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## Public Procurement

Research on Deficiencies in Project Cycle Management Impacting  
the Budget of the Ministry of Health and Local Government



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# Research on Deficiencies in Project Cycle Management Impacting the Budget of the Ministry of Health and Local Government

USAID Kosovo Municipal Integrity activity

Disclaimer: The author's views expressed in this research do not necessarily represent the views of the United States Agency for International Development (USAID) or the United States government.

## Acronyms

CA - Contracting Authority

EO - Economic Operator

KFMIS – Kosovo Financial Management Information System

LMPF – Law on the Management of Public Finances

LPP – Law No.04/L-042 on Public Procurement in Republic of Kosovo

LPP - Law on Public Procurement

MoH - Ministry of Health

NAO - National Audit Office

PFM – Public Financial Management

PIP – Public Investment Program

PPRC - Public Procurement Regulatory Commission

PRB - Procurement Review Body

RPP - Regulation No.001/2022 on Public Procurement

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## Executive Summary

The village of Kosina in Ferizaj/Uroševac had a sewage problem. To address this, the municipality entered into a contract with a construction company using the negotiated procedure without publication of a contract notice, amounting to €213,953. In other words, the municipality awarded the contract to a company directly and without competition. The municipality justified the use of the negotiated procedure by referencing the “emergency sewage situation” in Kosina. However, the Public Procurement Regulatory Commission (PPRC) investigated and found that the municipality should not have used the negotiated procedure, as this situation in the village had been ongoing since 2013, and therefore does not qualify as an “extreme urgency brought about by objectively verifiable events that were not reasonably foreseeable by the concerned contracting authority” as stipulated in Article 35 of the Public Procurement Law governing the use of the Negotiated Procedures. This anecdote highlights the misuse of the negotiated procedures without publication of a contract notice. It underscores the importance of transparency, fairness, quality, and value for money in the procurement process, and the potential legal and reputational risks for the contracting authority when these principles are not upheld.

This report detailing “Research on Deficiencies in Project Cycle Management Impacting the Budget of the Ministry of Health and Local Government” presents a comprehensive analysis of public procurement and contract management in the Ministry of Health and 16 municipalities in Kosovo from 2021-2022, highlighting several key issues that need to be addressed. The study has uncovered a range of deficiencies that have contributed to budgetary losses.

A significant concern raised in the report is the lack of detailed procurement planning. The study found that out of 16 monitored municipalities, only one has included all the required elements in their procurement plan. This lack of planning can lead to inefficiencies and potential misuse of public procurement procedures.

The study also highlights the misuse of public procurement procedures, with technical specifications often being either too vague or too specific. This can lead to suspicions of bias towards specific suppliers and can undermine the integrity of the procurement process.

Budget planning is another area of concern. Projects often end up costing more than planned, damaging the budget and delaying project completion. This issue is exemplified by the case of a Hospital in Ferizaj/Uroševac, where costs almost doubled.

The document also points out the shortcomings of the blacklist system. Companies can be blacklisted for a maximum of 12 months for providing false statements or falsifying documents. However, if a company has already applied for a tender, it can continue participating in the tenders for which it is in the process, even if it has been blacklisted in the meantime.

The research also found a lack of human resources available to prepare the required documentation, such as technical specifications, contract management plans, and other project-related documents. This deficiency is due to a lack of training and capacity building for staff responsible for project management and document preparation.

The report highlights a glaring example of these deficiencies from the Municipality of Pristina. There, municipal officials mistakenly classified €3,777,977 as expenses unrelated to capital investment, leading to a misrepresentation of the organization's financial performance. This misclassification of expenses within a specific economic category is a significant concern in accounting practices and is indicative of the broader issues plaguing the procurement process.

Despite these challenges, the document also highlights some positive developments. Public authorities have become more effective at informing economic operators about their public procurement calls, making access to information fairer and more transparent.

The study authors provide a series of actionable recommendations aimed at promoting transparency, fairness, and value for money. The study seeks to align procurement processes with national objectives and ensure that budget resources are utilized efficiently and effectively throughout the project cycle. The goal is to contribute to the enhancement of Project Cycle Management (PCM) practices in Kosovo, with a particular focus on the Ministry of Health (MoH) and selected local municipalities.

In conclusion, this research provides an examination of public procurement in the Ministry of Health and 16 municipalities in Kosovo, offering actionable insights to mitigate budgetary losses and improve the efficacy of public services. The importance of this study lies not just in its immediate findings, but in its potential to shape future policy and practice, contributing to a more efficient, transparent, and accountable public procurement system. It serves as a clarion call for a comprehensive review and reform of public procurement practices in Kosovo's health and local government sectors. It underscores the urgency to address the identified deficiencies and implement robust measures to ensure transparency, accountability, and efficiency in public procurement. The findings of this study should serve as a catalyst for change, prompting stakeholders to take decisive action towards improving public procurement practices and ultimately, enhancing the quality of public services in Kosovo. By addressing these issues, the Government of Kosovo can enhance the efficiency and transparency of public procurement, which can help to fight corruption and improve citizens' trust and faith in the government.

## Methodology

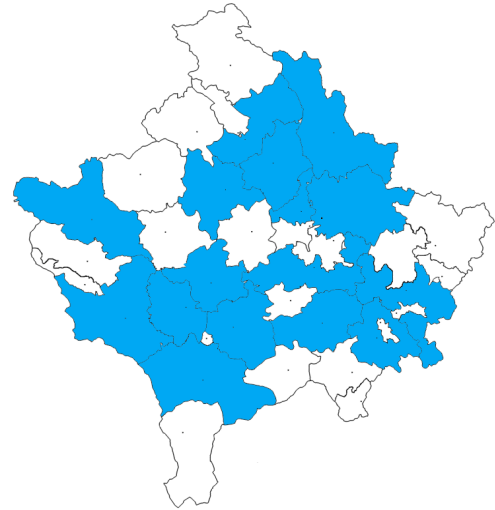
The methodology used in this research is divided into primary research and secondary research. Primary Research involves structured and semi-structured interviews conducted with public officials and political staff from 16 municipalities; public officials from the MoH; public officials from central institutions and representatives of civil society organizations that are involved in public procurement and project cycle management. The primary research involved 105 interviews in total. The interviews were conducted between the dates 01.02.2023 and 28.03.2023. The interviewees were selected based on their official position, knowledge, and experience in the field. Interviews were conducted in person and also in a few cases through email and phone calls. The interviews were conducted in the Albanian language and lasted between 30 and 120 minutes. The questions focused on the legal and institutional framework for public procurement in Kosovo, deficiencies in project cycle implementation, causes and consequences of these deficiencies, best practices, and recommendations for improvement.

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<sup>1</sup> A total of 97 interviews were conducted, however a number of them were held with more than one person, and e.g. in PPRC and NAO we held interviews with 3 people.

The interviewees are from the following institutions:

1. Municipalities: Gjakovë/Djakovica, Gjilan/Gnjilane, Lipjan/Lipljan, Pejë/Peć, Pristina, Rahovec/Orahovac, Suharekë/Suva Reka, Vushtrri/Vučitrn, Podujevë/Podujevo, Skenderaj/Srbica, Prizren, Ferizaj/Uroševac, Malishevë/Mališevo, Mitrovicë/Mitrovica, Viti/Vitina and Obiliq/Obilić;
2. National Institutions: Procurement Review Body; Public Procurement Regulatory Commission and National Audit Office.
3. The Ministry of Health; and
4. Civil Society Organizations: KDI; D+ and BIRN.



The secondary research involved a thorough review of existing literature on public procurement and project cycle implementation in Kosovo, including laws, regulations, reports, and academic articles. The sources were obtained through online databases and the websites of relevant institutions such as the Public Procurement Regulatory Commission, the Ministry of Finance etc. The review aimed to provide a comprehensive understanding of the legal and institutional framework for public procurement in Kosovo, the challenges and opportunities in project cycle implementation, and the best practices and lessons learned from other countries.

The research team also held a one-day workshop on the 28th of March in the Municipality of Prizren. Representatives of all the 17 CAs, PRCC, PRB, NAO and Civil Society were invited to participate. The aim of the workshop was to present the initial findings and gather opinions and comments from the invited officials, which helped us fill in gaps and improve the report.



*Picture 1. From the Workshop held in Prizren.*





## Key Findings

01

Low Participation in  
Public Hearings

02

Lack of detailed  
Procurement Plans

03

Lack of Human  
Resources

04

Overuse of the  
Lowest Price Tender

05

Irresponsible  
Economic Operators

06

Lack of Internal  
Controls

07

Low Procurement  
Plan Implementation

08

Inadequate Technical  
Specifications

09

Inadequate  
Classification of  
Expenses

## Key Recommendations

01

Create a Price Catalog

02

Create a Database of  
Experts

03

Prioritize Recruitment

04

Develop a Risk  
Management Strategy

05

Foster Collaboration

06

Increased Monitoring  
of EO

07

Conduct Performance  
Audits

08

Ensure Accountability

09

Promote Competition



## Introduction

Public procurement is a critical function of government, involving the acquisition of goods, services, and works to meet the needs of the public sector. Efficient and transparent procurement processes are essential to ensure that taxpayers' funds are used effectively, and public services are delivered efficiently. In many countries, including Kosovo, the procurement process is governed by specific regulations and laws aimed at promoting fairness, competition, and accountability.

