the level of arrears remaining significant issues.

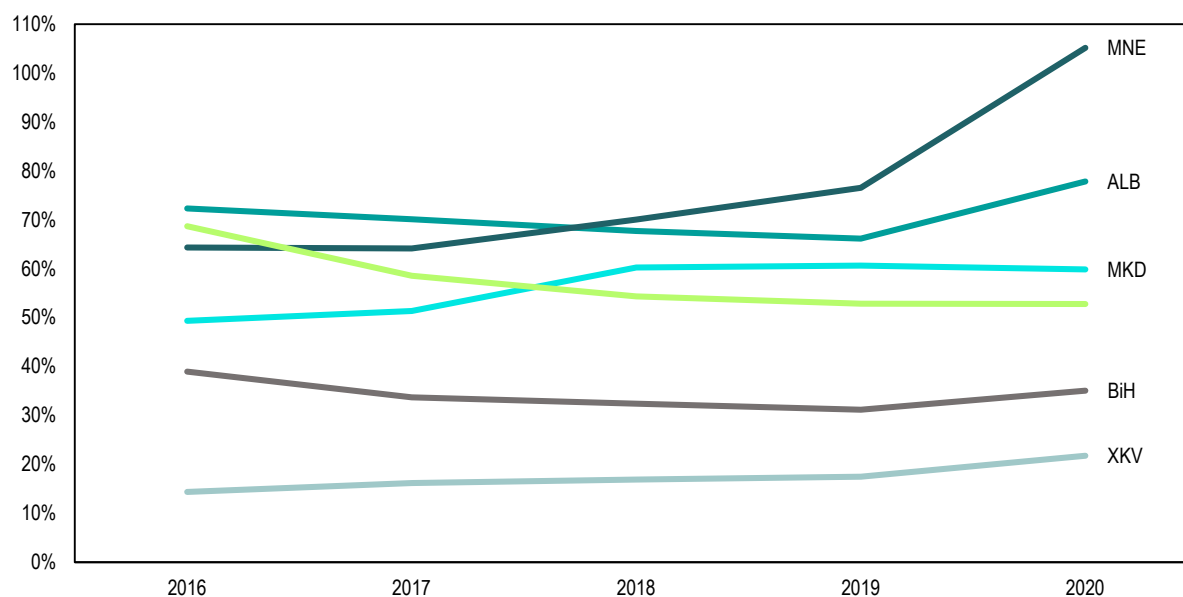
### ***Debt management practices are well-established, but further steps need to be taken to manage exposure to exchange and interest-rate risks***

Across the region, the quality of debt management has remained stable since 2017, with only Kosovo showing improvement. Appropriate legal frameworks and systems, debt strategies and transparent debt reporting are generally in place. However, the risk profiles of the debt portfolios in Albania and Montenegro are higher. There is exposure to foreign-exchange and interest-rate risks, leaving them more vulnerable to exogenous shocks.

While the level of government debt as measured as a percentage of gross domestic product (GDP) had been on a downward path for a number of administrations since 2017, it increased across the region in 2020 due to the impact of the COVID-19 pandemic. While debt levels were maintained within the target levels in Albania, Kosovo and North Macedonia, they diverged in Montenegro and Serbia. Montenegro in particular has seen a significant rise in the level of public debt and divergence from the planned levels in 2019 and 2020, rising to 105.2% of GDP in 2020, due to both increased nominal debt and the fall in GDP owing to the macroeconomic impact of COVID-19.



**Figure 16. The level of government debt, as a percentage of GDP, increased in Albania, Bosnia and Herzegovina, Kosovo and Montenegro in 2020, although in Bosnia and Herzegovina and Kosovo it increased from a lower base. Debt levels are on a downward path in North Macedonia and Serbia**



Overall, there has been some improvement in the transparency and comprehensiveness of budget reporting and scrutiny across the region compared to 2017. However, there are still areas for improvement. With respect to the in-year and annual reporting of the governments, there is no consistent reporting on assets and liabilities, commitments, and deviations from the budget, amongst other things. Additionally, with the exception of Albania, there is no systematic monitoring or reporting on fiscal risks. The quality of reporting on state-operated enterprise activities and their financial positions remains a challenge in all administrations, generally not being very systematic and, as result, the fiscal risks they pose are not clear or transparent. With respect to local governments, annual financial reporting is undertaken across the region, although the requirements for them to be audited varies significantly.

The financial reports of the governments on the use of public finances that were submitted to parliament were of an appropriate quality, receiving unqualified audit opinions from the respective SAIs except in North Macedonia. These reports, along with the SAIs' reports, were also submitted to the parliaments in line with the required time frames. The subsequent parliamentary discussions on the SAIs' reports were generally timely and consistent with the 2017 assessment, although there were some delays in Montenegro as a result of the COVID-19 pandemic, and in the case of Albania there was no parliamentary hearing to discuss the SAI's report.

### *The way forward*

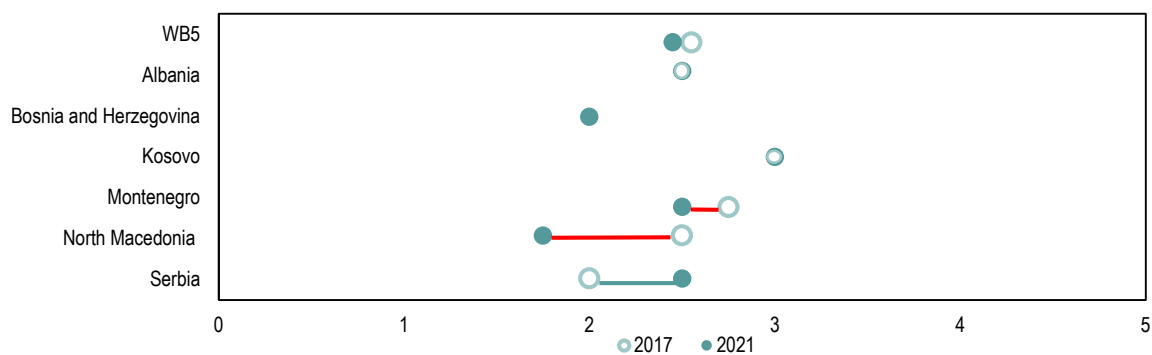
- Improve the alignment and integration between financial planning, sector strategies and overall government policy planning.
- Improve budgetary forecasting and planning to produce more credible and reliable medium-term and annual budgeting, and establish independent fiscal institutions to provide oversight of the governments' fiscal plans.
- Formally scrutinise in parliament the medium-term budget plans, with three months to examine annual budget plans in line with good practice.
- Implement capital-investment planning and monitoring systems to ensure the appropriate appraisal and prioritisation of projects, and monitoring of their implementation.
- Bring debt levels back in line with target levels and minimise risk exposure of the debt portfolios to exogenous shocks.

## Internal control and audit

The indicators for internal control and audit show a mixed picture in 2021, with relatively solid operational and regulatory frameworks but with the implementation in practice being weaker. In particular, the functioning of internal control in practice is rudimentary and deteriorated from an already low base in 2017.

