National Public Procurement Strategy
2017-2021

January 2017
Contents
1. EXECUTIVE SUMMARY .......................................................... 4
2. introduction.................................................................................. 7
3. STRATEGY DEVELOPMENT METHODOLOGY .................................. 9
4. BACKGROUND AND RATIONALE ............................................... 10
   4.1 Definition of Public Procurement .............................................. 10
   4.2 Importance of Public Procurement .......................................... 10
   4.3 Legislative framework ............................................................. 12
   4.4 Policy framework .................................................................... 12
   4.5 Institutional framework ......................................................... 13
      4.5.1 Public Procurement Regulatory Commission (PPRC) ............. 13
      4.5.2 Procurement Review Body (PRB) ....................................... 14
      4.5.3 Central Procurement Agency (CPA) .................................... 15
      4.5.4 Cooperation and coordination between the public procurement institutions ......... 15
   4.6 Analysis of the situation and challenges ...................................... 16
      4.6.1 Efficiency and transparency in public procurement .................. 16
      4.6.2 Responsibility and accountability ........................................ 20
      4.6.3 Professional and Human Resource Capacity Development ........... 22
      4.6.4 Further harmonization of the legal framework for procurement in view of the new EU Directives ................................................................. 23
      4.6.5 Communication and awareness raising for public procurement ........... 24
4.7 SWOT analysis

5 STRATEGY’s VISION, MISSION AND OBJECTIVES

5.1 Strategy’s vision

5.2 Strategy’s mission

5.3 Strategy’s objectives

5.3.1 Efficiency and transparency

5.3.2 Increase accountability

5.3.3 Development of professional and human resource capacity

5.3.4 Harmonization of procurement legislation with EU directives

5.3.5 Communication with the public

6 MONITORING AND REPORTING STRUCTURE OF THE IMPLEMENTATION OF THE STRATEGY

7 FINANCIAL IMPACT AND FUNDING SOURCES of THE STRATEGY

ANNEX I: International comparisons of public procurement strategies and practice
### Acronyms

<table>
<thead>
<tr>
<th>Acronym</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>CA</td>
<td>Contracting Authority</td>
</tr>
<tr>
<td>CPA</td>
<td>Central Procurement Agency</td>
</tr>
<tr>
<td>EOI</td>
<td>Expression of Interest</td>
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<tr>
<td>EU</td>
<td>European Union</td>
</tr>
<tr>
<td>GDP</td>
<td>Gross Domestic Product</td>
</tr>
<tr>
<td>HRM</td>
<td>Human Resource Management</td>
</tr>
<tr>
<td>OECD</td>
<td>Organization of Economic Cooperation and Development</td>
</tr>
<tr>
<td>PPRC</td>
<td>Public Procurement Regulatory Committee</td>
</tr>
<tr>
<td>PRB</td>
<td>Procurement Review Body</td>
</tr>
<tr>
<td>PPP</td>
<td>Public Private Partnership</td>
</tr>
<tr>
<td>RFP</td>
<td>Request for Proposal</td>
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<tr>
<td>RFQ</td>
<td>Request for Quotation</td>
</tr>
<tr>
<td>TORs</td>
<td>Terms of Reference</td>
</tr>
<tr>
<td>GPP</td>
<td>Green and sustainable public procurement</td>
</tr>
<tr>
<td>SRPP</td>
<td>Socially responsible public procurement</td>
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<tr>
<td>MIS</td>
<td>Management Information System</td>
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<tr>
<td>SIGMA/OECD</td>
<td>Organization for Economic Cooperation and Development / Support for Improvement in Governance and Management</td>
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</table>
1. EXECUTIVE SUMMARY

The National Public Procurement Strategy 2017-2021 contains the vision, objectives, measures and steps that the Government and the main public procurement institutions in the Republic of Kosovo aim and plan to undertake and achieve within the next medium-term period in order to advance the public procurement system.

Public procurement is one of the pillars of economic development taking into account that it constitutes one fifth of gross domestic product and around half of the state budget is implemented through the public procurement system.

The process of reforms, changes and improvements to the public procurement system was followed by the necessity to follow new contemporary developments: technology advancement, increase of efficiency, accountability and transparency, economic and social development, and as well as the necessity to approximate and harmonize with the EU legislation. The government has moved quickly with reforms by establishing a legal framework for public procurement, although there was a lack of a clear Strategy on Public Procurement.

However, developments and reforms in procurement system always need to be followed by processes of policy analysis and development of a vision and strategic approach, in order to prioritise actions and better use of human and financial resources in a planned and coordinated manner. This gap has prompted the initiative of formulating a National Public Procurement Strategy.

The strategy was developed taking into account the progress achieved in building the Public Procurement System in Kosovo, analyzing the challenges, opportunities and needs of the country for further development of this system.

National Public Procurement Strategy 2017-2021 has resulted from a study and discussions of the key institutions (PPRC, CPA, PRB), other institutions and stakeholders for best procurement practices and from relevant experiences from other countries. During the elaboration of the present document a number of key gaps and priority issues to be addressed by the strategy were identified by major stakeholders.

This strategy aims to focus on key segments of public procurement by achieving five main objectives in the following areas:

Efficiency and transparency - is intended that public procurement institutions during the next medium-term focus on strengthening and enhancing the monitoring system of the implementation and that, not only monitoring the compliance, but also efficiency during the implementation of public procurement procedures. A coordination system between the central
procurement institutions is most necessary and is expected to be among the first steps after the adoption of this strategy. The electronic procurement system will be one of the pillars for the increase of transparency and efficiency in public procurement, but while putting it in full use the institutions are likely to face numerous challenges which gradually will be targeted during the implementation of this strategy. But, to increase effectiveness and efficiency, joint procurement will be one of the segments that will greatly influence and which should be extended to new items and to all contracting authorities.

**Responsibility and accountability** - accountability and responsibility is one of the main challenges of the procurement system but as well of the governance system in general. In the service of improving the current situation, the Strategy aims, during the next medium-term, to focus on defining and clarifying the roles and responsibilities of political and administrative management during the implementation of public procurement procedures and the role of the procurement units and their relations with other structures within the institutions. Besides this, there is a need to strengthen the accountability system for violations conducted by procurement officers and as well as by nonresponsive economic operators as foreseen by the public procurement law and other relevant laws.

**Capacity building** - the next medium-term period will continue with the provision of basic and advanced training, initially by revising the basic training modules and developing the advanced training modules. Trainings, as well, are planned to be organized for specific areas, such as e-procurement, socially responsible procurement, green procurement which will include institutions, economic operators, SMEs, judicial and prosecutorial system, and civil society organizations. Compared to the previous situation, higher concentration will be given to capacity building of central procurement institutions - PPRC, CPA and PRB.

**Harmonization of the legislation with the acquis** - although the public procurement legislation is considered to be in compliance with the acquis, new changes followed by the recent EU directives on public procurement will be part of the strategy at all times during the implementation of the strategy. Review and drafting of the new law on public procurement is foreseen to be conducted during the forthcoming two-year period of the implementation of this strategy.

**Communication and information** - represents tools by which central procurement institutions will continue their activities in improving the perception and awareness towards the work being done in the public procurement system. Through a communication plan, PPRC and other institutions, besides strengthening the communication system within the responsible structures for the implementation of the procurement law, will also focus on informing and raising public awareness for the reforms and efforts made in the procurement system.
Achieving these goals will be achieved through a number of policies, projects and activities, coordinated and planned through the action plan for the implementation of the strategy. In addition to the detailed plan, the strategy also sets mechanisms for the management of the implementation, coordination, monitoring and reporting processes consisting of all the institutions responsible for its implementation. An assessment of the financial cost and planned resource funding is made in accordance with the rules already applied by the Ministry of Finance and Government in general.