This research has been undertaken with the purpose of examining the role of PCM in the procurement processes of MoH and 16 municipalities. The aim of the research is to provide insights into the challenges faced by these entities in their procurement practices and assess the impact of these deficiencies on the self-sustainability of municipalities and the principles of efficiency and transparency of PFM. The study will also examine the role of relevant stakeholders, such as PRB, PPRC, and NAO, in the procurement processes. PCM is a widely recognized approach for managing development projects, encompassing various stages from project identification, planning, implementation, monitoring, and evaluation. The effective application of PCM principles in procurement processes can contribute to better project planning, budgeting, and implementation, leading to improved outcomes and impacts.

The timing of this study is significant as it comes at a critical juncture when Kosovo is striving to enhance its governance and accountability mechanisms, including in public procurement. The findings of this study can provide valuable input for policymakers, practitioners, and other stakeholders to make informed decisions and take corrective measures to improve procurement processes in MoH and 16 municipalities. To achieve the research objectives, this study will address specific research questions that focus on different aspects of procurement processes, including deficiencies in planning and implementation, inadequate resources and coordination, project planning obligations, implementation of procurement legislation, budget planning, and contract management.

In the following sections, we will discuss each research question in detail, providing a robust analysis of the deficiencies in procurement processes and their implications. The study will utilize a combination of literature review, data analysis, and stakeholder interviews to gather empirical evidence and provide actionable recommendations for enhancing procurement practices in MoH and 16 municipalities in Kosovo.

## Project Cycle Management

In 1992 the European Commission (EC) adopted “Project Cycle Management” (PCM) as its primary set of project design and management tools based on the Logical Framework Approach. The Project Cycle Management (PCM) represents the whole of management activities and decision-making procedures used during the life cycle of a project, including but not limited to key tasks, roles and responsibilities, key documents, and decision options.

PCM helps to ensure that:

- projects are supportive of overarching policy objectives of the EC and of development partners;
- projects are relevant to an agreed strategy and to the real problems of target groups/beneficiaries;
- projects are feasible, meaning that objectives can be realistically achieved within the constraints of the operating environment and capabilities of the implementing agencies; and

- benefits generated by projects are likely to be sustainable.

The project cycle is composed of various phases starting from:

Programming – involves identifying needs, formulating policies, and setting priorities, defining goals and objectives, and developing strategies for intervention.

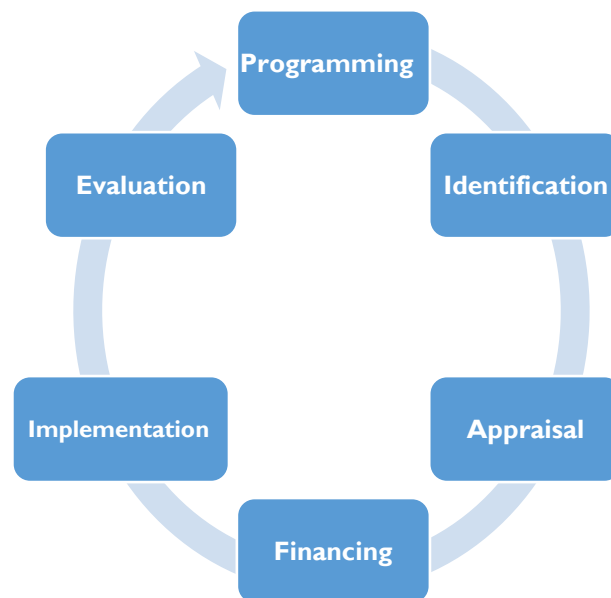
Identification – involves project identification based on the priorities and strategies defined in the programming phase.

Appraisal - involves conducting a detailed assessment of the project's technical, economic, financial, social, and environmental aspects.

Financing - involves securing the necessary funding and resources for project implementation.

Implementation - involves executing the project according to the approved project plan.

Evaluation - involves systematically tracking project progress, assessing results, and evaluating the project's overall performance.



#### PCM Relevance

PCM practices provide tools for promoting transparency, efficiency, and accountability in project management. Transparent decision-making processes, efficient project planning and management, and robust monitoring and evaluation contribute to better project outcomes, enhanced stakeholder engagement, and improved project performance and delivery.

## Project Cycle Management in Public Procurement

In Kosovo public procurement is governed by the Law No. 04/L-042 on Public Procurement in Republic of Kosovo<sup>2</sup>, and through other important secondary legislation such as the A02 Guideline No. 001/2023 for Public procurement and A01 Regulation No.001/2022 on Public Procurement.<sup>3</sup> These laws and regulations provide guidance on various aspects of PCM, including identification of needs, market analysis, drafting of strategies, technical specifications, procurement planning, tendering, contract management, and monitoring. It is noteworthy to point out that besides the Law on Procurement, public procurement in Kosovo is subject also to other relevant laws that impact the procurement processes, such as Law No. 03/L-048 on Public Financial Management and Accountability is among the many laws and regulations that prescribe additional requirements, procedures, and safeguards for procurement activities for contracting authorities, economic operators and other public authorities. This multifaceted legal framework ensures that PCM is regulated comprehensively, incorporating multiple laws and regulations, with the aim of fostering transparency, accountability, and efficiency in the procurement process in Kosovo.

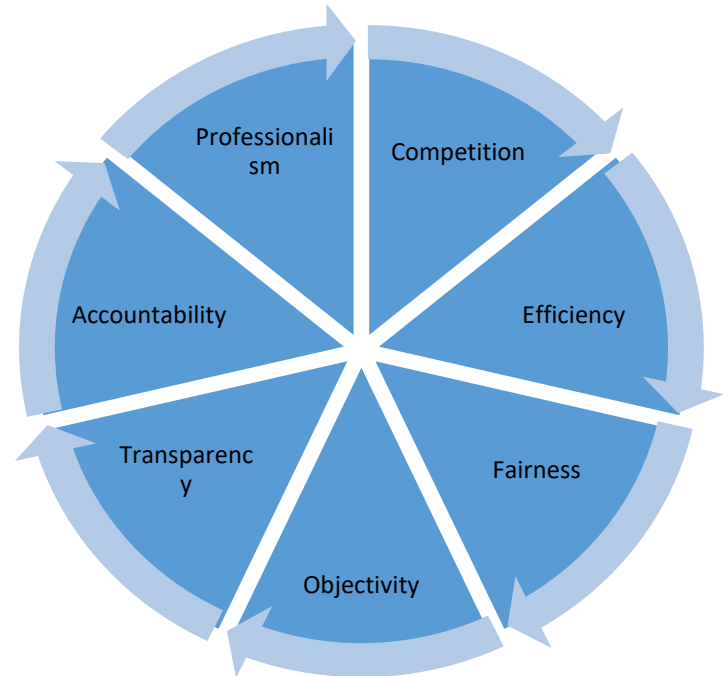
All public procurement activities shall adhere to the following fundamental principles:

1. Competition – Among economic operators should be encouraged in the most efficient and effective way.
2. Efficiency & Effectiveness – Must be demonstrated in the procurement process to ensure value for money for the Contracting Authority.
3. Fairness/Non-discrimination – Act fairly throughout the procurement lifecycle without imposing unnecessary burdens or constraints on economic operators or potential economic operators. Avoid any favorable treatment to the specific Economic operators or potential economic operators.
4. Objectivity/Integrity/Honesty – Declare any conflict of interest affecting or appearing to affect their judgment; Reject gifts, hospitality, and benefits of any kind from an economic operator or a potential Economic operator, which might be reasonably seen to compromise their objectivity or integrity.

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<sup>3</sup> <https://e-prokurimi.rks-gov.net/HOME/ClanakItemNew.aspx?id=233>

5. Transparency – Ensure equal conditions and accessibility to all EOs by informing them in an open and transparent way.
6. Accountability – Ensure accountability for the responsibilities assigned, as well as for the decisions made, and the recording of necessary data.
7. Professionalism – Work to a high standard of professionalism by complying with the legislation in force and applying the best practices.



Each procurement process is administered through the following eight (8) steps:

- STEP 1 Procurement Forecast (Planning)
- STEP 2 Value Forecast and Contract Classification
- STEP 3 Determination of the Procurement Procedure
- STEP 4 Preparation of the Tender Dossier
- STEP 5 Publishing
- STEP 6 Opening and Evaluation of Tenders
- STEP 7 Contract Award and Signing
- STEP 8 Contract Management

#### Procurement Planning

The procurement forecast is a critical initial step in the procurement process, involving the collection of data on the needs of the contracting authority. This data is then summarized in a document that should contain all the required information as per Standard Form B01 "Procurement Forecast". Procurement planning is the subsequent process undertaken by the contracting authority to plan procurement activities for a 12-month period. The preparation of an annual procurement plan serves several important purposes, including the elimination of the need for emergency procurements or exceptions, the consolidation of requirements to achieve value for money and reduce procurement costs, the identification of framework contracts for efficient and cost-effective procurement of recurring works, services, or supplies, and the avoidance of splitting procurement requirements that are largely the same or related. It is a great tool to measure the success of a contracting authority, as it allows for the evaluation of whether the planned procurement activities were successfully executed, and whether the procurement process was carried out in a timely and cost-effective manner.

#### Value Forecast and Contract Classification

In public procurement, the estimation of the value of an envisaged contract is a crucial step that must be undertaken prior to initiating the procurement procedure. This estimation should be reasonable and realistic, taking into consideration the principles of efficiency, cost-effectiveness, transparency, and fairness in the use of public funds and resources. The responsibility for estimating the contract value rests with the CA, which should compare market prices, prices of preliminary contracts (if applicable), and conduct cost analysis of relevant technical specifications of goods, services, or works to arrive at an accurate estimation.

#### Determination of the Procurement Procedure

The selection of a procurement procedure is based on either the estimated value of the requirement or the circumstances associated with the requirement. The estimated value of the requirement serves as the primary criterion for determining the appropriate procurement procedure, although the circumstances pertaining to the requirement may also be considered as additional criteria in the decision-making process.