As previously highlighted, the sub-area average for internal audit and control shows some backsliding across the region, with the average decreasing from a relatively low base of 2.6 in 2017 to 2.4 in 2021. Kosovo had the highest average value of 3, the same as in 2017. The only administration to show an improvement was Serbia, with an increase of 0.5 in 2017 to 2.5 in 2021. The sub-area average for both Albania and Montenegro was also 2.5, but in the case of Albania this was the same as in 2017 while for Montenegro it was a decrease of 0.2. North Macedonia had the lowest value of 1.85, a decrease of 0.7 from the 2017 value.

**Figure 17. There has been a small deterioration in the regional position for internal control and audit since 2017. Serbia is the only administration to improve, with Montenegro and North Macedonia backsliding**

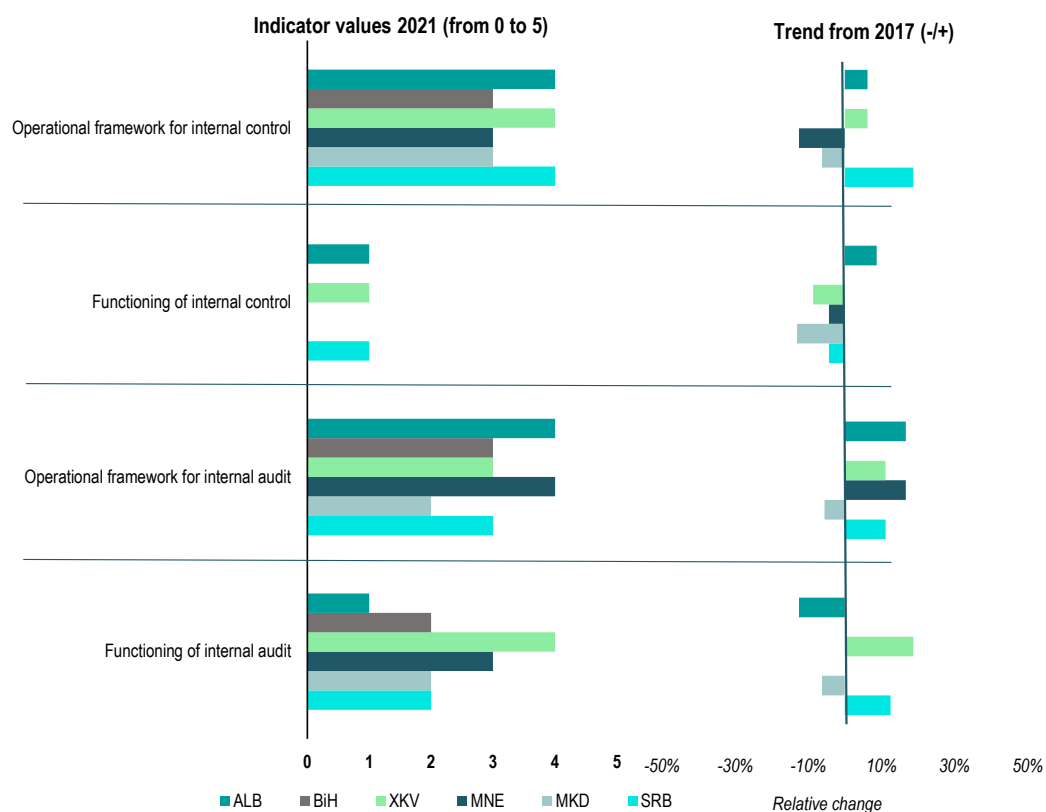


Note: Progress for the region is shown for all administrations except Bosnia and Herzegovina (WB5). SIGMA changed the method of calculating country-level indicator values for Bosnia and Herzegovina in 2021, making direct comparison with 2017 unreliable.

The internal control and audit sub-area examines the operational framework and the functioning of internal control and internal audit. The operational framework considers the legal and regulatory framework, along with the planning and monitoring arrangements in place to strengthen implementation of public internal financial control (PIFC), while the functioning reviews how internal control and audit are implemented in practice.

“Operational framework for internal audit” is the only indicator to show improvement, with a regional value of 3.2 in 2021 compared to 2.8 in 2017. “Functioning of internal audit” remained broadly consistent with 2017, with a value of 2.3. However, “Operational framework for internal control” and “Functioning of internal control” both decreased, with the operational framework indicator marginally falling by 0.3 to 3.5 in 2021, mainly due to the revised plans for the development of internal control and audit in Montenegro not being finalised. “Functioning of internal control” decreased from a low base of 1.2 in 2017 to 0.5 in 2021, with no administration showing improvement in the implementation of internal control and managerial accountability, and Kosovo, Montenegro and North Macedonia all backsliding.

**Figure 18. Internal control has deteriorated compared to 2017, particularly in the effective functioning or implementation of internal control, which was already at a low base. Internal audit has shown modest improvement in the majority of administrations in both the framework and its functioning**



***The internal control regulatory and operational frameworks are largely in place, but their functioning in practice and the implementation of managerial accountability are limited and need significant improvement***

In general, all administrations have established well-developed legal and operational frameworks for internal control, which are aligned to requirements for PIFC. Central harmonisation units (CHU) are established to support the implementation of PIFC, and the plans for the development of financial management and control (FMC) and managerial accountability, along with regulations and guidelines for implementation, are largely in place in all administrations. The CHUs have established review and reporting arrangements to monitor and evaluate the implementation of FMC.

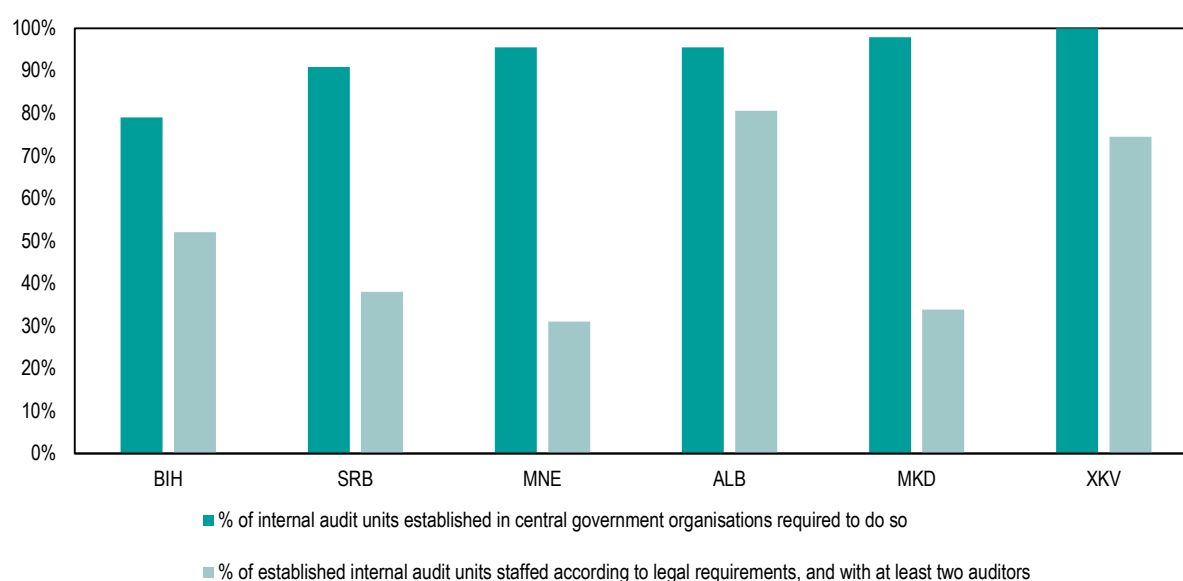
The effective implementation of internal control and the application of appropriate rules and procedures in budget organisations are weak in all administrations, however, lagging well behind the development of the regulatory framework. The development and implementation of effective managerial accountability and the level of delegation of decision-making authority are very limited, as is the development of performance management and monitoring arrangements, including the setting of clear objectives. This is exacerbated by the high number of first-level budget organisations that are not ministries or constitutional bodies, reducing managerial accountability at the government level as sectoral ministries are bypassed.