The strategy is also a guide and aims at strengthening coordination and ensuring coherence between the activities and processes carried out between central public procurement institutions. It is planned that this will be addressed through a coordination structure between PPRC, CPA, PRB, KIPA and other relevant institutions which will also be responsible for overseeing the implementation of this strategy.
2. INTRODUCTION

The government of the Republic of Kosovo has long realized the importance of the public procurement function and its role in the socio-economic development of the country; as well as its contribution to the future accession of the country to the European Union. The establishment of the procurement system and its operational process is closely related to the development of Kosovo state institutions from 1999 onwards. Since the establishment, the system has continuously evolved, amended and improved through changes and institutional, legislative and systemic adaptations by implementing a number of reforms with the aim of making it more efficient and transparent in line with requisite, basic procurement guidelines and EU best practices.

The development of the public procurement system is a strategic priority of the Government of the Republic of Kosovo as part of the National structural reforms and within the Reforms of Public Administration which the Government is already undertaking and plans during the future medium-term. Advancing the public procurement system is set in the Government Programme 2014-2018, in the National Development Strategy and in the Economic Reform Plan. It is also subject of review and a condition for the European integration process through SAA and its implementation plan and is assessed every year through EU progress reports and those of the OECD / SIGMA.

However for the progress of the public procurement system in Kosovo, with particular emphasis on legal and institutional framework, efforts to advance the system must be intensified, especially in terms of increasing efficiency, transparency, accountability and increasing the professionalism of the responsible staff for managing the system, especially by using new systems of information technology.

However various challenges were encountered in the whole process from planning to the implementation of the projects. These can lead to a situation of the procurement of goods & services and capital projects of improper quality and higher costs\(^1\). A number of challenges have followed the development of the system and its application in practice, in accordance with the legislation which is generally estimated to be in compliance with EU legislation, in these areas:

- Lack of expertise in planning and conducting tendering procedures, especially in small contracting authorities.
- General perception by public procurement stakeholders and the wider public that the system is vulnerable to corrupt practices.

\(^1\) General Auditor annual report 2014, page 14.
• The initiation of the use of modern procurement practices like framework agreements and of central procurement, which would enhance value for money, although the capacity for the management and implementation of the system are not easy challenges.
• Low level of professionalism of procurement officers, combined with a significant turnover of them.

The National Public Procurement Strategy aims to address these problems in order to achieve significant progress towards their eradication in the next 5 years. The strategy will be implemented during a period for which the Government of the Republic of Kosovo has clearly expressed its political will to increase transparency, increase accountability during the implementation of the procurement legislation; ensure optimal usage of the public budget on the interest of the public, stimulate a healthy business environment, free economical initiative and fair competition.
3. STRATEGY DEVELOPMENT METHODOLOGY

The working group for drafting the strategy for Public Procurement has followed the methodology, tools and necessary procedures for the strategy which will meet the needs, possibilities and vision for the development of public procurement system in Kosovo. Besides this, the strategy has been drafted in accordance with the methodology, format and procedures as defined in the Administrative Instruction Nr. 02/2012.

To develop the National Public Procurement Strategy for the Republic of Kosovo, as a roadmap for strengthening the public procurement system at the central and local level, the following methodological steps were implemented.

Draft National Public Procurement Strategy was developed under the leadership of the Public Procurement Regulatory Commission in 2014 with the support of the European Commission's project for support in public procurement. During 2014, the strategy was consulted with stakeholders. Since it was considered that the draft strategy should further be advanced and be developed in accordance with the procedures set by the Government, in January 2016, PPRC has established a Working Council for revision of the draft strategy and of the action plan. The Working Council led by the President of the PPRC and composed of representatives of CPA, PRB, Prime Minister's Office, Ministry of Finance, Ministry of European Integration, Kosovo Institute for Public Administration, representatives and experts of the EU project for the support of public procurement in Kosovo.

The draft designed is based on legal documents, strategic documents, policy documents, Annual reports of PPRC, CPA and PRB, evaluation reports of EC, OECD / SIGMA, analysis of non-governmental organizations and as well as the expertise and experience of officials who are directly involved in the public procurement system in Kosovo. In addition various systems of other countries and as well European principles and practices of good governance in public procurement systems were also reviewed.

After the meetings held by the working Council and individual meetings with responsible institutions, the draft agreed by the working Council was sent for consultation to all stakeholders including NGOs, business organizations, international organizations and donors in Kosovo.

The draft Strategy and the Action Plan were published on the PPRC’s official website and in accordance with the Government's Rules of Procedure the public consultation was finished during 10-25 of March 2016.

In the draft strategy and action plan all the comments received from stakeholders during the public consultation process, including the comments from the representatives of the European Commission in Kosovo are incorporated.
4. BACKGROUND AND RATIONALE

4.1 Definition of Public Procurement
Public procurement means an acquisition, whether under formal contract or otherwise, of works, supplies and services by public bodies using publicly sourced finances. It involves the purchasing, hiring or obtaining by any contractual means of publicly needed goods, construction works and services by the public sector. It also includes situations in which public funds are mobilized to procure works, goods and services even if the government does not get directly involved.

The above definition includes the stress field of public procurement, as shown in the following graphic:

4.2 Importance of Public Procurement
The importance of public procurement can also be seen in terms of the size of expenditure relative to national budget and GDP or the magnitude of government purchases. In Kosovo, public procurement of goods, services and works is over 9.4% of GDP for 2015\(^2\), the second largest expenditure after wages and salaries.

\(^{2}\) GDP for 2015 was $ 6,309 billion, or about 5.5 billion euros
According to the annual audit report for 2014, public institutions through the procurement process have spent around 488 million Euros, or about 33% of the expenditure of the Kosovo Budget\(^3\), slightly higher than the average of OECD countries during 2013 which was 29% (see graph below). According to the PPRC’s report, the value of the signed contracts in 2015 was around 401 million Euros, including the value of the contract of the highway Pristina - Hani i Elezit the value of which for 2015 amounts to about 114 million euros (around 516.4 million in total). The public procurement market in 2014 represents 8.9% of the GDP\(^4\), which represents a slight decrease compared to the past three years while lower than the average of OECD countries during 2013 which was 12.1% (see below graph).

These figures indicate that public procurement is vital in the economy of the country and therefore this very important public expenditure needs to be guided by a set of public principles, values, best practices, laws, regulations and procedures that are driven from a National Public Procurement Strategy. In addition public procurement is an important source of revenue for the private sector.

The next diagram prescribes the general government procurement as share of total general government expenditures (2013) for the OECD countries.\(^5\)

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\(^3\) Annual Audit Report 2014 page 39

\(^4\) EU Progress Report 2015

\(^5\) Government at a Glance 2013: Procurement Data. OECD Meeting of Leading Practitioners on Public Procurement, 11-12 February 2013, Paris, OECD Conference Centre
4.3 Legislative framework

Public procurement in the Republic of Kosovo is regulated by Law No. 04/L-042 on Public Procurement of the Republic of Kosovo, amended and supplemented with the law No. 04/L-237, law No. 05/L-068 and law No. 05/L-092 and the relevant secondary legislation.