A public contract can fall into one of the following specific types of contracts: supply contract, contract for services, work contract, or public framework contract. A supply contract primarily involves the purchase of one or more products, but may also include contracts for the lease, rental, or hire-purchase of products. A service contract primarily involves the provision of services, including consulting services. A work contract pertains to the execution, design and execution, or realization of work, construction, or civil engineering activities, such as construction, restoration, repairing, or demolition of buildings, facilities, civil engineering structures, or parts thereof. A public framework contract exclusively establishes a framework for contracts to be awarded during a limited period.

#### Preparation of the Tender Dossier

The Contracting Authority (CA) is responsible for preparing a Tender Dossier for each intended contract or design contest, unless the contract falls under the category of minimal value. The Tender Dossiers and design contest dossiers should be formulated using standard forms that have been approved by the PPRC. The PPRC has endorsed different types of Standard Tender Dossiers (TD) based on the procurement procedure employed. The structure of the Tender Dossier comprises three main parts:

- Tendering Procedures consists of two sections: the Instructions for Bidders is a standard form that does not require completion by the CA; and the Tender Data Sheet, on the other hand, must be completed by the Procurement Officer for each procurement activity.
- Draft Contract - encompasses the general conditions and special conditions that competing tenderers must accept.

Bid Submission Form is a crucial component of the tender, as it is where the bidder declares acceptance of all the terms of the tender and submits their financial offer.

#### Publishing

As per the regulations on public procurement, Contracting Authorities (CAs) are obligated to publish all notices of procurement activity in the designated electronic procurement system. Through such

publication, CAs inform potential Economic Operators (EOs) about upcoming public contracts or design contests, as well as the outcomes of procurement activities or design contests.

#### Opening and Evaluation of Tenders

As per procurement regulations, an Opening Committee with a minimum of two members must be established to conduct the tender opening process. The Committee starts the procedure immediately after the tender submission deadline and its mandate terminates after the tender opening record is produced. Tender opening is performed using the e-Procurement System. The examination, evaluation, and comparison of tenders shall be conducted by the Contracting Authority (CA) in a timely manner, with the aim of completing the process within the shortest possible period of time, and in no case exceeding 30 days from the date of tender opening.

#### Contract Award and Signing

The evaluation and comparison procedure shall culminate in the ranking of tenders, with the contract being awarded to the tenderer with the highest ranking based on the contract award criteria. The Contract Award Notice, as required by Article 41 of LPP, shall be generated using the Standard Form B08 provided by the e-procurement system.

#### Contract Management

Contract Management encompasses the administration of contract performance by the Contracting Authority, utilizing the contract management module within the e-procurement system. All officers or individuals appointed as contract managers by the Contracting Authority, or the Economic Operator (EO) must adhere to the manuals provided for the utilization of the contract management module, ensuring proper administration and management of contract performance. Contractor performance evaluation involves the assessment of contractors' performance during the implementation of public contracts and framework contracts. This evaluation is carried out through three means: i) the e-Procurement System's module for evaluation of contractor performance; ii) assessment by contract managers and their direct supervisors; and iii) compliance with the manuals guiding the utilization of the contractor performance evaluation module.

#### Target Audience

The targeted audience for the research report includes a wide range of stakeholders involved in public procurement, primarily the 16 municipalities which are being monitored and the MoH, and then also procurement officers, contract managers, Chief Administrative Officers (CAOs), economic operators, civil society organizations involved in researching and monitoring public procurement, academia, and other relevant entities. The research findings and recommendations are expected to be of interest for all above mentioned institutions and relevant stakeholders. Specifically, for USAID-KMI (the donor), the research report can provide important insights into the challenges and deficiencies in project cycle management that impact the budget of the MoH and local government. This understanding can enable USAID-KMI to better tailor their support and assistance programs to address these deficiencies and enhance the effectiveness of their efforts in supporting municipalities and the MoH in overcoming procurement challenges and deficiencies, ultimately contributing to improved public procurement practices and better utilization of budgets.

## Research Structure

This research report is structured in a comprehensive manner to provide a thorough analysis of the identified deficiencies in project cycle management in public procurement and their impact on the budget of the MoH and local government. The report is organized into the following sections:

**Introduction:** This section provides an overview of the research topic, including the background, objectives, and significance of the study. It outlines the research methodology and scope of the study and presents an overview of the structure of the report.

**Research Findings:** This section presents the research findings on the deficiencies in project cycle management that impact the budget of the MoH and local government. The findings are supported by data, evidence, and case studies, where applicable, to enhance the validity and reliability of the research.

**PCM Trends:** This section presents an analysis of the project cycle management (PCM) practices within the selected municipalities and the MoH. It calls back from the first section of PCM in Public Procurement and analysis the current strengths, weaknesses, and future trends of PCM.

**Recommendations:** This section presents recommendations for addressing the identified deficiencies in project cycle management in public procurement. The recommendations are evidence-based and practical, and aim to provide actionable insights for policymakers, practitioners, and other stakeholders involved in public procurement.

**Conclusion:** This section provides a summary of the key findings and recommendations of the research, and presents the conclusions drawn from the analysis.

## Research Findings

In this section, we will present the key findings of our research on deficiencies in project cycle implementation that impact the budget of the MoH and local Government. Our findings are based on interviews we conducted with key stakeholders involved in the procurement process, as mentioned in the Methodology Section. Through our study, we sought to identify the factors that contribute to budget overruns; inadequate planning; non-completion of projects; repetition of projects; lack of strict monitoring, etc. in project implementation, and to provide recommendations for improving project management practices and budget control measures. The insights provided in this section will offer a valuable perspective into the factors that hinder the successful implementation of projects and suggest measures to overcome these challenges.

This section shall be divided in two main parts:

1. **General:** we will present the overall findings and trends that were identified across the 16 municipalities and MoH included in the research.
2. **Individual:** we will present the specific findings for each of the 16 municipalities and MoH included in the research.

By structuring our findings in this way, we can provide an overview of the general trends and issues observed across municipalities, while also delving into the unique findings and challenges faced by each municipality individually. This approach will provide a balanced and nuanced analysis of the impact of deficiencies in project cycle management on the budgets of the MoH and local municipalities. To present



the key findings of our research in a structured manner, we will divide them into different phases based on the project cycle.

The first phase will focus on project planning and will include findings related to the inadequacy of project risk identification, poor project coordination and communication, and insufficient stakeholder engagement.

The second phase will center on project implementation and will cover issues related to the lack of standardization in project management practices, inadequate capacity and training of project staff, and the impact of project delays on budgetary outcomes.

The third and final phase will address project monitoring and evaluation and will present findings related to the lack of effective monitoring mechanisms, poor project performance measurement, and inadequate reporting on project outcomes.

Besides the above-mentioned phases, we will also have a part dedicated to findings which are important but do not fall under either of the above-mentioned phases, this shall be titled “Other Findings”.

Planning Phase	Tendering Phase	Monitoring Phase / Contract Management
Identification of Needs Market Analysis Drafting of Strategies Technical Specifications	Tender announcement Evaluation of Tenders Award & Signing of Contract	Supply Control Contract Management Project Supervision Closing the Contract

## General Findings

This section will provide analysis of common deficiencies in project cycle management that were observed across the municipalities and MoH, including challenges and issues related to budget management.

### Planning Phase

Procurement planning is the first procedural step in the framework of public procurement based on the real needs of citizens and the budgetary capacity of the Contracting Authority. Article 8 of the Law on Public Procurement and Article 5 of the Regulation on Public Procurement mention procurement planning as the first step of public procurement, giving it great importance. As such, procurement planning is a document that is legally required to be prepared.<sup>4</sup> The findings presented below are based on the data collected from the 105 interviews conducted with public officials from the 16 Municipalities and the MoH.

#### Committee for Politics and Finances

Based on the interviews we have conducted with Assembly members from the 16 municipalities, we identified that the members of the Committee for Policies and Finances have shown a lack of knowledge about PCM in general and about project cycles in general and whether municipalities have or not a system of managing the projects’ cycles. Municipal assemblies, as the highest institutions of local self-governance, are not actively involved in planning the municipal budget, although in 2022 municipal assemblies have organized several budget hearings while concluding the cycle of respecting the law for holding budget hearings by the municipality. Additionally, the assembly members interviewed who belong to the

<sup>4</sup> Both the Law and the Regulation can be found in the e-procurement website: <https://e-prokurimi.rks.gov.net/HOME/ClanakItemNew.aspx?id=205>

opposition claim that public hearings are only made to fulfill a legal obligation and are not really taken seriously. Assembly members claim that Law No. 03/L-040 on Local Self Government has resulted in the loss of supervisory power by the Municipal Assembly, making it difficult for them to be involved in the project management cycle.

### Public Hearings

In 14 out of the 16 municipalities the participation of citizens in public hearings has decreased over the past years. Municipalities continue to respect legal bases in organizing budget hearings, but they have not created an adequate mechanism/methodology to determine priorities (citizens' requests during organization of budget hearings) for planning the municipal budget. Municipalities mainly concentrate the budget planning in their promises given by the mayors during the election campaigns, and in some cases budget planning is based on the municipal Development Plan (MDK) and other strategic plans that municipalities have. Budgeting with participation seems to be a challenge in determining priorities in municipal budget planning, whilst organizing hearings is more an activity just to meet legal obligations. In this aspect, based on the interview of municipal officials, positive progress is made by Pejë/Peć municipality, where determining priorities on budget planning is closely made with local councils of this municipality. Obiliq/Obilić municipality has actively tried to involve citizens in public hearings, making a database with names, emails and phone numbers where it contacts its citizens and invites them to public hearings to get their opinions, depending on the topic being discussed they invite different people.