While there have been minor improvements in certain aspects of internal control systems in some administrations, it is clear that across the region a number of areas still need to be further developed including risk management, the management of arrears, reporting on irregularities, and monitoring and reporting on the financial and physical progress in capital projects.

***The regulatory and operational frameworks for internal audit are generally established, but the organisational capacity of internal audit needs further strengthening and its impact improved***

The regulatory framework for internal audit is well-developed in all administrations, with the requirement for internal audit work to be conducted in accordance with the international professional practice framework. The development of internal audit is a fundamental element of the PIFC development plans. The regulatory frameworks are generally supported by operational guidance. All administrations organise internal audit on a decentralised basis and, with the exception of North Macedonia, there has been a general improvement in internal audit organisational capacity, with internal audit units being established. Nevertheless, significant issues remain with the staffing of units, with many not meeting the minimum requirements established and many having only one member of staff, making it impossible to comply with the requirements of international standards.

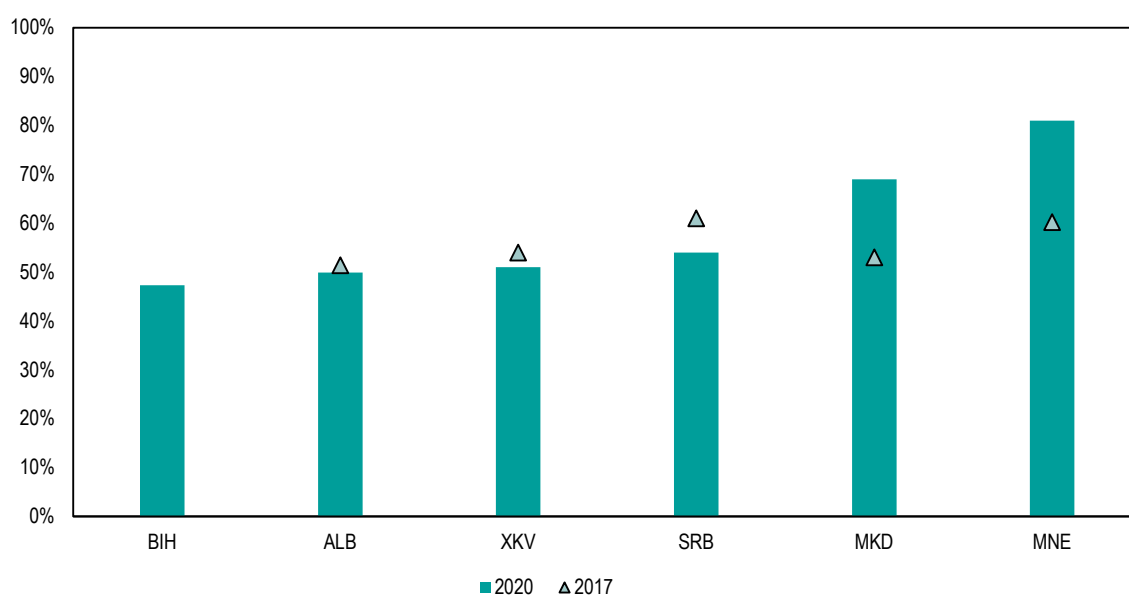
**Figure 19. There is a general improvement in the establishment of internal units in central government, but issues remain in effectively staffing those units**



Quality assurance systems for internal audit have been established in Albania and Montenegro, but this is a significant area where further development is required in the other administrations.

Internal audit units generally prepare strategic and annual audit plans that are in line with national legal requirements and based on a risk assessment. Audit reports are broadly prepared in line with the relevant requirements and manuals, but there is still a limited focus on value-for-money issues. In addition, the implementation rate of internal audit recommendations remains low, limiting the impact.

Figure 20. Internal audit recommendations implemented within one year remain low, with the exception of Montenegro



### *The way forward*

- Work with centre-of-government institutions to establish plans to support the implementation of managerial accountability.
- Develop strategies to ensure that the organisation and staffing of internal audit units is developed, in order to enable the efficient and effective delivery of internal audit services in line with international standards.

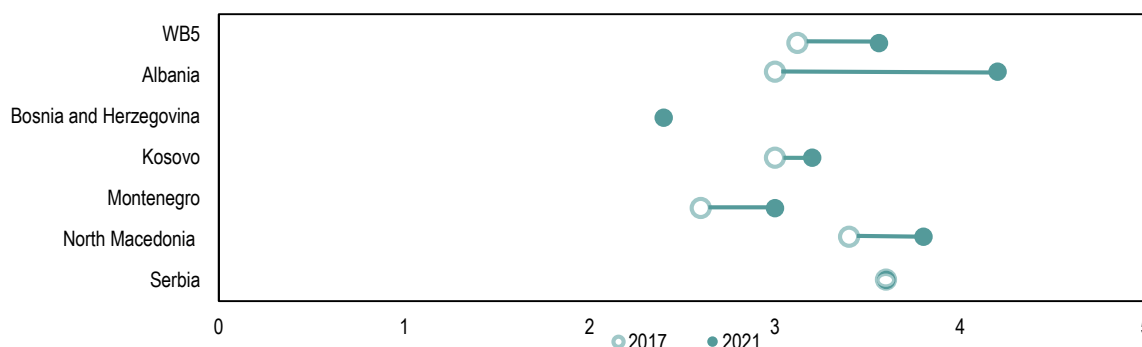
## Public procurement

### *There have been a number of developments in the region as regards to public procurement since 2017*

Overall in the region progress has been made, but public procurement systems need to further improve, in particular with regard to the procurement practice.

The 2021 average indicator was 3.37, up from 2.96 in 2017.