Public Procurement Law of Kosovo adopted for the first time in 2003 was amended in 2007 aiming to bring procurement activities closer to EU provisions, simplifying some of the legal requirements, clarifying issues and introducing new definitions. Increased flexibility and the establishment of the independent Procurement Review Body (PRB) were the most significant transformations introduced. The regulation for Concessions was removed from PPL to prevent confusion and overlaps with the specific law on Concession Procedures which was approved in 2005. A significant number of secondary legislation, enabling the implementation of the Law, has been prepared, including standard forms for each type of notices, the code of ethics, a template for reporting contracts signed, model tender dossiers, the complaint form for the Procurement Review Body and instructions on minimal value purchase procedure.

The law contains the main principles of good governance such as the principle of accountability, transparency, non-discrimination, integrity etc. The legislation is generally in line with the EU *acquis*. It also reflects the principles of public procurement: value for money, free competition, transparency, equal treatment, mutual recognition and proportionality. However, PPL has a legal vacuum for the public procurement related to the defence sector. The existing secondary legislation is mainly in accordance with the provisions of the new legislation. Following the recent amendments of the law (2016), it is expected to have a review process of the secondary legislation that is affected by the changes and as well in 2017 revise the overall Procurement Law.

In general, the frequent changes of the public procurement law (8 times since 2003) were caused by different circumstances; especially the need to adapt with the new developments in public procurement and the need for continues harmonization with the adopted new EU directives. A strategic planning and policy can avoid frequent amendments to the law which presents a challenge for institutions to develop legislation and implement it.

4.4 Policy framework

In the area of public procurement so far there has not been any comprehensive strategic framework or long-term policy for the development of public procurement system and thus has caused frequent changes of the legal framework for public procurement. Procurement policies so far have been handled within the overall strategic framework which relates to the management system of public finance. While certain procurement segments were planned with
specific strategic documents. National Development Strategy refers to procurement and aims at "closing the spaces for abuse in the public procurement system". The implementation of the electronic procurement system is one of the government’s priorities contained in the National Development Strategy and in the Economic Reform Programme which for the public procurement provides:

- Adoption of the National Public Procurement Strategy
- Application of electronic procurement platform, initially with the e-tendering module
- Adoption of the operational guidelines for electronic procurement
- Training all procurement officers for electronic procurement
- Increasing administrative capacities, basic and advanced training.

The training Strategy for public procurement was adopted in 2014. Additionally, in April 2014, the Government adopted the Strategy for Public-Private Partnerships 2014 to 2016, a document which includes the procurement system in the application of PPP. While ethical and anti-corruption aspects in public procurement are treated in the Anti-Corruption Strategy 2013-2017 and its implementation plan which refer to preventing and combating corruption in public procurement and provide for undertaking a number of measures.

### 4.5 Institutional framework

The institutional framework for public procurement, responsible for policy development, enforcing and monitoring the implementation of legislation is established and is functioning. The main institutions that play a key role in the Kosovo public procurement are: the Public Procurement Regulatory Commission (regulatory body), Procurement Review Body (review of complaints) and Central Procurement Agency (central procurement).

Other institutions that have a role in public procurement are: Kosovo Institute for Public Administration, Office of the Auditor General, Anticorruption Agency, Treasury in the Ministry of Finance.

#### 4.5.1 Public Procurement Regulatory Commission (PPRC)

The PPRC has started operation in February 2005 in the capacity of an independent regulatory body and is responsible for the development, operation and supervision of the public procurement system. According to the Public Procurement Law, the Commission is responsible for the preparation and dissemination of secondary legislation, including rules, procurement manuals, guidelines, standard forms, model contracts and to prepare improvement

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recommendations for PPL and the overall public procurement system to the Government and National Assembly.

Furthermore, PPRC is responsible for:

- raising awareness among contracting authorities and economic operators for the public procurement framework,
- providing assistance on the implementation and interpretation of the PPL and secondary legislation,
- monitoring the compliance of contracting authorities via manual and electronic systems and
- supporting KIPA (which is responsible for the training and certification of procurement officers) in the effort to develop and maintain skills and competences of procurement professionals.

The Committee is also responsible for establishing and maintaining a Public Procurement Register (for notices, invitations, tender dossiers, reports, complaints and decisions related to each procurement), for initiating and supporting the development of e-procurement, for maintaining a website providing access to the Register, to laws, secondary legislation and their interpretation, for developing an Information System for notices publication to cover all Kosovo and for developing and maintaining a list of contracting authorities.

The PPRC has to systematically collect and analyse information on public procurement procedures and contracts awarded and to prepare and submit to the National Assembly an annual report summarizing all relevant activities. Finally, the PPRC has the responsibility to liaise and cooperate with national and international organizations on all matters related to public procurement.

### 4.5.2 Procurement Review Body (PRB)

PRB started operating in August 2008 and is responsible for reviewing complains related to Public Procurement Law and the Law on the Procedure for the award on Concessions. PRB is a quasi-judicial body, competent to review administrative decisions issued by central procurement institutions for the conduct of procurement procedures and to review appeals from tenderers under the review procedure. PRB consists of 5 members elected by the Assembly. The staff number of PRB is 17, while there is a need for PRB to have 5 new officers’ respectively review experts – professional collaborators.
4.5.3 Central Procurement Agency (CPA)

CPA functions as an autonomous executive agency with wide responsibilities regarding central level procurement procedures. The main function of the Agency is central purchasing. It may decide that any procurement procedure to be conducted by any contracting authority in Kosovo will be conducted by itself instead of the concerned contracting authority, for reasons of professional expertise, cost-effectiveness, efficiency or other legitimate concerns, as formulated in the Public Procurement Law. The staff number is 15, while there is a need for CPA to have 10 new officers.

4.5.4 Cooperation and coordination between the public procurement institutions

One of the challenges of the public procurement system in Kosovo is strengthening the coordination and cooperation structured between the institutions responsible for public procurement, especially to avoid duplication, inconsistent approaches while exercising their duties and to exchange information and data exchange. This, to some extent, is caused due to the lack of a coordinating body between the PPRC, CPA, PRB and eventually other institutions which have a role in certain aspects of procurement, e.g. in capacity building KIPA has a specific role.

To address these shortcomings the central public procurement institutions will establish a Coordinating Group (it can be called the Public Procurement Coordinating Council) for public procurement. The coordinating council, composed by the main responsible institutions for public procurement, will meet at least once every three months to review the matters relating to aspects of strategic planning and to set priorities, orientations for the development of the public procurement system, coordinating and ensuring consistency of the institution's activities and information exchange for the work on public procurement.
Public Procurement Coordinating Council, apart from the close group meetings, will as well hold meetings with the contracting authorities at least once a year.

The third level of the Public Procurement Coordinating Council meetings will be held with economic operators, which is expected to be held once a year.

Besides this, the Public Procurement Coordinating Council will serve as a mechanism for monitoring the implementation of this strategy. This segment will be elaborated in more details on the part of coordination and reporting mechanisms of the strategy.