According to the interviewed public servants, three of the main arguments why the number of participants in public hearing is so low is:

- Basic needs such as roads, sewers, lighting, etc. are already met,
- The insistence of citizens to meet directly with the Mayor of the Municipality and the relevant Director through non-official channels,
- Citizens believe that public hearings are just a formality, so they do not participate.

### Procurement Plan

After the needs are identified, contracting authorities are obliged to prepare the Procurement Plan, which must contain the following information: title of activity, item, unit of measure, approximate annual quantity, unit price, estimated contract value and planned date of initiation of procurement procedures. In the case of activity planning for services and work, the following data are needed: activity title, estimated contract value and planned procurement start date.<sup>5</sup> There is one concern regarding the inconsistency in Information Requirements between PPRC Standard Form and E-Procurement Platform, this concern arises from a disparity observed between the information requirements outlined in the standard form adopted by the PPRC (Procurement Policy Review Committee) and the corresponding template within the e-procurement platform. Specifically, the inconsistency lies in the differing information criteria for service and works contracts.

Based on the interviews, officials from all 17 CAs have claimed that they in fact do prepare a detailed procurement plan, however due to a multitude of reasons they do not manage to plan accordingly.

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<sup>5</sup> Per the B01 Procurement Forecast form that must be completed: <https://e-prokurimi.rks.gov.net/HOME/ClanakItemNew.aspx?id=233>

According to a study done by INPO, out of 20 monitored municipalities only one of them (Klinë/Klina which is not a target of this study) has included all the required elements in their procurement plan.<sup>6</sup> This means that all 16 municipalities that are being targeted by this research, have not in fact prepared a detailed procurement plan for 2022, which is a legal obligation.

### Misuse of Public Procurement Procedures

Civil Society representatives who have been involved in monitoring of procurement processes, claim that technical specifications are not well-defined, or sometimes too well-defined, leading to suspicions of tailored technical specifications. When technical specifications are not well-defined, it can be challenging to evaluate the suitability of potential suppliers and ensure that the project's needs are met. Conversely, when technical specifications are too well-defined, it can create a perception of bias towards a specific supplier, leading to suspicions of tailored technical specifications. During 2021 and 2022 there were cases where the contracting authority demanded technical specifications that do not exist, are not at all important to the project or are unjust and may disqualify other competitors. Some of these cases will be analyzed in the next section.

Budget planning is not well prepared, often projects end up costing more than they were planned to, such as the case of the Hospital in Ferizaj/Uroševac where the costs almost doubled. This directly damages the budget, makes it impossible to finalize the project within the timeframe and thus projects are inherited over the years. In the Individual Findings section, we have identified such cases, and described them in more detail. Additionally, projects are often approved even when the contracting authority lacks the necessary funds. According to officials this is done so that a budget is dedicated, and it can be put in the procurement plan. Due to lack of research and not well-planned budgets, extra work is not accounted for.

### Executive Plan

Article 20 point 10 of the Operational Guidelines for Public Procurement<sup>7</sup> requires that "Technical specifications for the work contract must include an executive project as a substantial part of itself". While point 13 "The contracting authority is responsible for the drafting of the executive project, and which must be attached to the technical specifications which are part of the tender file" in a mandatory manner. No Contracting Authority can issue tender documentation without attaching a detailed description of the project. In three of the 17 CAs monitored, the audit reports for 2021 identified that for certain projects four municipalities (Gjakovë/Djakovica, Pejë/Peć, Vushtrri/Vučitrn and Ferizaj/Uroševac) did not have an executive plan.

### Blacklist

One key finding is the shortcomings of the blacklist. As per Article 99.2 of the Public Procurement Law, companies may face disqualification or placement on the blacklist for a maximum period of 12 months as a consequence of providing false statements or falsifying documents in relation to public procurement. The decision to disqualify a company is made by the Procurement Review Body (PRB) upon receiving a request from the contracting authority. The PRB is also responsible for publishing all decisions on

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<sup>6</sup> <https://inpo-ks.org/wp-content/uploads/2022/12/Raport-Planifikimi-i-Prokurimit-2022.pdf>

<sup>7</sup> A01 Rules and Operational Guidelines for Public Procurement

Link: <https://e-prokurimi.rks-gov.net/HOME/ClanakItemNew.aspx?id=233>

disqualification, including cases where the contracting authority's request has been denied, on its official website.

If an economic operator has already applied for a tender, even if he has been blacklisted in the meantime, he can continue participating in the tenders for which he is in the process. A contracting authority is only allowed to prohibit an economic operator from applying for a tender if they are already blacklisted, so if an economic operator has applied before being blacklisted, they can continue the tender procedures. The right to blacklist an economic operator is left to the contracting authority, thus if there are suspicions from other economic operators or civil society, they cannot request for an economic operator to be blacklisted. Additionally, an economic operator cannot be blacklisted for more than twelve months, and in case an economic operator is already in the process of tendering as mentioned above, in reality, they may end up being excluded from tender procedures for only about six to nine months.

#### Lack of Human Resources

Another key finding of our research is that there is a lack of human resources available to prepare the required documentation, such as technical specifications, contract management plans, and other project-related documents. In all the 17 contracting authorities interviewed, officials have claimed that they are understaffed in some departments especially when it comes to procurement officers and engineers and architects who are responsible for helping with technical specifications. We have cases like in Skenderaj/Srbica where they do not have an Auditor for a prolonged period of time, also Obiliq/Obilić does not have a head of Procurement for some time. One of the main reasons presented by public officials for why this happens is the claim of inadequate monetary compensation, as these professions are much better paid in the private sector. This deficiency is also due to a lack of training and capacity building for staff responsible for project management and documentation preparation from procurement forecast to contract management. Officials complain that the training provided by PPRC and IKAP is often too short and too packed, and they would like longer and more relaxed training modules.

#### Expropriation

One of the key findings of our research is that expropriation used to be one of the major issues in the past, but according to the officials, this issue has become less prevalent in recent times. Municipalities have adopted a new approach, whereby they require citizens to first resolve any ownership problems before deciding to invest in a project. This approach has been adopted as a means of reducing legal disputes and avoiding the need for expropriation, which can be time-consuming, costly, and contentious.

#### Public Investment Program

In the past contracting authorities would open a call for tender without all the necessary documents in place. The Public Investment Program (PIP) has made it impossible for a project to proceed without having the required supporting documents and without being based on the budget, mid-term budget framework and development plan. However, as mentioned above this does not mean that these documents are at a satisfactory level.

#### High Financial Requests

According to Finance Directors and Finance Officials, it is not uncommon for requesting units to make unreasonable requests during budget negotiations or resource allocation processes. One reason for this

could be that they are attempting to "bargain" or negotiate for the resources they need, even though they know their initial requests may not be immediately accepted. By making an initial request that is far beyond what they need, they hope to increase the likelihood of receiving a larger allocation of resources than they would if they started with a more reasonable request. This happens since the demands are always much higher than the budgetary possibilities of the contracting authority.

#### Inadequate classification of expenses

According to Financial Rule No. 01/2013/MF "Expenditure of public money", the expenses must have the appropriate economic categories, defined by the Administrative Instruction for the accounting plan, as well as with the accounting plan of the Treasury, the relevant codes and categories of expenses that the OB must apply are defined. Of the 17 monitored CAs, a staggering 15 (Gjakovë / Djakovica; Pejë / Peć; Prishtina; Gjilan / Gnjilane; Ferizaj / Uroševac; Prizren; Mitrovicë/ Mitrovica; Vushtrri / Vuçitern; Rahovec / Orahovac; Suharekë / Suva Reka; Skenderaj / Srbica; Malishevë / Mališevo; Obiliq / Obilić; Lipjan / Lipjan; Mo) of them did have at least one case where they inadequately classified their expenses.

#### Auditing Planning Phase

From the interviews with municipal Internal Auditors, a lack of knowledge about the cycle of managing projects was noted. Of the interviewed auditors, seven (Gjakovë / Djakovica; Mitrovicë/ Mitrovica; Obiliq / Obilić; Podujevë / Podujevo; Suharekë / Suva Reka; Skenderaj / Srbica; Rahovec / Orahovac) did not mention the planning stage for capital projects as a part of project managing cycle, and according to the answers, initiation stage of the procurement procedures is seen as the first stage of projects' managing cycle. Until now respective municipalities did not manage to carry out the audit of the capital projects' performance.

#### Tendering Phase

The tendering phase is a critical stage in the procurement process that involves the tender announcements, evaluation of tenders, and selection of the winning bidder and signing of the contract.

#### Lowest Price Tender

According to officials and official data from PPRC, in 2021 99.11% of the times, contracting authority chose to use the lowest price tender, instead of the economically most advantageous tender, whereas in 2022 that percentage has fallen to 94.34%.<sup>8</sup> According to PPRC officials and CSO representatives this happens due to the fact that the economically most advantageous tender is more difficult to be justified, and most public officials lack the necessary training for this and do not wish to take the responsibility if it goes wrong. According to the interview with KDI, in Kosovo, procurement officers manage many more cases than the average procurement officer in Europe. In Europe, the average is 10-12 cases per year, in Kosovo it is 25. However, according to BIRN, while this is true, public officers are not overworked as they do not review all their projects properly.