**Figure 12. Regional average indicators in 2021 as compared with 2017**

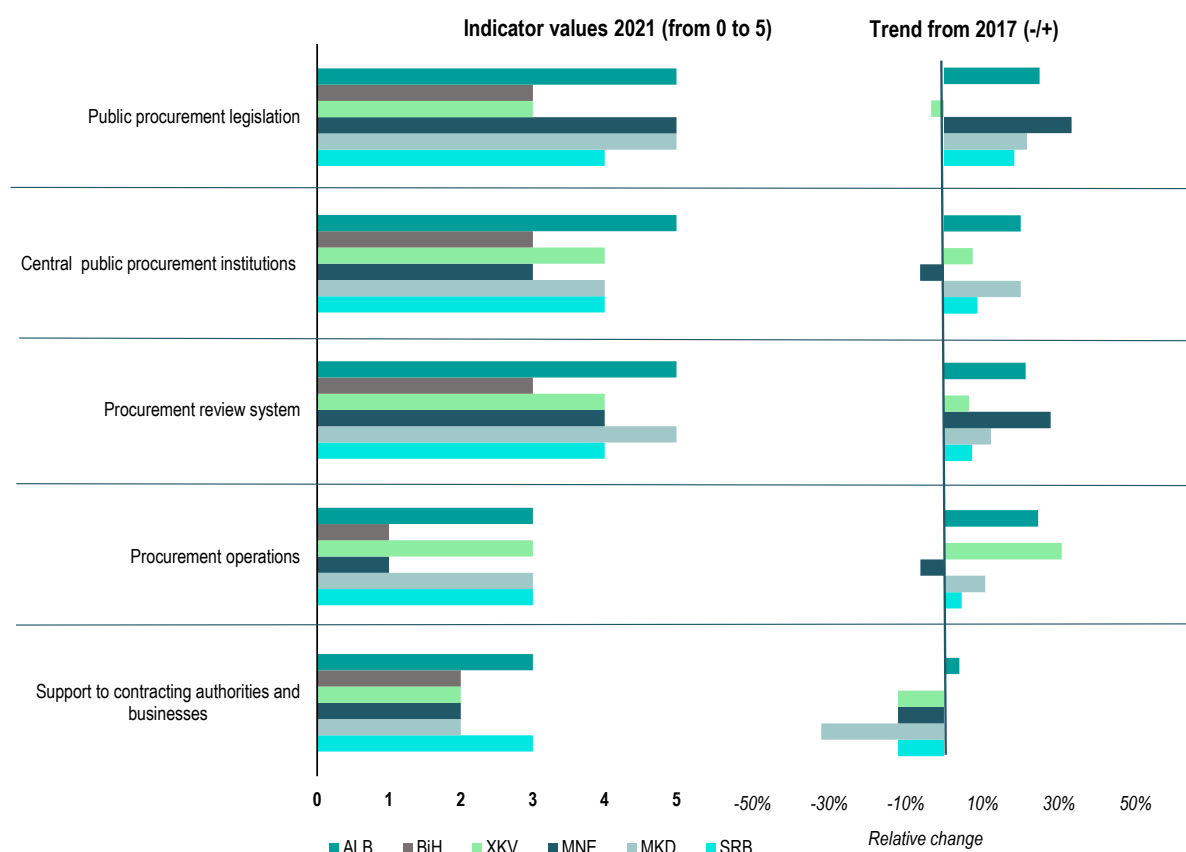


Note: Progress for the region is shown for all administrations except Bosnia and Herzegovina (WB5). SIGMA changed the method of calculating country-level indicator values for Bosnia and Herzegovina in 2021, making direct comparison with 2017 unreliable.

The greatest improvement was made in the “Public procurement legislation”, where the average indicator in 2021 was 4.16, up from 3.16 in 2017 due to the reform of public procurement legislation and implementation of European Union (EU) Directives in public contracts, concessions/PPP and defence procurement. Clear progress is shown in “Procurement review system”, where the average indicator increased from 3.33 in 2017 to 4.17 in 2021. Here the improvement is due to the increase of quality, timelines and independence of the review systems (strengthening of administrative capacities of procurement review bodies [PRBs], better adherence to time limits in decision making, improved quality of rulings). Also, some progress took place regarding “Central procurement institutions”: the indicator is 3.83 in 2021, compared to 3.33 in 2017. Finally, some progress has been noted with regard to “Procurement operations” but the 2021 value of 2.33, albeit much better than in 2017 (1.83), is still unsatisfactory. On the other hand, a regression was observed in the “Support to contracting authorities and businesses”: the average indicator is 2.33 in 2021, down from 3.16 in 2017, attributable to the fact that training materials and other operational tools in most cases have not been updated since the new laws were adopted in most Western Balkan administrations.

As Figure 13 shows, there are administrations that can be considered regional “champions”, those with moderate progress and those lagging behind.

Figure 13. Administration “champions”, those with moderate progress and those lagging behind



***New strategic policy instruments have been adopted, and legal frameworks have significantly improved and are now mostly harmonised with EU requirements***

New strategic policy instruments related to public procurement have been adopted or are at the stage of finalisation across the region. Multi-year strategies or action plans comprehensively covering issues of public procurement, including PPPs and concessions (Albania, Montenegro, North Macedonia and Serbia), are or will be very soon in place. They deal with improvements of legislative frameworks, strengthening of administrative capacity, increasing the efficiency of legal protection measures and combating corruption and conflicts of interest.

In general, the administrations have good legislative frameworks in this field: most have recently adopted new public procurement laws implementing provisions of 2014 EU public procurement Directives, both for classical as well as utilities contracts. Albania, Montenegro, North Macedonia, and Serbia adopted new public procurement laws (PPLs) in 2019 and 2020. New PPLs are characterised by a high level of EU compliance, with only a few cases of minor inconsistencies or shortcomings. Examples of provisions that do not fully correspond to EU requirements are related, for example, to additional grounds for exclusion of economic operators and application of “blacklists” of economic operators – the automatic exclusion on the basis of decisions of Public Procurement Offices (PPO) for a certain time period, due to, for instance, a withdrawal by the winning bidder from signing the contract (in Albania and North Macedonia), a lack of solutions concerning self-cleaning of economic operators (in North Macedonia) or limitations concerning the share of contracts covered by subcontracting (in Albania).

The new PPLs provide for equal treatment of economic operators regardless of their origin and require respect of other fundamental EU principles. In cases where public procurement rules in the past provided for domestic preferences, those preferences either have been removed from new procurement provisions (Serbia) or, after expiry of relevant implementing regulations, new ones have not been (so far) issued (Bosnia and Herzegovina). In some cases, on a temporary basis, domestic preferences were increased or introduced in the framework of solutions related to fighting the consequences of the COVID-19 pandemic (Bosnia and Herzegovina, Kosovo).

In some instances, however, this generally positive view concerning EU compliance of public procurement law is affected by the adoption of, in addition to general PPLs, specific regulations addressing some types of procurement, usually major infrastructure linear constructions of large value (Serbia) or constructions executed in the aftermath of the earthquake (Albania). Those procurement rules provide for a number of exceptions from general public procurement rules concerning time periods, documentary evidence and rules on procurement review, and are not consistent with EU rules.