4.6 Analysis of the situation and challenges

4.6.1 Efficiency and transparency in public procurement

Public procurement modern system requires high standards of efficiency and transparency since public procurement is conducted for the public interest and is a prerequisite for sustainable development taking into account that it represents 33% of public expenditure. The efficiency of the responsible bodies for the implementation of public procurement and the use of public funds is one of the principles of the Public Procurement Law. Transparency, in the other side, serves to inform the public, access to legislation, policies and performance of procurement procedures by the responsible institutions. One of the principles of good governance of the OECD / SIGMA seeks to "Exist central institutional and administrative capacity to develop, implement and monitor procurement policy effectively and efficiently". 7

Monitoring the implementation of the PPL and of the institutional capacities is the main tool to assess and enhance the efficiency of the functioning of public procurement system. If it is carried out in an independent and professional manner, monitoring can provide documented results on the weak points of the system and lead to useful suggestions and generalizations, taking into consideration the specifics of any problem known. Among the challenges and problems associated with the efficiency and transparency in public procurement the following can be highlighted:

- Insufficient capacity to monitor the implementation of public procurement legislation and to collect, process and use of data;
- Although it drafts annual reports and the information is published on PPRC’s website, not all data are accessible to interested parties (in particular it is not possible to extract and process the data at the level of each contracting authority or of the economic operator or of contracts.

- Contracting authorities publish their annual public procurement plans but they are not sufficiently detailed.
- PPRC monitors the compliance while performance monitoring, even though it has started with the World Bank support, will from now on continue by PPRC to monitor the work of the bodies in terms of performance and regularity. But there is a lack of capacities to carry out such monitoring.
- There is a lack of a coordinating mechanism between central procurement bodies which will hold regular meetings to examine the challenges, problems and monitor progress on the implementation of the procurement law.

**Monitoring** - Seeks sufficient capacity and appropriate organizational structure within the PPRC and as well coordination with CPA, PRB and other institutions responsible for the implementation of the procurement law. In response to this, it is being discussed for an internal reorganization of PPRC in order to increase the capacity building in terms of monitoring. In May 2014 a new procedure was adopted for checking the contract notices submitted for publication by the contracting authorities. But to monitor the functioning of the system in accordance with the procurement law, the data collection system is a key element.

Although the PPRC, from its establishment implements a monitoring methodology of public procurement, the existing system has a number of drawbacks, including the fact that until now, a monitor compliance of procurement activities developed by the CA in compliance with the legislative framework of public procurement was conducted and no case of monitoring the CA performance was observed, respectively of the procurement of officials. As a primary issue, monitoring the performance and contact management should be included in any future monitoring.

In regard to this, with the support of the World Bank, a new Monitoring and Evaluation system has been established. A manual for monitoring performance indicators has been adopted. Now, with the new standard forms more detailed information is required for the collection of data to be used to measure the performance and compliance of public procurement. PPRC’s Monitoring Unit within two years has monitored 20 contracting authorities by collecting data to measure the performance of public procurement in Kosovo. During this period, about 200 procurement activities were monitored for all types of contracts (methods, values - excluding minimal value contracts, and all types of procedures) implemented by contracting authorities. PPRC will include the measurement of procurement performance using the indicators for 2014-2015 respectively while drafting of the annual report 2015. The manual with unit prices for construction materials has been developed for more than 2,000 items. While the manuals for unit prices for 11 different categories were developed and another one for cleaning services will soon be produced.

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8 World Bank project Increasing / improvement the implementation of the Public Procurement Final report - Monitoring the performance and compliance of public procurement system in Kosovo, page 5.
Monitoring the procurement system was highlighted as a challenge in the European Commission progress report of 2015 which states that monitoring of public procurement is insufficient. The ex post monitoring performed by the PPRC is still confined to non-systematic, occasional checks of completed procurement contracts. Only a small share of concluded procurement contracts is monitored. Last year, the PPRC started ex ante monitoring of contract notices sent by contracting authorities for publication, a positive contribution to preventing irregularities which should be expanded.9

Among the areas that directly affect the increase of efficiency in the work of public procurement bodies is the coordination between institutions at the central level for the work of public procurement, centralized procurement, e-procurement which also combines with the fulfillment of the principle of transparency in procurement. The coordination planned structure between central procurement institutions as elaborated in the previous chapter aims to address this handicap in the coordination system in Kosovo.

**Centralized Procurement** started early 2015 in accordance with the Public Procurement Law after the adoption of the Administrative Instruction 02/2015 by the Government10. As per the Administrative Instruction, 6 categories for centralized procurement were foreseen (fuel, office supplies, hygiene products, food items, supply with air-tickets and supply tires) for 77 contracting authorities. As for 2016 it is envisaged that the central procurements are conducted for all contracting authorities at the local level - a total of 59 contracting authorities.

It is now too early to assess the budgetary effects of the implementation of the centralized procurement system. But in addition to expanding the list of joint procurement it is necessary that the Central Procurement Agency on periodic basis assess the impact on the budget of centralized procurement system for the selected institutions or selected items.

**Electronic procurement** - the use of information technology for the public sector, in particular for the procurement system is an incentive element for increasing efficiency during the enforcement of the procurement law. Electronic procurement will have multi-dimensional effects such as increased transparency, prevent abuse, increased competition and increased accountability and confidence during the implementation of the procurement procedures. Electronic procurement, among others, in future, will also assist in facilitating the monitoring since the data for the contracting authorities performance can be extracted from the system. But the challenge will be on how the electronic procurement may generate data and how much

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9 EC progress report 2015 for Kosovo, page 43
10 Administrative Instruction (GRK) – No.02/2015 for the implementation of central public procurement procedures, adopted on the 13 meeting of the Government of the Republic of Kosovo with decision number No. 02/13 dated 12.02.2015.
capacity there is at the PPRC, CPA and contracting authorities’ level for the management and use of the electronic system. E-Procurement is composed of the components as in the following graph:

**E-PROCUREMENT PLATFORM**

- Central registration
- Dashboard (BAM)
- e-Tendering
- e-Complaints
- Central Procurement
- Framework Agreements
- Audit trails
- e-Contract
- e-PMIS
- e-Reverse Auction
- e-Auction
- e-Quoting
- Web services (tax registry, eID)

In view to this, in January 2016 the Government of the Republic of Kosovo has started to apply electronic procurement system initially as pilot in 7 contracting authorities, including ministries, public companies and municipalities. Piloting has started the practical implementation of the platform in a period of six months in order to test the functionality of the system and as well will serve as a test of Kosovo market in response to the application of electronic procurement system. Previously, certain amendments were made to the Public Procurement Law which entered into force early 2016.

The government in March 2016 decided that e-procurement for centralized procurement to become mandatory from April 1, 2016, for the central level institutions from September 1, 2016 and from 1 January 2017 e-procurement has become mandatory for all budget organizations11.

A prerequisite for e-procurement readiness is the capacity building of procurement staff on e-Procurement. Therefore, training plans will include training in e-procurement. PPRC will also need to launch strong campaign awareness among stakeholders to explain the benefits of efficiency through electronic procurement.

11 Government decision no.12/79 15.03.2016
Transparency - Effective communication and access to public procurement information with all parties involved is one of the basic prerequisites for the success of the entire system. For this purpose, it is important to define the information to be disseminated, media and the most appropriate form for the dissemination of information and recipients of information.

In view of transparency, PPRC prepares and proceeds annual reports to the Government and to the Parliament. The report offers and analyzes procurement activities in Kosovo and makes recommendations for further development of the procurement system. Annual reports are published on the PPRC’s website. Also, there is more information in the PPRC to analyze the procurement market through various procurement notices and reports sent by contracting authorities to the PPRC. But the published information is made only in the form of annual reports and not all data is accessible to interested parties (in particular it is not possible to extract and process the data at the level of each contracting authority or of the economic operator or of the contract. Also there are no data on contract amendments. In addition institutions do not publish their procurement plans. Publication of eventual procurement plans will help businesses in order to better prepare for future bids in tenders.