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<sup>8</sup> Annual Report 2022, by PPRC

Link: <https://e-prokurimi.rks-gov.net/Home/ClanakItemNew.aspx?id=349>

## Procurement Review Body

According to municipal officials, the complaints procedure at the Procurement Review Body (PRB) takes too long, sometimes up to six months. As a result of these delays, according to the interviewed official projects can take too long and, in some cases, must be postponed for next year. Interviewed officials complained that PRB decisions are often indecisive; PRB will request the process to be returned for reevaluation, officials demanded from PRB to take clear cut decisions, since returning to reevaluation takes too much time and, in the end, it will almost always be the same result, meaning that the contracting authority will again choose the same economic operator. However according to the PRB website, in 2022 only 25% of the cases were returned for reevaluation<sup>9</sup>, and according to PRB this figure is slowly falling.

According to the interviews with PRB, they lacked the necessary staff, and for a while they did not have a board, and these are the reasons why decisions took so long. Another issue that was mentioned by the officials from the Procurement office is that oftentimes economic operators will require additional information from the Procurement office and then submit official complaints to the PRB, only in spite of the economic operator who has won. Another issue related to PRB is that they have not held all sessions, this started during the pandemic. Some sessions are now held online. This can damage the trust in the institution and the process.

## Negotiating Procedures

There are contradictory claims from officials and even civil society when it comes to using negotiating procedures. On the one hand negotiating procedures should always be used as they help in lowering the prices, however on the other hand this gives the public authority options to misuse funds and the economic operator the chance to overprice their services. KDI claims that since Kosovo is a small market, there are cases where only one or two economic operators can offer certain services. As such the negotiated procedure would make it easier to contact them directly and thus ensure that a competent and responsible economic operator wins the tender. According to the PPRC report for 2022 the participation of the competitive procedure with negotiations is 2.23%. Also, the participation of the negotiated procedure without publication of the contract notice is 14.05%.<sup>10</sup> Of the CAs we monitored, 4 of 17 (Gjilan / Gnjilane; Ferizaj / Uroševac; Rahovec / Orahovac; Suharekë / Suva Reka) did use Negotiating Procedures in violation with the PPL, this was done after analyzing the audit reports for 2021.

## Support of NGOs through Subsidies

Regulation MF-No. 04/2017, on the criteria, standards, and procedures of public financing of NGOs sets forth the rules and criteria on how NGO subsidies must be implemented. Out of the 17 monitored CAs, 13 (Prishtina; Ferizaj / Uroševac; Gjilan / Gnjilane; Gjakovë / Djakovica; Pejë / Peć; Mitrovicë/ Mitrovica; Podujevë / Podujevo; Vushtrri / Vuçitern; Rahovec / Orahovac; Suharekë / Suva Reka; Viti / Vitina; Obiliq / Obilić; Lipjan / Lipljan) of them had wrongfully subsidized NGOs, where the most common problem was the lack of a published call for NGO to apply for subsidies.

## Irresponsible Economic Operators

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<sup>9</sup> <https://oshp.rks-gov.net/en/Reports/Index>

<sup>10</sup> Annual Report 2022 PPRC

One of the main issues that contracting authorities face is irresponsible economic operators. Irresponsible economic operators will offer low prices that are unreasonable and then will not be able to deliver quality products or services. Public officials have requested more authority on this matter, to make it legally easier to exclude certain economic operators when they have information that they do not have the capacities to deliver a product or service. This issue was also identified in Audit Reports.

#### Improved Informing & Access to Information

One positive finding is that public authorities are much more effective at informing economic operators on their public procurement calls. Institutions will post calls on the e-procurement platform, will post them on their website, and on all their social media thus making access to information fairer and more transparent.

Additionally, in relation to this, public institutions are much more effective in offering access to documents to economic operators, media, civil society, and citizens. Thanks to the e-procurement platform and to Law No. 06/L-081 on Access to Public Documents this is no longer as big an issue as it used to be. However, contracting authorities have an issue with certain economic operators who request information during the tendering process, especially when they request financial data of other economic operators which in a few cases some economic operators forget to categorize their financial data as business secrets; in other cases, however even if some data are categorized as business secrets some irresponsible economic operators still request access to that data.

#### Lack of Funds

As mentioned in the Key Findings, besides projects being added to the Procurement Plan when there are no funds available, projects are also signed without the necessary budget appropriation. This makes the likelihood of failure very high and damages the budget as the project will be passed from year to year. While there is no official data how often this does happen, we have identified cases such as in Gjilan/Gnjilane in 2021, where four projects totaling a value of over 1 million euro, where signed with a secured budget of only around 80,000 Euro (this case will be described in more detail in the next section).<sup>11</sup> According to the interviewed officials, one of the key reasons why so many projects fail or are signed even if there are no available funds is due to political influence. Political heads such as Mayors, Ministers or Party Leaders make promises without discussing things with the Procurement Office and the Finance Directory and without having performed any type of prior assessment.

#### Monitoring Phase

The monitoring phase is a crucial part of the procurement process that involves ongoing oversight and control to ensure that procurement activities are carried out as planned and in compliance with regulations.

#### Internal Controls

One of the findings of this research is also the insufficient lack of internal controls in the process of projects' managing cycle, with focus on the actual system of internal control as ineffective where in

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<sup>11</sup> [https://zka-rks.org/wp-content/uploads/2022/05/RaportiAuditimit\\_K\\_GL\\_2021\\_Shqip.pdf](https://zka-rks.org/wp-content/uploads/2022/05/RaportiAuditimit_K_GL_2021_Shqip.pdf)

different projects audited by internal auditors cases were identified when Contracting Authority (CA) have initiated procurement procedures with on parameter and one technical cost of the project while not compiling a detailed plan of managing the contract and by not having an exact date when project works will be executed. Similarly, municipalities have shortcomings about equal distribution of human resources to supervise projects where in some cases auditors have identified cases when an official was assigned to supervise many projects and cases when the contract manager is assigned without having professional experience to implement the contract. This form, in one way or another, jeopardizes the quality of supervision and control. Due to lack of internal resources, there are municipalities that contract these services from external sources, but also contracting of these external services has many deficiencies and shortcomings in obtaining efficient and effective management in implementing certain capital projects.

#### Lack of Monitoring

Flaws in managing projects on the local level come also from the lack of an adequate system in monitoring all stages of the cycle of managing projects by the municipality, which includes the contract managers, project supervisors, requesting unit and auditors. Out of sixteen (16) municipalities that this research was carried out, none of them had in place such mechanisms that enable monitoring and easy access of management in supervising the cycle of managing projects, especially in implementing capital projects.

#### Procurement Plan

Municipalities and MoH have continued with poor performance in achieving the Procurement Plans for 2022, according to the interviews conducted the average level of implementation of Procurement Plans is 88% however according to data provided by USAID it is only 63%. The complaint phase in the procurement process remains one of the biggest problems. The shortfall of the Procurement Plans is the lack of the Board of PRB due to complaints brought by OE and delays in returning answers due to dysfunction of the PRB Board. According to the contracting authority (municipalities), instructions given by the PRB are always respected related to its decisions for the complaints submitted by the Economic Operators.

#### Risk Management

Municipalities continue not to handle risk management with any proper strategy during the procurement process and beyond that in budget planning. From the interviewed municipalities none of them has such strategy, whilst to avoid or manage the risk in the procurement process, they have ad hoc actions such as expedited evaluation and approval to accelerate the procurement process; reallocation of funds in order to cover expenses; splitting contracts into smaller components to avoid threshold issues etc., which are carried to avoid risks that appear during the procurement process.

#### Legal Knowledge

One key finding is the lack of legal knowledge by both economic operators and contracting authorities. They do not take most laws into account. They mainly focus on the Procurement Law, e.g. when constructing new buildings, rarely is the law on the environment taken into account; when working on projects that process personal information, they do not consult the law on protection of personal data etc. As a result, a lot of times, other laws are infringed by both parties.



### Inadequate Invoices

One of the key findings is that invoices are often not detailed enough. The invoices do not provide a breakdown of the items or services that were purchased, which can make it difficult to verify what was delivered. Without a clear description of the products or services provided, it can be challenging for auditors to ensure that the goods or services were procured at a fair price and met the specifications outlined in the contract. Additionally, the lack of detail on invoices can hinder efforts to monitor and control expenditures, as it makes it difficult to track expenses and identify potential areas for cost savings.

### Request for Access

Procurement officials complain that they receive too many requests for access to public documents and too many questions from civil society, media, and other economic operators. However, all 17 CAs did agree that access to public documents has become much easier, in part thanks to e-procurement and in part to the Information and Privacy Agency.

### Work Reports

Another key finding identified by the conducted interviews with Procurement Offices (officers and/or directors) is that contract managers do not keep up-to-date work reports. This can create significant challenges in monitoring the progress of the procurement process and ensuring that contract terms are being met. Without accurate and timely work reports, it can be difficult to track project milestones, identify areas where additional resources or support may be needed, or assess the overall performance of contractors. This work report must then be submitted to the relevant directors and the mayor's office; projects are thus accepted as finished without there being a detailed report.

### Accountability

Another key finding is that accountability is not always taken seriously. From the interviews with officials and NAO, PPRC, PRB and Civil Society all claim that parties fail to take responsibility for their mistakes or oversights, which can erode trust in the procurement process and hinder efforts to improve its effectiveness. Even when individuals do acknowledge their mistakes, the consequences are often minimal or non-existent. This can create a culture where there is little incentive to prioritize transparency or accountability in procurement processes. Civil Society argues that this is the most important thing in changing the work culture.

### Public Procurement Regulatory Commission Involvement

Officials argue that Public Procurement Regulatory Commission (PPRC) needs to be more involved in the monitoring phase, they mostly act reactively instead of proactively, only when they receive a complaint from an operator or the public institutions. Additionally, PPRC and PRB are accused of being politically influenced. Because of this they often do not give direct and clear-cut answers.