Compliance with EU requirements in the field of PPPs and concessions is not very advanced, but at least relevant rules now comply with basic EU standards in that field and some administrations have recently adopted new provisions transposing the Concessions Directive (Montenegro).

Most of the administrations in the region have also implemented provisions concerning procurement in the field of defence and security by adopting separate laws and/or implementing regulations transposing provisions of EU Defence and Security Procurement 2009/81 (Albania, North Macedonia and Serbia).

***The institutional set-up is solid, with well-developed electronic procurement tools. Support to contracting authorities and economic operators is insufficient. There is a need to adopt or update training materials following a significant update of procurement rules***

Everywhere, there is a solid institutional set-up at the central level with PPOs or public procurement agencies (PPAs), either as separate institutions (Albania, Bosnia and Herzegovina, Kosovo, Serbia) or within the framework of Ministries of Finance (Montenegro, North Macedonia). PPOs/PPAs perform all central procurement functions required by EU rules related to legislation, monitoring and reporting of functioning of public procurement systems, control of legal compliance with rules and advice, training and other support to contracting authorities and, to a certain, degree, to economic operators. Professional support offered by PPO/PPAs to contracting authorities and economic operators is still insufficient as regards in particular complex procurement/PPPs, and contracting authorities need their capacity to be strengthened. In cases where public procurement provisions have been recently modified (new PPLs were adopted), only basic information about new rules was provided and new operational tools such as manuals, guidelines and other practical tools are not yet generally available.

Everywhere in the region electronic procurement is well-advanced, with new or significantly improved public procurement portals managed by PPO/PPAs, enabling fully electronic communication between contracting authorities and bidders, including electronic submission of tenders. In particular, new public procurement portals have been recently established in Montenegro and Serbia, thanks to support from EU funds by means of technical-assistance projects. Already existing electronic procurement tools are being upgraded in Albania, Kosovo and North Macedonia. In some cases, work is very advanced in order to introduce solutions enabling the application of electronic measures in legal-protection procedures (submission of appeals to review bodies in Albania) as well as monitoring and management of contracts (also in Albania). In all administrations, there is room for wider use of centralised procurement.

***Independent review mechanisms and offices are in place. Transparency of the review process has been improved, as well as timeliness of review and quality of rulings of review bodies***

Independent review mechanisms are in place everywhere, with solutions, provisions and procedures to a high degree harmonised with requirements of the EU Procurement Review Directives. Everywhere in the region there are independent PRBs responsible for review of appeals submitted against decisions of contracting authorities by aggrieved economic operators. PRBs are composed of members chosen in transparent and selective procedures and are appointed mostly by parliaments (or by the Government in Montenegro) for five-year terms. The number of PRB members (including their presidents) varies from 5 (Albania, Kosovo, North Macedonia), 7 (Montenegro), 9 (Serbia) and up to 17 in Bosnia and Herzegovina. Bosnia and Herzegovina is a case apart since it has in fact three procurement offices (the main office and two branch offices with separate remits and responsibilities) and, unlike elsewhere in the region, at the end of June 2021 it had more members than supporting staff.

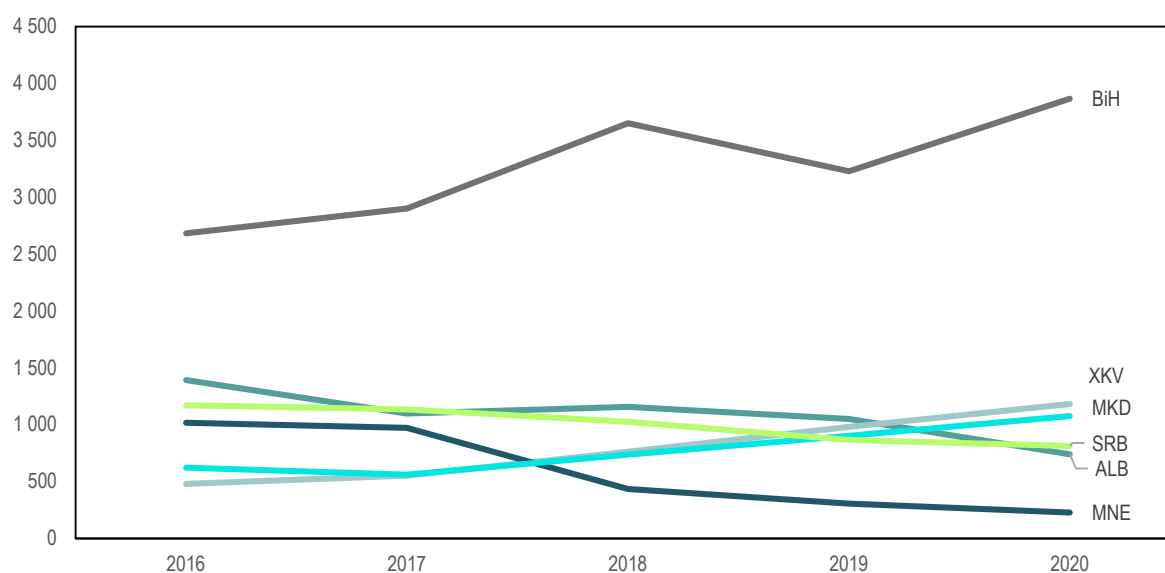
Transparency of the review process has been improved. In Bosnia and Herzegovina, the lack of a website was finally resolved and the PRB now has its own, separate from the PPA ([www.urz.gov.ba](http://www.urz.gov.ba)), although its



rulings are not published there but rather on the e-procurement portal. In Albania, transparency of the review process has been greatly increased thanks to the implementation of the e-appeals system (“E-ankesa”, [www.kpp.al](http://www.kpp.al)), similar to solutions applied for example in North Macedonia.

The number of submitted appeals has been growing in recent years in Bosnia and Herzegovina, Kosovo and North Macedonia. In the other three administrations, the opposite trend is clearly visible, with the most drastic decreases in Montenegro and Serbia (interestingly, the last two administrations have the largest procurement review offices in the region, if Bosnia and Herzegovina with its special set-up is not counted).

**Figure 14. Comparison of the number of submitted appeals in the region, 2016-2021**



Proceedings leading to the adoption of rulings by the PRB are generally quick and efficient: PPLs require rulings to be adopted within 15 days in North Macedonia and 30 days in other administrations (with the possibility to further extend in particularly complicated cases). The decisions of PRBs may then be appealed to a court, which acts as a second-instance review body. Rulings adopted by PRBs are of generally good quality, and the share of cases overturned by courts as a result of complaints amounts to only a few percent.