4.6.2 Responsibility and accountability

Accountability constitutes the central pillar of any public procurement system. Without transparent and accountable systems enabling institutions and citizens to be engage in a mutually responsive way, the vast resources channelled through public procurement systems run the danger of increased corruption and misuse of funds. Even in systems with low levels of corruption, public and civic oversight can help identify inefficiencies, thereby increasing procurement efficiency and effectiveness for the benefit of improved service delivery and ultimately citizens."

"The essential elements required to ensure accountability are: a proper organization of the public administration, access to public information, a controlled and balanced system between the powers, and an effective system for internal administrative appeals, and as well as an independent oversight and judicial review of administrative cases. Accountability has to be complemented with responsibility for state institutions decisions or for its lack".

Responsibility and accountability mechanisms in public procurement can be initiated and supported by either the state or the citizens or by both sides. But it is important to be firm and effective. Tools include: transparency, participatory budgeting, public expenditure tracking,

13 A UNDP case study, produced by the Procurement Capacity Development Centre (PCDC), which is part of the UNDP Capacity Development Group underlines in its preamble
citizen monitoring and evaluation of public service delivery.

The issue of accountability and responsibility in the public procurement system remains a challenge. The European Commission in its report for Kosovo 2015 states that there is a lack of rules on integrity and conflicts of interest, insufficient enforcement to identify and address corrupt and fraudulent practices, and lack of a risk indicator system. The perception of corruption in public procurement remains prevalent. There are statutory disciplinary procedures but concerns about their implementation remain. Disciplinary procedures exist but their implementation remains a concern. Integrity should be strengthened and cooperation between public procurement bodies.¹⁵

Law on Public Procurement as well as other relevant rules create mechanisms that aim to ensure accountability and integrity in public procurement. There are other laws that are directly related to ensuring accountability and responsibility. These include the Law on Public Financial Management and Accountability, Law on Access to Public Documents, the Law on Prevention of Corruption, the Law on Prevention of Conflict of Interest, the Law on Declaration of Assets, and a number of bylaws.

Public Procurement Law, Article 99, states that the Procurement Review Body at the request of any contracting authority may disqualify any economic operator to participate in public procurement for a period of one year. While PPRC may cancel any procurement certificate issued by PPRC or KIPA if the officer has committed a serious violation of this Law or the procurement rules.¹⁶ These two mechanisms are sanctioning measures that prevent economic operators to apply in any tender launched by public institutions or procurement officers to exercise their functions in the event of a breach of the law.

On the other hand, public procurement is seen as a technical and peripheral function in relation to the overall management process of public expenditure. Therefore there is a need to involve, in addition to the procurement officers’, as well financial experts in every stage of the procurement process. Thus, officials in charge of planning are more capable of preparing the overall planning and the procurement plan and to liaison them at all procurement phases.

In general, it is necessary to further clarify the responsibilities between the procurement units and their staff, as well as a clear definition of management responsibility, both at the political and administrative / executive level. Besides this, there is a lack of development and adoption of standard operating procedures in institutions which would prescribe the steps of developing procurement procedures, from planning to contract implementation monitoring.

Another mechanism is to allow the use of non-competitive procedures only in exceptional cases.

¹⁵ EU Progress report 2015 for Kosovo page 43.
¹⁶ Article  11 paragraph 8 of Law Nr. 05/L -068 supplementing and amending law no. 04/l-042 for Public Procurement in the Republic of Kosovo, amended and supplemented with Law no. 04/l-237
As a result in 2015 76.35% of contracts were awarded through open procedure known as transparent procedure. The number of negotiated procedure without prior publication in 2015 was 16.10 %\(^{17}\).

In addition, the application of electronic procurement is a factor which influences the increase of transparency, simplification of administrative procedures and a tool for increasing the accountability of procurement officers during the conduct of procurement procedures.

### 4.6.3 Professional and Human Resource Capacity Development

The development of adequate human resources and procurement professional practice are essential strategic actions if the public procurement sector’s goal is to meet the demands of the national development and its needs for its growth and market competitiveness. As the Public Procurement System is new, all stakeholders have become aware of the importance of the human resources for more professional public procurement services. PPRC is responsible to develop training modules and curriculum for procurement qualifications. PPRC is required to identify persons, experienced in public procurement, suitable to teach the procurement courses designed by PPRC. PPRC, in cooperation with KIPA, shall arrange for the development and delivery, of procurement training courses. PPRC, in cooperation with KIPA, shall be responsible for organizing examinations.\(^{18}\)

Although the main role in implementing public procurement law lies down within the contracting authorities and for which consistently special attention was paid because of the legal obligation for certification and training, another important aspect is the capacity of the central procurement institutions (PPRC, CPA, PRB) to carry out their responsibilities. Capacities to develop legislation and to monitor the implementation in these institutions are not at the right level in terms of staff number as well as knowledge especially to undertake new tasks for monitoring the performance of the contracting authorities and to manage new systems, electronic procurement and centralized procurement.

A Basic procurement professional certificate shall be valid for three (3) years unless it is earlier revoked in accordance with paragraph 8 of this Article. A person holding a basic procurement certificate who fails to obtain an advanced certificate within that three (3) year period shall not be eligible to be a Responsible Procurement Officer until he/she obtains an advanced certificate. Advanced certificates have a permanent validity and if PPRC organizes trainings, their holders are obliged to follow them.\(^{19}\)

According to respective annual reports, it is not the large number of qualified Public

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\(^{17}\) PPRC annual report

\(^{18}\) Article 11, para 1 & 2 Law Nr. 05 / L -068 on Amending and Supplementing the Law no. 04 / L-042 on Public Procurement of the Republic of Kosovo, as amended by Law no. 04 / L-237

\(^{19}\) Article11, paragraph 5 of Law number .05/L -068.
Procurement Officials (certified) that presents a problem, but their ability to apply the knowledge gained in practice. To achieve this goal, PPRC has approved the training strategy 2014-2018. The public procurement system in Kosovo has 570 licensed procurement officers. The law provides mandatory training of 15 days as a condition of license. According to KIPA during 2014 were held 84 training courses and 264 training days with a total of 1984 participants\textsuperscript{20}. Activities for procurement officers training are also carried out by numerous donor projects and by contracting authorities with their budget.

It is therefore important and critical to implement the approved training strategy, which includes all dimensions, procurement and procurement structures, contracting authorities and potential suppliers / contractors.

To design the content of the courses and training programs, PPRC will consider cooperation with KIPA, and partnerships with high education institutions and specialized training institutions for the development of training modules, which cover the full range of courses that are necessary for constructing procurement skills of the procurement officers.

Government may encourage training in public procurement, as part of public sector training and education policy. Also, it may encourage and advise high education institutions to develop training curricula that target specific procurement functions.

The concept of e-learning may be considered as it allows for an opportunity to improve skills and professional credentials through accessible online training. In addition, e-learning can easily be updated (if designed appropriately), as the system grows and develops.

As part of its obligation to increase the bidder’s capacity to submit responsive bids, PPRC may take the initiative to train potential bidders for the relevant provisions of the Public Procurement legal framework. In addition, training and informative courses can be developed for other parties such as auditors, investigators (the anti-corruption bodies), civil society, media, etc.