One issue raised by civil society and officials is that economic operators refuse to give accountability to other public institutions that are not directly involved in their tender procedure. They argue that they are only held accountable by the institution that has contracted them. Citizens are not very involved in the monitoring phase. Most citizens are only involved informally in some cases where they will complain if they are not happy with the work of the economic operator.

## Other Findings

From the interviews conducted with the CAs, especially the mayor's offices, have claimed that citizens' demands are 'secondary' as citizens often do not understand what is necessary and have unrealistic expectations. The mayor's office focuses more on their plan, on which they ran.

Innovative technologies, environmental concerns, and sensitive data

Another important finding is that most interviewed officials lack awareness and knowledge about procurement projects related to innovative technologies, environmental concerns, and sensitive data. Of the 95 interviewed officials, 79<sup>12</sup> claimed that they have not dealt with such cases, even though such projects are implemented by them. This suggests that there may be a significant gap in knowledge and understanding among officials about the importance of incorporating new technologies and best practices into procurement processes.

## Court Cases

According to D+, municipalities have a high number of court cases, which can be costly and time-consuming for both the municipality and the community it serves. Even though many municipalities have legal officers on staff, they still contract external lawyers to represent them in court. This can be costly and may also contribute to a lack of consistency and coordination in legal representation across different cases. Additionally, the high number of cases is a sign of bad management and not well-prepared tender files.

In 2022 PRB, has received forty (40) lawsuits brought before the competent court by economic operators, as parties dissatisfied with PRB decision, all lawsuits accepted during 2022 are lawsuits for decisions made by the review panels during previous years (2015, 2016, 2017, 2018).<sup>13</sup>

## Special Service Agreements

According to D+ public authorities now use the Special Service Agreements to hire employees and use the procurement process for this. According to D+ the misuse of special service agreements has led to the engagement of unqualified individuals in performing tasks and responsibilities. Employees hired through special service agreements in the institution often exploit their position to apply for internal hiring, which results in their subsequent employment as public officials with indefinite contracts.<sup>14</sup> We have the case of the Municipality of Skenderaj/Srbica where in 2021, 16 people were hired through this procedure, which is in violation of the law.<sup>15</sup>

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<sup>12</sup> Of the total 105 conducted interviews, 102 were public officials including political staff from CAs. Of these 95 were from the 17 CA's, thus excluding representatives from NAO, PPRC and PRB.

<sup>13</sup> PRB Annual Report 2022

<sup>14</sup>[https://dplus.org/wp-content/uploads/2022/12/26-12-22\\_Misuse-of-Special-Service-Agreements-in-Municipalities-and-Ministries.pdf](https://dplus.org/wp-content/uploads/2022/12/26-12-22_Misuse-of-Special-Service-Agreements-in-Municipalities-and-Ministries.pdf)

<sup>15</sup> AUDIT REPORT FOR THE ANNUAL FINANCIAL STATEMENTS OF SKENDERAJ MUNICIPALITY FOR 2021; [https://zka-rks.org/wp-content/uploads/2022/05/RaportiAuditimit\\_K\\_SK\\_2021\\_Shqip-2.pdf](https://zka-rks.org/wp-content/uploads/2022/05/RaportiAuditimit_K_SK_2021_Shqip-2.pdf)

## Delegate Work

Officials complained that heads of departments will not delegate work to their staff. This can lead to inefficiencies and delays in procurement processes, additionally, it can be seen as a sign of misuse by heads of departments or at the very least monopolizing knowledge and expertise.

## Capital Investment Management

Not all municipalities manage capital investments through the Directorate for Public Services. For example, in Obiliq/Obilić, Lipjan/Lipljan and Pristina, the Directorate of Infrastructure deals with this, in others the project division within the Cabinet of the Mayor deals with this.

## Procurement Training

Some officials, for example the procurement office in Skenderaj/Srbica claimed they have received no training from PPRC regarding contract management and e-procurement in 2022. It is important to note that there are online training modules and videos to be found on the e-procurement website.<sup>16</sup> On the other hand, PPRC has complained that although they have trained 379 officials in 2022 alone, they continue to work only with a small portion of officials, stating that other trained officials may not want to take responsibility or heads of departments to now delegate responsibility.

## Individual Findings

This section will provide an in-depth analysis of the deficiencies in project cycle management and their impact on the budgets of the MoH and the respective local municipalities. The individual findings for each municipality will be presented separately, highlighting challenges and issues identified in each case. The analysis will be based on the data collected and analyzed for each municipality, including specific examples and evidence to support the findings, most of the data has been collected the Audit Reports done by the NAO. This section will provide a detailed understanding of the context-specific factors that influence project cycle management deficiencies and their impact on budget management in each municipality and will serve as a valuable resource for policymakers and stakeholders involved in local governance and project implementation.

## Municipality of Pristina

### Planning Phase

#### Misclassification of Expenses

The misclassification of expenses within the economic category is a significant concern in accounting practices. The economic categories and codes in the accounting plan are designed to align with different types of expenses. However, due to errors in budget allocation, a total of €3,777,977 was mistakenly classified as expenses that are not related to capital investment. These expenses included maintenance and greening of public spaces, deratization of space, and operation of tourism, collection, and disposal of medical checks, among others. Additionally, misclassifications of expenses also resulted in capital investments totaling €377,181 being allocated to urban traffic contracting services, which should have

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<sup>16</sup> <https://e-prokurimi.rks-gov.net/Home/ClanakItemNew.aspx?id=277>

been categorized as goods and expenses. These misclassifications occurred due to improper budget allocations and failure to accurately assign expenses to the appropriate economic categories. As a result, the annual financial report does not reflect the expenses in a fair and accurate manner, leading to a misrepresentation of the organization's financial performance. It is imperative to address and rectify these misclassifications to ensure the proper reflection of expenses in the financial reports and to maintain the integrity of the accounting practices.

## Tendering Phase

### Irregularities in Public Procurement Procedures

The irregularities in public procurement procedures and the selection of an irresponsible bidder have resulted in significant delays and non-compliance with eligibility requirements. As per the Regulation, point 41.2, the tender evaluation process should be completed within 30 days of the opening of offers, with a possible extension of 20 days in exceptional cases for complex contracts. However, in the case of the public contract for the summer maintenance of roads and sidewalks for 2021, valued at €406,383, the contracted group of economic operators did not fulfill the eligibility requirements specified in Article 65 of Law no. 04//L-042 for public procurement. One of the consortium members failed to provide the original or notarized evidence from the court proving that the company is not in bankruptcy or under violent judicial administration and had submitted a notarized document from an ordinary copy instead of the original. Furthermore, the evaluation of tenders for this contract lasted more than 45 days, exceeding the stipulated timeframe, without any request for an extension from the commission. Similar delays were observed in the evaluation of tenders for the supply of fuel pellets for primary and secondary schools, lasting 77 days.

These irregularities and delays can be attributed to insufficient supervision and control in the procurement procedures and evaluation of offers. Such discrepancies in contractor selection and prolonged evaluation processes have negative implications for the implementation of operational objectives and plans. It is crucial to address these issues to ensure responsible procurement practices and timely project implementation. It is essential to strictly adhere to these timelines and criteria to maintain transparency, fairness, and integrity in the procurement process and optimize the utilization of public funds. Failure to adhere to the prescribed evaluation timelines and procedures may result in delays in project implementation, which can have adverse effects on the budget of the CAs, potentially leading to cost overruns and budgetary constraints.

## All Procurement Phases

### Shortcomings in the Realization of Capital Projects

The realization of capital projects has been hampered by shortcomings in planning and contract management. Requesting units are responsible for analyzing and preparing technical specifications and estimates for planned projects, while public contracts signed between the municipality and contractors define contractual conditions and timeframes for project completion. However, inadequate planning has resulted in difficulties in realizing multiple projects, some examples are the "Reconstruction of Isa Kastrati Street," where property-legal issues along the road have not been resolved, leading to delays in implementing planned features such as the bicycle lane. Similarly, the "Construction of the recreation and Sports Park in Dardania and the renovation of the space" has faced obstacles from the works of the

Termokos city heating plant and requests from citizens for project changes, resulting in the non-implementation of planned features like the Skybord due to residents' concerns about potential noise. Additionally, inadequate planning and contract management have caused delays in project implementation, as exemplified by the project for "Construction of recreational sports parks in the capital," which started in September 2020 with a planned completion timeframe of 120 calendar days but experienced delays of over one year due to deficiencies and errors in the project that required time-consuming improvements, as reported by the contract manager and supervisor at the end of 2021. Such shortcomings can impact the timely and efficient execution of capital projects, leading to potential cost overruns and hindering the achievement of project objectives.

## Municipality of Gjakovë/Djakovica

### Monitoring Phase

#### Contracts Management Deficiencies

The Internal Audit Report for 2022 also found that the management of contracts in the Municipality of Gjakovë/ Djakovica is inadequate, as the documentation related to contract management is not maintained in a proper and timely manner. The audit revealed that files in the relevant offices were incomplete, unorganized, and lacked evidence related to the progress of contract execution. Additionally, it was found that the contract management system, particularly the contract management module in the E-Procurement system, is not being utilized effectively. Furthermore, during communication with officials from the Department for Public Services, it was observed that the physical contract (project) management file is confused with the physical file in the procurement sector. These deficiencies highlight the need for improved documentation management and utilization of the contract management system to ensure that contracts are properly managed, monitored, and executed in a systematic and organized manner.<sup>17</sup> The preparation of reports related to completed or ongoing contracts is lacking, as revealed during the audit. No reports were found for contracts implemented or being implemented in 2021 or 2022, and there was no plan for contract management monitoring currently in progress for 2022. This deficiency indicates a need for improved reporting and monitoring practices to ensure proper oversight of contract execution and completion.