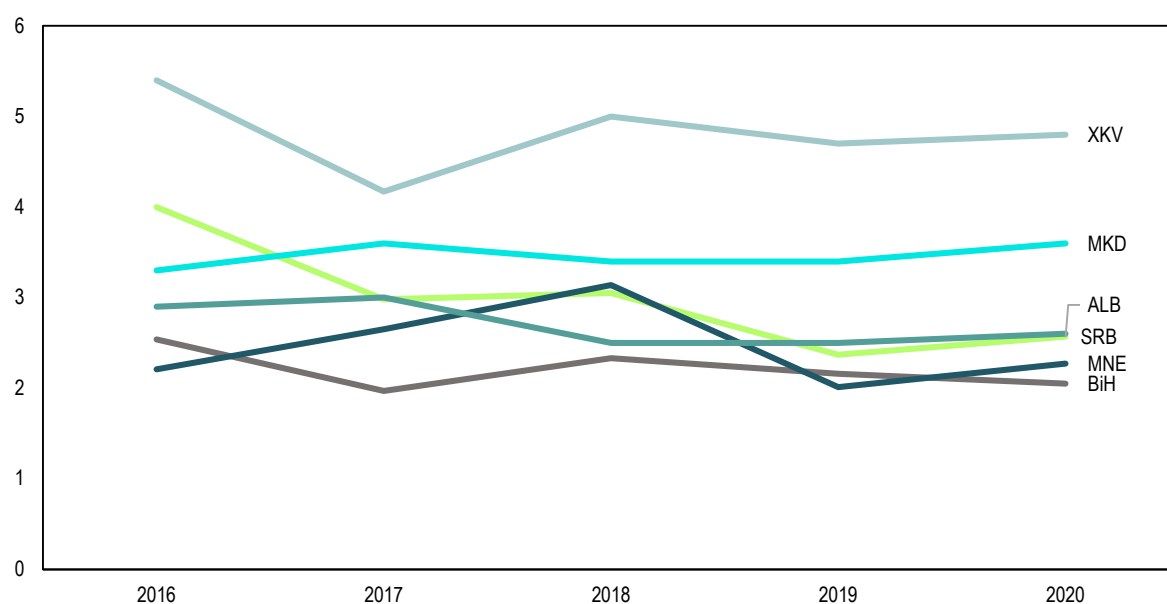
***Public procurement remains a significant part of the economy, but competition for public contracts remains weak and the lowest price is still a predominant factor in the selection of the best bids. Open procedure is the most often used method of awarding contracts; multi-staged procedures are rarely used. There has been an increase in the application of non-transparent and non-competitive procedures***

The value of the public procurement market represents 6-13% of GDP and has diminished in some cases since the beginning of the COVID-19 pandemic.

A characteristic of all administrations is low competition in public procurement procedures. The average number of bids submitted in the region in 2020 amounted to 2.98 tenders per procedure, varying from 2.05 in Bosnia and Herzegovina to 4.8 in Kosovo, with a median value of 2.58.

Figure 15 shows that the average number of tenders remains practically unchanged in most of the administrations over the past years, despite all the efforts to increase transparency of public procurement provisions (reform of public procurement legislation, establishment of e-procurement tools), simplify proceedings and remove barriers to access bidding opportunities (including for small and medium-sized enterprises).

Figure 15. Competition on the public procurement market in terms of average number of bids per procedure 2016-2021

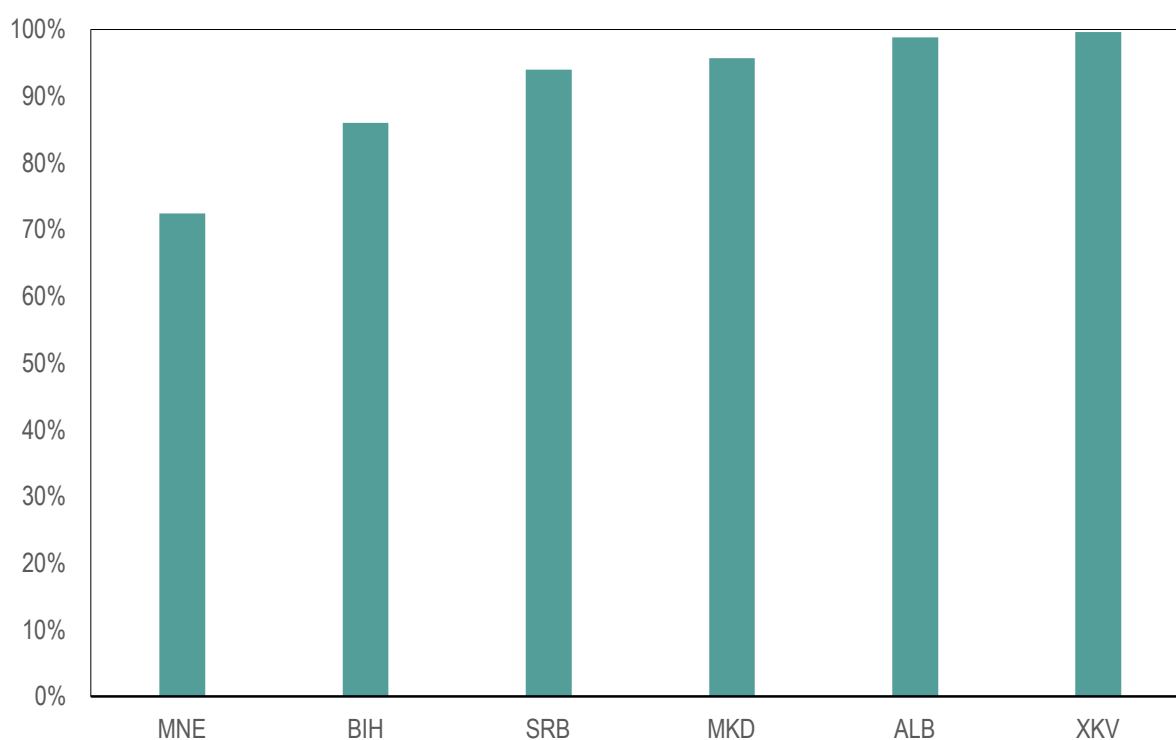


More bids are submitted, however, in response to a call for competition concerning simplified procedures for small-value contracts (in particular in Albania: 11.6).

In all administrations, open procedure is the most often used public procurement procedure, although in terms of, for example, value of contracts awarded in the negotiated procedure without publication of a notice is increasing, mainly as a result of the application of measures to fight the effects of the COVID-19 pandemic (for example in Serbia). Also worrisome is the increased number of cases where the PPL is not applied on the basis of exemptions from the PPL or because special procedures are applied, based on either separate laws or international agreements with third administrations (Serbia). Multi-stage procedures involving separate qualification and bidding stages are very rare. Certain procedures and tools such as Innovation Partnerships, competitive procedures with negotiations or dynamic purchasing systems are not used yet, or very rarely. In turn, an increase in the number of framework agreements has been noted, and centralised procurement is gaining more relevance: new central purchasing bodies have been established and new rules on centralised procurement have been adopted (for example in Albania). There are also cases where central purchasing is not as effective (Montenegro).