\textbf{4.6.4 Further harmonization of the legal framework for procurement in view of the new EU Directives}

The Republic of Kosovo has already put in force a Public Procurement Law, which fully complies with EU Directive 2004/18/EC covering the procurement procedures of public bodies and EU Directive 2004/17/EC covering the procurement procedures of entities operating in the utilities sector. Since December 2011, the European Commission has proposed the revision of

\textsuperscript{20} Evaluation Report OECD/SIGMA for Kosovo for 2014, page 105
the above Directives, which revision was voted by the European Parliament on 15 January 2014 and adopted by the Council on 11 February 2014. Continuing on its path towards EU accession Kosovo should adapt its Public Procurement legislation to the new Directives 2014/24/EU (replacing directive 2004/18/EC), 2014/25/EU (replacing directive 2004/17/EC). Harmonization of public procurement law with the directives is expected to be conducted during the review of the law in 2017.

4.6.5 Communication and awareness raising for public procurement

One of the fundamental challenges of public procurement is to raise public awareness for the activities conducted by the institutions implementing public procurement legislation and to create citizens trust for the authorities implementing public procurement procedures. There is a perception among citizens that the public procurement sector is exposed to fraud, corruption and mismanagement which in many cases are created due to the lack of the procurement bodies activities to inform for the achievements in procurement system and raise the awareness of citizens, businesses but also of the responsible staff conducting the procurement procedures.

Consequently, central public procurement bodies, especially PPRC, during the last two years have been supported by the EU project "Improving administrative capacity in the field of public procurement in Kosovo" for the implementation of the Information and Awareness Campaign Plan 2013-2015 whose aim was to provide a strategic approach for activities related to the public relations during during the project implementation period. Many of the activities outlined in this strategy are required to continue or be replaced with new tools for information and awareness rising of stakeholders and citizens.

4.7 SWOT analysis

During the strategic planning it is important to use the means which identify problems, flaws, achievements, priorities and other elements that the system may comprise. For the development of the National Public Procurement Strategy flaws and weaknesses, and as well opportunities and priorities are identified and presented through a SWOT analysis as follows.

<table>
<thead>
<tr>
<th>Strengths</th>
<th>Weaknesses</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Presence of a good legal framework</td>
<td>• Limited number of qualified human resources</td>
</tr>
<tr>
<td>• Availability of qualified human resources</td>
<td>• High rate of staff turn over</td>
</tr>
<tr>
<td>• Presence of Capacity development initiatives</td>
<td>• Missing expertise in some area</td>
</tr>
</tbody>
</table>
SWOT analysis as a priority of the public procurement system in Kosovo highlights the legislation which is generally in compliance with EU directives, the awareness for the importance of this legislation and understand of its need, availability of qualified human capacities in some segments, although this element is presented as a weakness particularly in regard to the need for knowledge in certain specific areas.

As external elements that present opportunities for the development of the system is the presence of strong political will for improvement, support from donor projects, high and expanding use of internet etc. While lack of human resources, funding, economic development are among the risks which may impact further development of the public procurement system.

<table>
<thead>
<tr>
<th>Opportunities</th>
<th>Threats</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Existing guidelines for training of public procurement staff</td>
<td>• Lack of knowledge to new technological and procedural advances</td>
</tr>
<tr>
<td>• Some good practice in supplier management</td>
<td>• Few resources available to develop and enhance procurement procedures</td>
</tr>
<tr>
<td>• Understanding of need for compliance with EU directives</td>
<td>• Very limited exploitation of IT in the entire public procurement process, including e-procurement</td>
</tr>
<tr>
<td>• Presence of strong political will</td>
<td>• Cuts in human resources development funding may reduce resources available to support procurement activity</td>
</tr>
<tr>
<td>• High demand for training</td>
<td>• Economic downturn may threaten viability of local suppliers</td>
</tr>
<tr>
<td>• Access to funding from international donors</td>
<td></td>
</tr>
<tr>
<td>• High and expanding use of internet</td>
<td></td>
</tr>
<tr>
<td>• Adaptation to new EU guidelines in the near future</td>
<td></td>
</tr>
</tbody>
</table>
5 STRATEGY’S VISION, MISSION AND OBJECTIVES

Public procurement strategy serves to set a strategic direction, vision, mission and core values to build the public procurement system in Kosovo based on the analysis and the problems identified and elaborated in the chapters above. It elaborates and sets the overall goal, objectives and steps that procurement authorities should take in the medium term period and constitutes the planning platform and the policy orientation in public procurement field in Kosovo.

5.1 Strategy’s vision

The National Public Procurement Strategy strives to create a well-functioning, competitive, accountable and transparent procurement system that engenders and secures the confidence of the citizens of the Republic of Kosovo, and the national and the international community in the procurement function.

5.2 Strategy’s mission

The mission of the National Public Procurement Strategy of the Republic of Kosovo can be summarised as:

The Strategy strives to foster adherence to the procurement principles of transparency, accountability, fair competition, fair treatment, and value for money by improving capacity of the procurement system by:

- enhanced monitoring of the implementation of the public procurement legal framework,
- human resources development, training and education,
- enhanced public procurement management procedures,
- better flow of communication between all public procurement stakeholders,
- introducing socio-economic and environmental objectives, in the framework of green and socially responsible public procurement policy,
- exploiting the use of new modern methods in the implementation of public procurement law, electronic procurement and centralized procurement, and
- raising citizens awareness on the functioning of public procurement system in Kosovo.

5.3. Strategy’s objectives

The overall objective of the Strategy is to:
Further improve and modernize the integrated public procurement system which enables more efficient use of public funds based on transparency, competition and equal treatment, allowing substantial budget savings and contributes in the overall economic development of the Republic of Kosovo

The specific objectives of the Strategy are to:

1. **Increase efficiency in the public procurement system through the establishment of rules, monitor the implementation and ensure the implementation of the transparency principle and access to information at all stages of the procurement activity during the use of public funds.**
2. **Improve responsibility, integrity, accountability, control of the implementation of the policies and legislation on public procurement.**
3. **Train and develop professional procurement cadre in the public procurement sector to cope with the growing procurement market and its expected role in national economic development.**
4. **Ensure continued compliance with the EU legal framework by using the experience and best practices of EU member states in public procurement field**
5. **Communication and awareness rising for public procurement in Kosovo.**

5.3.1 Efficiency and transparency

| Specific objective 1. Increase efficiency in the public procurement system through the establishment of rules, monitor the implementation and ensure the implementation of the transparency principle and access to information at all stages of the procurement activity during the use of public funds |

PPRC should increase the monitoring of the procurement activities with the aim of eliminating errors and increasing the work quality of the contracting authorities. The monitoring activity aims to identify strengths and weaknesses in the implementation of the public procurement legal system, thus opening the discussion for necessary enhancements and corrective actions (e.g. issue administrative instructions or explanatory notes, modify the secondary legislation of PPL or even initiate the process for the amendment of PPL itself, according to the extend, severity and nature of the identified problems). Information and data collected and produced during the monitoring activity should be published, in a form allowing ease of access, logical grouping and direct use by the interested parties.

As much as transparency, effectiveness of access to information and exchange of information is important, important is, as well, the use of effective and appropriate methods for each institution. For this purpose it is important to determine the information to be disseminated, the
most appropriate media and form for the dissemination of information and the recipients of the information.