During the audit, it was discovered that the tender evaluation commissions are not fulfilling their duties and responsibilities and lack professional assistance from the procurement sector in evaluating the documents submitted in the tender files for completeness and authenticity. For example, verification from the Tax Administration was received for several contract numbers, but upon testing a sample of 5 cases, it was found that none of the certifications from the Tax Administration were verified. Though this is not mandatory per law, it is a good practice that should be followed. This highlights the need for improved performance and expertise of the tender evaluation commissions, and proper verification of documents from relevant authorities to ensure compliance and authenticity in the procurement process. This practice could negatively affect the PCM system for the CA, it could lead to delays and inefficiencies and risk of inaccurate procurement decisions.

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<sup>17</sup> More information can be found on the Audit Report on Annual Financial Statements of the Municipality of Gjakova for Year 2021  
Link: [https://zka-rks.org/wp-content/uploads/2022/06/RaportiAuditimit\\_K\\_GJK\\_2021\\_Shqip.pdf](https://zka-rks.org/wp-content/uploads/2022/06/RaportiAuditimit_K_GJK_2021_Shqip.pdf)

## Tendering Phase

### Payment Negligence

As per the Rules and Operational Guidelines for public procurement (points 61.19 and 61.20), contract managers are responsible for ensuring that the contractor (EO) performs the contract as per the specified terms and conditions. However, in the "Renovation of the Cermjan Gjakovë Palace of Culture" project, payments were made for unfinished work, which violates these guidelines, and it also violates the contract conditions. Specifically, payments were made for two positions - Part V machine installations-boiler and supply and assembly of spherical valves with Hollander I - totaling €3,120. However, upon physical examination, it was found that the work for these positions was unrealized. For example, two boilers were not installed as per the contract, and one installed boiler did not meet the required specifications of the 28KW model, resulting in unrealized works worth €3,000. Similarly, the supply and assembly of spherical valves with Hollander I was also unrealized, amounting to €120.

The fact that the supervisory body signed off on the situation without proper verification raises concerns about the oversight and coordination in the project. The explanation provided by the municipality officials that other companies were operating in the same facility does not justify payments for unrealized work and indicates a potential lack of due diligence. It is imperative for the municipality to address such issues and ensure that payments are made only for completed and verified work as per the contract terms and conditions, in accordance with the established procurement guidelines and regulations. Proper oversight, coordination, and adherence to procurement guidelines are essential to prevent such deficiencies and safeguard the effective use of public funds in project implementation.

### Non-Specific Phase

#### Lack of Compensation for Damages

The interview with the Auditor revealed significant issues related to road traffic accidents and compensation for damages to municipal property in the Municipality of Gjakovë (DSHP). The report identifies a complete lack of information regarding road traffic accidents and zero compensation from insurance companies for damage to municipal property. The audit found that the municipality has no information regarding the material damage caused to public property by road traffic accidents, and no information regarding the value of municipal funds spent on repairing such damages resulting from road traffic accidents. Furthermore, the audit revealed that the municipality has never requested compensation for damages caused to its property by road traffic accidents, including damages covered by "compulsory auto liability insurance" or insurance for damages to third parties. Based on a preliminary assessment, the value of these damages is estimated to be between 30,000 to 40,000 euros per year. These findings highlight significant gaps in the municipality's management of road traffic accidents and compensation for damages, which may have financial implications and require immediate attention and corrective action.

## Municipality of Gjilan/Gnjilane

### Planning phase:

#### NGO Subsidizing Irregularities

According to Article 12, paragraph 1 of Regulation MF-no.-04/2017 on the Criteria, Standards and Procedures of Public Financing of NGOs, it is mandated that any financial support for NGOs must be announced through a public call, which must be published on the website of the financial support provider. However, in the case of the "Flame of January 2021" manifestation, the mayor, by a decision made on 23.04.2021, provided a subsidy of €17,350 to the Non-Governmental Organization (NGO) "Vepro" without following the requirement of a public call as stipulated by the regulation. The municipality justified this action by citing the pandemic situation as the reason behind the deviation from the regulation. The impact of subsidizing NGOs solely through the decision of the mayor without conducting a public call is concerning. This practice excludes competition, transparency, and may result in unequal treatment of NGOs. By bypassing the requirement of a public call, the opportunity for other NGOs to participate and compete for the subsidy is eliminated. This may create a lack of fairness and equal opportunity in the allocation of public funds, potentially leading to perceptions of favoritism or bias. It is crucial to ensure that proper procedures, including public calls, are followed in the financing of NGOs to uphold transparency, competition, and equitable treatment among NGOs. Deviating from the requirement of a public call for financial support to NGOs and relying solely on a decision, can negatively impact competition, transparency, equal treatment, and proper allocation of public funds, undermining the effectiveness and credibility of the public financing process for NGOs.

### Tendering Phase

#### Irregularities in Public Procurement Procedures

According to Article 52 of the Rule and Operative Guide for Public Procurement, the negotiated procedure without publication of the contract notice is a rarely used procedure for work or service contracts. It is typically employed in two specific cases: (1) for additional works or services that were not included in the original contract, but are necessary for completion and cannot be separated technically or economically, as long as their value does not exceed 10% of the original contract value; and (2) for new services or works that involve repetition of similar works or services previously entrusted to the Economic Operator (EO), in accordance with the basic project, disclosed in the tender, occurring within 2 years after completion of the original contract, and with a value not exceeding 10% of the value of the original contract.

On 14.03.2019, the municipality of Gjilan/Gnjilane signed a contract worth €871,173 for the "Construction of the green market in the Municipality of Gjilan/Gnjilane" project. However, the project manager notified the procurement office that the project could not be completed due to lack of quantities and lack of special items in the bill-of-quantities and estimates in relation to the project. In response to this, the procurement office considered it urgent and necessary to carry out additional work to safeguard the investment and meet the essential needs of traders for the market. As a result, the negotiated procedure without publication of the contract notice was applied, and invitations for negotiations were sent to three Economic Operators (EOs), with only the winning operator who had the basic contract submitting a financial offer. The offer was evaluated by the evaluation committee, and the contract was awarded to the

responsible Economic Operator for €509,177 on 22.04.2021. In this instance the procurement office ought to have employed the open procurement procedure. The use of the wrong procurement procedure can have detrimental effects on the procurement process and the overall outcome of a project. Firstly, it can result in a lack of transparency and fairness, leading to potential allegations of favoritism or corruption. This can erode public trust and confidence in the procurement process and the procuring entity. Secondly, using an inappropriate procurement procedure may lead to inadequate competition among suppliers, resulting in limited options and potentially higher costs. This can lead to inefficiencies and increased project costs.

## Tendering Phase

### Contract Signing without Adequate Funds

According to Article 36, paragraph 1 of Law no. 03/L-221 on Amendment and Supplement to Law no. 03/L-048 for the Management of Public Finances and Responsibilities, the Budgetary Organization is required to record all commitments of allocated funds in the Kosovo Financial Information Management System (KFMIS) in Kosovo before initiating a procurement process that would result in raising an obligation in the current fiscal year. However, the municipality has entered into contractual obligations in four cases without having sufficient pledged fund:

- Supply of information technology equipment, contract value €127,740, while commitment value €13,900,
- Reconstruction of Adem Jashari and Zija Shemsiu road, contract value €349,879, while commitment value €58,864,
- Supply of all-terrain vehicles, equipped with medical tools, the contract value is €24,700, while the commitment value is €8,185, AND
- The construction of the green market in the Municipality of Gjilan/Gnjilane, the value of the contract is €509,177, while no commitment was offered before the initiation of procurement procedures or before signing the contract.

Entering into contractual obligations without securing the necessary funds is against the Law, it can also have negative effects, including increased unpaid obligations, budgetary implications, burden on future budgets, and lack of financial accountability. It is essential for the municipality to adhere to the legal requirements and proper financial management practices to avoid such negative impacts on its financial stability and accountability.

## Municipality of Ferizaj/Uroševac

### Planning Phase

#### Failure to Prepare the Annual Plan

As per MF Regulation No. -04/2017 for subsidizing NGOs, procedures, requirements, and criteria for subsidizing NGOs have been determined. Article 6, point 1 state that "Providers of financial support must prepare a part of the annual financial support plan for NGOs no later than 30 days after the approval of



the annual budget and submit it to the relevant office for good governance at the OPM." However, despite providing subsidies to NGOs in 2021, the municipality failed to prepare an annual plan for subsidizing NGOs, which was required to be submitted to the Prime Minister's Office. This was because the Chief Administrative Officer had not delegated the responsibility of drafting the NGO financing plan to the relevant personnel in charge of distributing subsidies for programs. Failure of the municipality to prepare and submit the required annual plan for subsidizing NGOs, and the lack of effective delegation and accountability, can have negative impacts on compliance, efficiency, and reputation and it may also result in inadequate and delayed information dissemination to relevant parties, including the NGOs.

## Tendering Phase

### Economic Operator Contracting Concerns

As per Article 56.4 of the LLP, the Contracting Authority is obligated to consider a tender as responsible only if it fully complies with all the requirements stated in the contract notice and tender dossier. However, in the case of the framework contract for the Repair of pavements with cobblestone (No. 656-20-174-2-1-1) with an estimated value of €250,000, the winning EO failed to meet all the defined criteria in the tender file. Specifically, the EO did not provide evidence of having a certified quality manager as per ISO 9001-2015 standards, and an occupational health and safety certified person as per OHSAS 18001 2007 standards. Failure to meet all the tender requirements as per the contract notice and tender dossier can have negative effects, including non-compliance with tender requirements, risk of substandard work, lack of accountability, and legal and financial implications.