Notwithstanding the adoption of new provisions on contract-award criteria which promote the application of the best price quality ratio or limit the application of the lowest price criterion, price remains by far the most common factor for the selection of the best tender. In cases where the PPLs give freedom to contracting authorities to choose between the price-only criterion and the best price/quality ratio, the price criterion is predominantly applied, from 86% of procurement procedures in Bosnia and Herzegovina to 99.63% in Kosovo. Only in Montenegro, where the PPL gives preference to a price/quality criterion, did the share of price-only fall to 72% (in 2020 the new PPL was applied only for half of a year, however, so this share, valid for the whole 2020, should fall more in the coming years).

**Figure 16. Frequency of use of price as the only selection factor**



### ***The way forward***

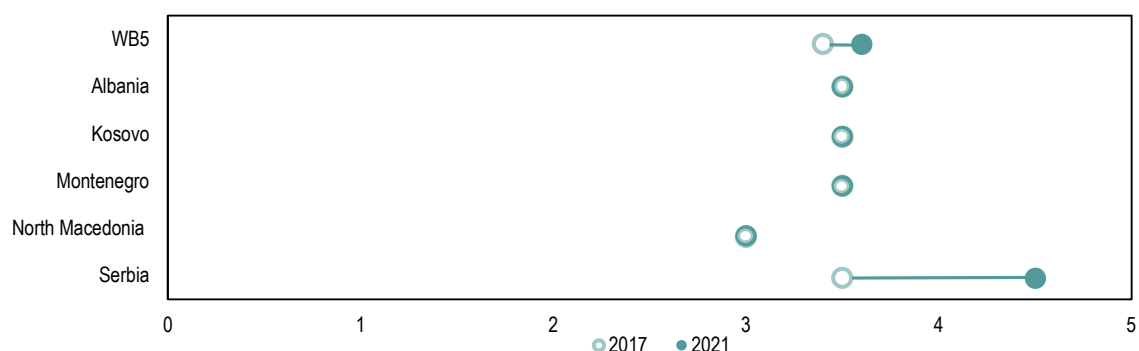
- Harmonisation of public procurement legislation (including PPPs and concessions) with EU legislation should be completed.
- Comprehensive and updated public procurement manuals, covering all stages of the procurement process and addressing in a practical and useful way the real-life issues identified by stakeholders, need to be produced.
- While acknowledging the need for independence, the central procurement institutions (including the review bodies and state audit) need to establish permanent and efficient mechanisms to co-ordinate interpretation of procurement legislation.
- The central procurement institutions (including those for PPPs and concessions) should be properly resourced, in order to be able to satisfactorily perform all their statutory functions.
- Transparency of the review process should be enhanced (in particular to improve smart online access to decisions of the review bodies).

## External audit

In the sub-area of external audit, there has been modest progress from a reasonably high base in the Western Balkans, with the average indicator value increasing from 3.4 in 2017 to 3.6 in 2021.

Serbia had the highest average value of 4.5 in 2021, indicating good progress since 2017 when the average was 3.5. The averages of the other administrations have not changed since 2017, with Albania, Kosovo and Montenegro having an average indicator value of 3.5 and North Macedonia an average of 3.0.

**Figure 21. Modest regional progress in the external audit area since 2017, with only Serbia showing significant change**

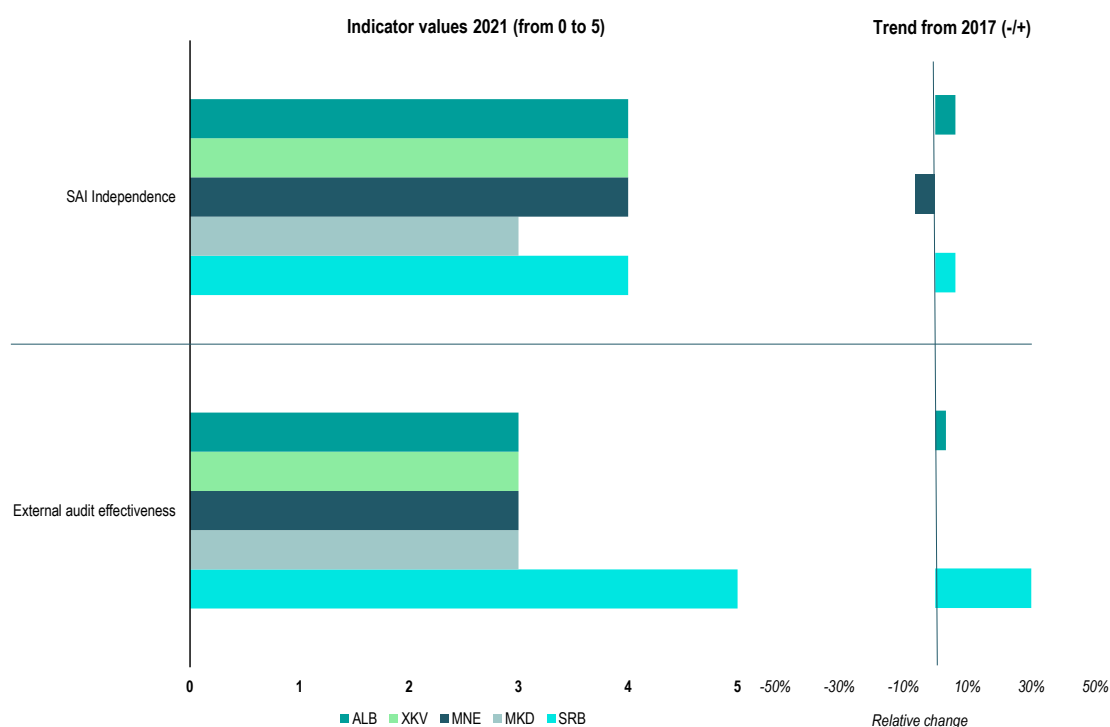


Note: Progress for the region is shown for all administrations except Bosnia and Herzegovina (WB5). SIGMA changed the method of calculating country-level indicator values for Bosnia and Herzegovina in 2021, making direct comparison with 2017 unreliable.

The two indicators for external audit cover the independence of SAIs and the effectiveness of external audit, focusing on its implementation of international standards and impact.

“Independence of the supreme audit institution” has an average value of 3.8, consistent with 2017, generally reflecting that it is well-established across the region. “The effectiveness of external audit” has seen some improvement compared to 2017, with the regional average increasing to 3.4 in 2021 from 3.0 in 2017 (Figure 13). This mainly reflects improvements in the quality assurance arrangements and the use of the SAI’s reports by the legislature in Serbia.