International experience suggests that technological innovations such as e-procurement and electronic auctions could increase procurement efficiency, eliminate manipulations on tenders, strengthen transparency and achieve value for money. The digitalization of the procurement processes eliminates the direct confrontation between the procurement officers and bidders and thus significantly reduces the chances of bribery and corruption.

**Steps to be taken**

To achieve objective 1, the responsible institutions for public procurement should:

- Enhance the monitoring activities of PPRC and the usability of the collected information and data, and that not only monitor compliance but monitor performance as well
- Establish coordination and collaborative mechanisms that will ensure a coherent approach to planning, policy development, mutual institutions and stakeholders information, identifying problems and providing common solutions to improve the procurement system
- Further develop the regulations concerning publication of PP relevant documents (procurement plans, contract notices, contracts, etc.) as well as all documents related to complaints until the resolution of the issue e.g. by a PRB decision
- But, in addition to expanding the list of joint procurement it is necessary that the Central Procurement Agency on periodic basis assesses the budget impact of the centralized procurement system in selected contracting authorities or for the selected categories
- Promote a public procurement system supported by electronic information technology
- Encourage procurement professionals to use as much as possible electronic procurement

**5.3.2 Increase accountability**

**Specific objective 2. Improve responsibility, integrity, accountability, control of the implementation of the policies and legislation on public procurement**

Initially accountability in public procurement is related more to the design and implementation of the budget, since:

- focuses more on budget, providing expenditure input for the formulation of the budget
- strengthens internal and audit control where procurement can be a key element of internal control and internal audit systems
- improves the management of public assets, focusing on the accountability of the total cost, including maintenance and depreciation
includes procurement issues in the budget, integrating the preparation and execution of the capital budget
promotes fiscal transparency, since though the transparency of procurement transactions, it can improve the overall fiscal performance and fights corruption

On the other hand, in many systems procurement is being integrated in the overall management of public expenditure. The term "procurement" is not being used and the procurement officers are being called "financial management officers". In addition to procurement officers, financial experts should be included at each stage of the procurement process. Therefore there is a need to define the role and responsibility of all and standard operating procedures for all stages of the procurement process.

**Steps to be taken**
To achieve this objective, the following steps should be taken:

- Enhance procurement planning process by linking it directly with budget planning
- Improve Contracting Authority’s’ internal rules, emphasizing the roles and responsibilities of different units / civil servants and at all levels of the civil service hierarchy (ministers, mayors, managers, etc.)
- Review the Rules for procedure of the central institutions of public procurement (PPRC, CPA, PRB)
- Oversight and strengthen the accountability measures against officials and nonresponsive economic operators during the implementation of public procurement legislation
- Establishment of a surveillance system for foreign visitors to central public procurement institutions.
- Supervision of gift acceptance by procurement officials in central procurement institutions and contracting authorities.
- Introduce procedures for the management of public procurement
  - Presentation of CA’s procurement planning
  - Specifying the objectives of the procurement organization
  - Measuring the achievement of the procurement objectives

### 5.3.3 Development of professional and human resource capacity

**Specific objective 3.** Train and develop professional procurement cadre and an equipped capacity in the public procurement sector to cope with the growing procurement market and its expected role in national economic development.
Steps to be taken
To achieve this objective, the following steps should be taken:

- Continue and encourage efforts to develop a professional framework of public procurement in the country through joint staff training and certification
- Increase central procurement institutions capacities including the PPRC, CPA, PRB
- Provide specific training for specific categories and stakeholders
- Start with training programs to build new procurement officers capacities to deal with the e-procurement requirements
- Ensure the transformation of Public Procurement professional work force enabling it to move from its current routine tactical practice to strategic procurement practices, and to promote sustainable public procurement professional responsibility and advancement
- Ensure the development of a specialized procurement cadre within the civil service career system in the country
- Establish and manage a sustainable financial scheme for public procurement career development.
- Establish a Procurement officer’s network.

5.3.4 Harmonization of procurement legislation with EU directives

| Specific objective 4. Ensure continued compliance with the EU legal framework by using the experience and best practices of EU member states in public procurement field. |

Steps to be taken
To achieve the above objective, the Government shall:

- Initiate the discussion of the revision of the PPL. But to ensure the drafting of a law that will address the needs of the procurement system and the new developments, the central procurement bodies should start with analysis and review options and substantive policies for public procurement.
- Elaborate, under the guidance and management of PPRC, a thorough comparison between the existing PPL and the requirements of the new EU Directives. (new Directive 2014/24/EU (substituting directive 2004/18/EC), and 2014/25/EU (substituting directive 2004/17/EC))

5.3.5 Communication with the public
Specific objective 5. Communication and awareness raising for public procurement in Kosovo

- A communication plan for procurement issues should be drafted on the basis of current experiences of communication and awareness raising for public procurement in Kosovo, namely the implementation of the plan to raise awareness on public procurement. Communication and awareness raising for public procurement should target the general public, economic operators, as well as contracting authorities, namely the management of the institutions and officers who are responsible for managing and implementing public procurement procedures in the contracting authorities.

- During the communication with the public all means of communication and awareness raising for public procurement should be used. This will be further elaborated in the communication plan. They may include:
  - Promotion of regular roundtable and discussions with stakeholders organized by PPRC
  - Presentation of regular communication with the media and the general public including OE and citizens
  - Electronic communications include online portals, digital platforms, email etc with responsible officers implementing the relevant procurement legislation and economic operators
  - A separate communication segment will be to raise awareness and inform the responsible authorities for public procurement management and other stakeholders for green procurement, sustainable public procurement and social responsibility
  - Increase the percentage of the procurements that take into consideration the environmental aspects
  - Increasing the number of the economic operators who have an environmental management system and / or the production of certified environmentally products.
6  **MONITORING AND REPORTING STRUCTURE OF THE IMPLEMENTATION OF THE STRATEGY**

The implementation of the National Public Procurement Strategy as a strategic development framework for this field in the medium term period will depend on the willingness and commitment of the procurement institutions at the central level, but also of the Government to support the reforms and new developments in procurement. However, monitoring, reporting and continuous assessment of the progress in its implementation, as well as mapping in time the problems and challenges are of crucial importance to the success of the strategy. Overall, the monitoring and evaluation of the policy implementation is regarded as the weakest segment of the strategic planning system in the government.

Managing, monitoring and reporting to the highest level of implementation of the national public procurement strategy will be done by two institutional levels:

1. **Council / Public Procurement Coordinating Council** led by PPRC’s President and composed by CPA, PRB, KIPA representatives and other relevant institutions, responsible for the implementation, will be the highest level structure for the supervision of the implementation of the Strategy, review periodic reports, problem solving at the highest level and periodic review of the strategy and its implementation plan.

2. **National Public Procurement Strategy Monitoring Group** - will be the structure for the coordination, monitoring and reporting on the implementation of the strategy at the administrative level and under the supervision of the Public Procurement Coordinating Council. The Council will be chaired by the PPRC’s representative (PPRC’s highest administrative level officer) and in its composition it will have professional CPA’s, PRB’s, KIPA’s, MF’s representatives. The Council will coordinate and report on the progress of the implementation of the strategy in quarterly and annually basis to the Public Procurement Coordinating Council.
The National Public Procurement Strategy 2017 - 2021 in its composition it has the action plan 2017-2018 which consists of specific objectives, activities, responsible implementation institutions, the financial implementation cost etc.

The Strategy action plan will be reviewed and updated on a two years basis within the strategic framework that the strategy defines.
7 FINANCIAL IMPACT AND FUNDING SOURCES OF THE STRATEGY

The determination of the financial impact assessment of the Strategy’s Action Plan was conducted through the evaluation process of the potential costs required to implement the activities by each institution which has primary responsibility for the implementation of the activities planned.

The evaluation of the financial impact for the implementation of the National Public Procurement Strategy covers only the first two years i.e. 2017 and 2018 as the breakdown in the action plan is done only for these two years. This is also in accordance with legal regulations for the design and costing of the strategic documents. The total estimated fund needed to implement the NPPS’ activities during the period of 2017 - 2018 is projected to be at a level of EUR 767,936.00. As shown in figure 1, during 2017 the implementation of the strategy will have a cost 590,687,00 (ose 77%), during 2018 the cost will be 177,213,00 euro (ose 23%).

As seen the highest cost will be in 2017. The highest cost in year 2017, compared to subsequent years, is due to the finalization and putting into use the electronic procurement platform, but also due to the drafting of by-laws in compliance with the amended public procurement law, the initiation of the drafting of the new law on public procurement and the development of the training modules and the procurement officer’s and stakeholders’ trainings.
Figure 2. shows that 50,526,00 euro will be covered from the state budget, 330,914,00 Euros from the European Commission while the budget source for 352,914,00 Euros is not yet defined. As seen in the figure, the largest part of the budget gap falls in year 2017 amounting to 199,748.00 Euro, in 2018 amounting to 152,748,00 Euros.

According to the assessment, a number of activities for the implementation of the strategy will be implemented by the central public procurement institutions and forms an integral part of their activities. Therefore, the assessment of the financial impact for these activities is not required.
Public procurement seems to move internationally towards a policy role, focusing less on transactional procurement. This is enabling an alignment of procurement strategy with government policy, effectively engaging procurement as a lever of economic, technological or social reform. In this chapter some findings of an international research on public procurement are briefly presented in two sections examining evidence of the aspirations to use public procurement as a lever of government reform, and of its actual use.

Aspirations to use public procurement as a lever of government reform

Common themes emerge around the principles on which procurement must be based in all countries studied, e.g.

- In the German system a distinction is made between efficiency and formality capturing the essence of the conflicting issues inherent in all the stated principles.
- In Belgium an inherent preference is revealed to maintain the status quo of the procurement system, however this risk avoidance strategy is under threat from a recent reform initiative – Copernicus – giving greater autonomy and freedom to the heads of Public Administration in how to achieve the goals established by the political system.
- In the UK a dramatic change had taken place in the National Health System (NHS), as central government had blurred the boundaries between the public and private sectors reacting in this way to problems of lack of investment and capacity in the NHS rather than difficulties in the procurement system. The impact on the role of procurement was significant though, as purchasing on price alone as an objective changed to objectives to improve management of markets, and management of strategic relationships with various bodies including Public Private Partnerships and commissioning.
- In the US the procurement personnel is increasingly facing new challenges to create outcomes rather than manage tender processes.
- In Canada it appears that public entities with few resources (e.g. educational institutes) were duplicating effort and wasting resources they could not afford. Yet it is apparent that a certain degree of independence was considered vital by each institution.

36
• In South Africa we encounter four pillars of the public procurement system: “Value for money; Open and effective competition; Ethics and fair dealing; Accountability and reporting”, with a fifth political one of ‘equity’.

• In Singapore we find three key principles which shape the procurement strategy: fairness; value for money and probity.

• In Australia emphasis is placed on the principles – nine in all – but on the same time an ‘Estimates Committee’ in the national parliament is dedicated to cutting expenditure, suggesting the system was not trusted to manage itself.

In general though, the cases revealed more similarity in the principles underpinning public procurement than differences.

In terms of proactive supply policies, lack of adequate information for policy initiatives was encountered in most countries. e-procurement is presented as a significant driver of promoting SME access to the Government market. However very few entities have good management information about their procurement profiles as a basis for business case development for e-procurement or for socially responsible procurement. To achieve the strategy of encouraging the participation of SMEs in public contracts, it seems that analysis and knowledge of supply chains is a prerequisite.

In many countries there is a support for indigenous industry in the Public Procurement System, but the most extreme example of supporting economic development through procurement can be found in the United Nations case. In the UN, maximum development impact from funds could be achieved by sourcing locally or regionally. The procurement function itself was then able to become a mechanism of development assistance, in that it provided institutional investment in local or regional businesses by contracting with them.

Across the various countries there is strong evidence that many of them aspire to use public procurement as a lever of change beyond simply saving public money. In some cases we find a less proactive, central role for public procurement together with an but aspiration to support broader government objectives. The UK NHS, Australia and Canada are all aspiring to use
public procurement in this supportive way. Some countries, like Singapore, are most strongly aspiring to foster cost efficiency. The two countries who most notably are fixated on rules and regulatory compliance are Belgium and Germany; they appear to aspire most strongly towards rule compliance than any other objective for public procurement.

Evidence of the use of public procurement as a lever of government reform

In the US the target of 21% of Federal Government spending to be contracted to SMEs was impressively exceeded achieving in fact 23% in 2012. On the same time in the US purchasing entities engaged fully the public by exposing their practices to public scrutiny and debate. In the English NHS, the discussions centered on ‘influencing spending’ rather than on mandating. In such a large and complex network as the NHS, evidence of influence varied across the various organizations.

Where cost efficiency and rule compliance was put in the center, countries found it easier to achieve their aspirations and to demonstrate that achievement. Straight forward efficiency and savings targets were relatively easy to work towards and to prove they had been reached. Rule compliance was achieved in Belgium as almost all public procurement practitioners were qualified lawyers.

Across the various countries the following priorities were identified:

- Top ranking priorities:
  - Accountability
  - Competition
  - Transparency
  - Value for money
  - Efficiency
  - Legal compliance
  - Cost effectiveness
  - Education of public procurement personnel

- Lower ranking priorities:
  - Broader government objectives
o Social inclusion
o Green procurement
o Sustainability
o Providing suppliers with equal opportunities
o Using procurement to encourage innovation
o Ethical issues

The following issues emerge in almost all countries:

- Public procurement needs to be braver and more proactive
- Public procurement needs to be innovative.
- Public procurement has a reputation for saying ‘no’ and should consider the ‘art of the possible’
- Agendas facing public procurement practitioners are changing from day to day
- There is not always clarity on to whom procurement practitioners are reporting
- People issues are important and there is an international shortage of highly qualified, intelligent, experienced public procurement practitioners
- Short vs long term – there is too much short term crisis management in practice
- There is a need to ask government for clearer objectives and to clarify conflicting objectives
- All public procurement systems appeared to exhibit divided loyalties and conflicting stakeholder objectives

As a conclusion one could argue that despite the lack of international learning in the field of public procurement, there are many similarities of aspirations, policies, strategies and processes across the various countries.

- The core drivers of procurement strategy are aligned to, and support delivery of, government policy on issues such as social reform.
- Some important issues arise from technology availability in the form of e-procurement.
- The public procurement function is extremely complex as a multi-level system that connects government policy, procurement policy, and practice in the supply market.
• Just as governments can move from a controlling regime to a facilitative state, so too can public procurement move from a rule compliance function to a cost down, efficiency led function, to a facilitating supporter of broader government objectives, to a deliverer of broader government objectives.