**Figure 22. The independence of supreme audit institutions has not changed since 2017. The effectiveness of external audit has seen little change apart from in Serbia, which has significantly improved**



***The independence of the supreme audit institutions is well-established in legislation, although the public's perception of their independence is low***

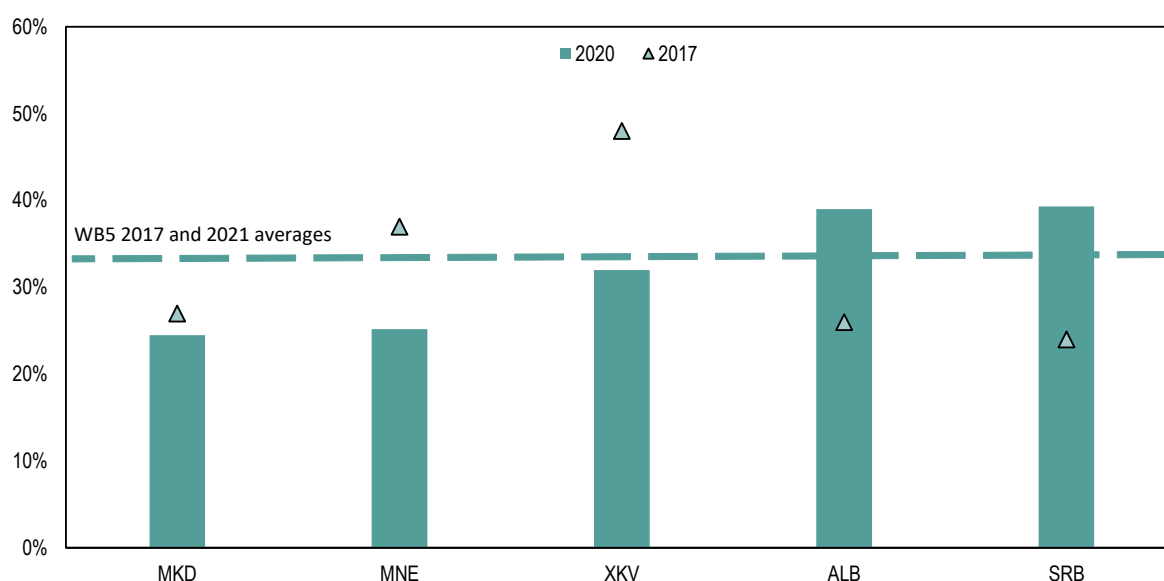
There have been no significant changes to the constitutional or legal frameworks governing the work of the SAIs since 2017. Generally the laws governing the SAIs are well-developed and closely aligned with international standards, providing for their organisational, functional and financial independence, and are normally respected in practice. They also provide the SAIs with sufficiently broad mandates to carry out financial, compliance and performance audits across the public sector.

In a number of instances, however, there is no explicit protection from a supreme court against any interference with the SAI's independence and audit mandate, and in North Macedonia, the SAI is not part of the constitutional framework, compromising the protection of its independence and the importance of public external audit.

While the appointment of the heads of the SAIs is regulated across the region, the appointments of the Chairman in Albania and the Auditor General in North Macedonia by their respective parliaments were very protracted, leading to delays of over 18 months in the appointments following the expiry of the previous incumbents' mandates.

Across the region, the public perception of the SAIs' independence is generally low, with only 32% agreeing that SAIs are independent as indicated in Figure 14. Perceptions of SAI independence normally correlate with views on trust more broadly, and trust in the SAI to some extent is affected by broader trends, as reflected in the Accountability regional summary. The regional average remains unchanged since 2017; perceived independence has improved in Albania and Serbia but deteriorated in Kosovo and North Macedonia.

Figure 23. The public perception of supreme audit institution independence in 2017 and 2021



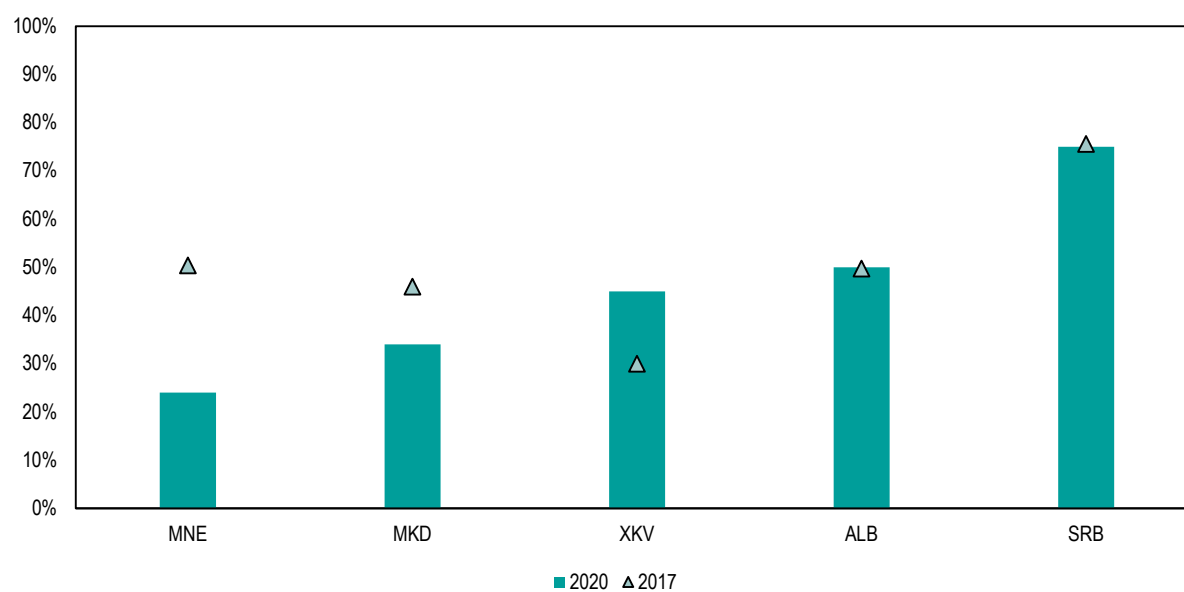
Source: Regional Cooperation Council (RCC) (2021), Balkan Barometer Public Opinion database (<https://www.rcc.int/balkanbarometer/>).

***External audit is generally conducted in line with international standards, but more effective use of SAI reports by the parliaments and better implementation of their recommendations would increase the impact***

All the SAIs implement their mandates adequately overall, and they have generally developed audit methodologies and quality assurance procedures in line with the Internal Standards of Supreme Audit Institutions. However, there are instances where they need further development or where more work is required to embed them in working practices. For example, quality control and assurance arrangements require further development in Kosovo and Montenegro.

Generally, arrangements are established with the parliaments to use the reports of SAIs in order to scrutinise the Executive and follow up on the implementation of recommendations. However, in practice the actual engagement of the parliaments in the work of the SAIs during the monitoring period was not consistent. While Serbia showed significant improvement, there was limited engagement in Albania, Montenegro and North Macedonia, reducing the overall effectiveness of the external audit system. Additionally, while there has been a marginal improvement the implementation of the SAIs' recommendations since 2017, the implementation rates across the region are still generally low except in Serbia.

Figure 24. The implementation rate of supreme audit institution recommendations in 2017 and 2021



### *The way forward*

- SAIs should continue to strengthen their engagement with parliaments and other external stakeholders, in order to promote the implementation of their recommendations and increase their impact.

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