## Tendering Phase

### Misuse of Public Procurement Procedures

As per Article 35.2 of the LPP, the Contracting Authority is allowed to use negotiated procedures without prior publication of the contract notice in cases of extreme emergencies that are objectively verifiable and could not have been reasonably foreseen, and where other procedures set forth in the law cannot be followed due to time constraints. However, this provision cannot be used if the extreme emergency situation is a result of negligent or intentional actions or omissions by the contracting authority.

In the case of the project "Regulation of sewerage in the village of Kosina", the municipality entered into a contract using a negotiated procedure without publishing a notice, amounting to €213,953. The municipality justified the use of a negotiated procedure by citing an emergency situation with the sewage problem in the village of Kosina. However, the PPRC (relevant authority) had given an opinion that the municipality should not use a negotiated procedure for this project, as the conditions specified in Article 35 of the LPP had not been met. Furthermore, the issue with the sewerage in the village of Kosina had been persisting since 2013, indicating that the procedure was not urgent.

The misuse of negotiated procedures without publication of the contract notice, particularly in cases where the conditions specified in the law have not been met, can have negative impacts on transparency, fairness, quality, and value for money in the procurement process. It can also result in legal and reputational risks for the contracting authority. It is important for the contracting authority to adhere to procurement regulations and ensure that emergency provisions are used appropriately and in compliance with the law to uphold the integrity and effectiveness of the procurement process.

## Municipality of Pejë/Peć

### Planning Phase

#### Lack of the Executive Project

As per the A01 Regulation No.001/2022 on Public Procurement, point 19.13, it is mandatory for the Contracting Authority to draft the executive project and attach it to the Technical Specifications as part of the tender file. However, in three cases involving contracts for construction of sewerage (88,268€), water regulation and infrastructure (33,975€), and road asphaltting (156,409€), the municipality issued tender documentation without including the executive project. This indicates a lack of compliance with legal requirements and negligence on the part of the requesting units and procurement office.<sup>18</sup> According to the Auditors, the procurement procedures were carried out without the executive project due to negligence on the part of the requesting units, who failed to draft the necessary implementing executive projects, as well as inefficiencies in the controls at the procurement office, which did not ensure compliance with legal requirements during the development of the procedures.

Lack of an executive project may result in inadequate project planning and design, leading to potential issues during the execution phase, such as delays, cost overruns, and quality concerns. It may also raise questions about transparency and fairness in the procurement process, as the lack of complete and accurate project information in the tender documentation could impact the evaluation and selection of bids. Finally, it may result in legal and financial risks for the municipality, as non-compliance with procurement regulations could lead to penalties, contract disputes, and reputational damage.

### Planning Phase

#### NGO Subsidizing Irregularities

The payment of €14,000 to the NGO "Center for Independent Living" in Vitomirica, as well as the payment of €2,000 for the purchase of equipment for the storage of grape products, were made bypassing the Regulations MF-No.04/2017 on criteria, standards, and procedures for public financing of NGOs, as outlined in MF Regulation No. 04/2017. This resulted in a lack of competitiveness, transparency, equal treatment, and non-discrimination in the allocation of subsidies. Additionally, the beneficiary of the subsidy did not submit the required project proposal and budget proposal forms, as per the regulations. Furthermore, in the case of the purchase of equipment for grape product storage, there was no preliminary assessment by the commission, and the decision was made solely by the mayor, disregarding the procedures outlined in the municipal regulation No. 01/2017. These actions may have negative side effects, including undermining the principles of fairness, accountability, competition, transparency and affects the unequal treatment of NGOs, and potentially leading to misuse of public funds and lack of proper evaluation of subsidy requests.

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<sup>18</sup> For more information on the three cases:

1. <https://kk.rks-gov.net/peje/e-prokurimi/tenderi/?tender=635-21-3729-5-2-1>
2. <https://kk.rks-gov.net/peje/e-prokurimi/tenderi/?tender=635-21-2415-5-2-1>
3. <https://kk.rks-gov.net/peje/e-prokurimi/tenderi/?tender=635-21-6865-5-2-1>

## Municipality of Prizren

### Planning Phase

#### Misclassification of Expenses

There were instances of improper classification of expenses, contrary to the requirements of Financial Regulation No. 01/2013/MF "On the expenditure of public money". These misclassifications included registering expenditures for subsidies as goods and services instead of subsidies and transfers, registering expenses for assets under €1,000 as capital investments instead of goods and services, registering expenses for participations with farmers as capital investments instead of subsidies and transfers, and registering expenditures for education employees as subsidies instead of wages and salaries. These misclassifications occurred due to inadequate planning of expenses according to the economic categories.

Based on the audit report there were four cases of improper classification of expenses:

1. Expenditures for subsidies, for the supply of wood for families e of ordinary citizens, in the amount of €55,000, were registered in the category of goods & services instead of being classified in the category of subsidies and transfers,
2. Expenses for assets under €1,000, in the amount of €114,586, were registered in the category of capital investments instead of being classified in the category of goods and services,
3. The expenses of participations with farmers for various agricultural projects, in the amount of €720,185, were registered in the category of capital investments instead of being classified under subsidies and transfers, AND
4. Expenditures for education employees, in the amount of €85,553, were registered in the economic category of subsidies instead of being classified in the economic category of wages and salaries.

Misclassifications can lead to inaccurate financial reporting and accounting, which can result in financial statements that do not accurately reflect the true financial position of the entity which then can lead to misinterpretation of financial data and may affect decision-making processes.

### Monitoring Phase

#### Payment Negligence

As per Article 24 of Rule 01/2013 MF on Expenditures of public money, it is stipulated that all invoices must go through internal control procedures for the accounting plan. Point 1.2 of the rule specifies that the authorized office/commission must provide a report of acceptance of the goods/service, and according to Article 1.3, the invoice must be logged and recorded in the invoice book.

On 25.02.2021, the Municipality entered into a contract with an economic operator for the "Supply with a special vehicle for firefighters" with a total value of €119,000. The economic operator subsequently requested payment of the invoice from the Treasury through the enforcement procedure. However, prior to that the invoice was not signed by the Municipality officials and was not recorded in the Municipality's records. The Treasury made the payment on 30.12.2021, in the amount of €121,746, which included the costs of the enforcement procedure totaling €2,746.

Subsequently, the commission appointed by the Municipality refused to accept the vehicle, citing their lack of competence for the technical acceptance of the vehicle. This indicates a failure to comply with the internal control procedures for invoice acceptance and recording, as outlined in the financial regulation. This lapse in proper documentation and approval processes may lead to concerns about transparency, accountability, and compliance with financial regulations in the expenditure of public funds. It is crucial for public entities to adhere to established procedures and regulations to ensure appropriate financial management and accountability.

## Municipality of Mitrovicë/Mitrovica

### Planning Phase

#### NGO Subsidizing Irregularities

The Ministry of Finance's Regulation NR - 04/2017 outlines the essential criteria, standards, and procedures for public financing of Non-Governmental Organizations (NGOs), which must be followed by all Budgetary Organizations. It also includes reporting requirements, including narrative and financial reports, for beneficiaries of subsidies. However, the Municipality granted subsidies to Trepça Basketball Club (€5,000) and Trepça Diving Club (€15,000) through Assembly Decisions, bypassing the criteria set forth in Regulation MF-No. 4/2017. As a result, no agreements were signed with these beneficiaries, and no financial and narrative feedback reports were requested, as required by the regulation. This raises concerns about adherence to proper procedures and compliance with the regulatory framework for public financing of NGOs. Bypassing established criteria and reporting requirements can compromise transparency, accountability, and effective use of public funds.

### Tendering Phase

#### Shortcomings in the Public Procurement Procedure

As per point 56.15 of the Regulation<sup>19</sup>, it is emphasized that in cases where the CA is uncertain about the indicative quantities and contracts with prices per unit, the CA must determine the weights based on the significance of each "category of services" or "item" to determine the offer with the lowest price. During the public opening of offers, the total scored (weighted) price is read solely for the purpose of evaluating the offers, while the contract is linked to unit prices. However, in the "Supply of drugs and medical material" contract, the weighted prices were set as the contract price for both lots (€2,978 for Lot 1 and €2,452 for Lot 2), without clarifying that these are the weighted prices. The financial offers, based on prices per unit, were higher at €10,575 for Lot 1 and €3,959 for Lot 2, and the contract should have been concluded based on these prices. This discrepancy occurred due to the failure of the officials involved in the process to comply with the legal requirements of Public Procurement. Placing of weighted price as contract prices may lead to misinterpretations of the contract value. This could result in increased costs for the Contracting Authority, which may impact on their budget and financial resources, it may also lead to misunderstandings as to contract value.

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<sup>19</sup> Regulation No.001/2022 on Public Procurement  
<https://e-prokurimi.rks-gov.net/HOME/ClanakItemNew.aspx?id=233>

## Municipality of Podujevë/Podujevo

### Planning Phase

#### NGO Subsidizing Irregularities

As per Article 6 of Regulation 04/2017 on the Criteria, Standards, and Procedures of Public Financing of NGOs, it is required that Providers of financial support prepare an annual financial support plan for NGOs within 30 days of the approval of the annual budget of the Republic of Kosovo and submit it to the relevant office for good governance at the Office of the Prime Minister of the Republic of Kosovo. However, the municipality failed to comply with this requirement as it did not prepare an annual plan for subsidizing NGOs, despite having provided subsidies of approximately €500,000 to NGOs during the year. The plan should have been submitted to the Prime Minister's office, but it was not prepared or submitted by the municipality as required by the regulation. These actions may have negative side effects, including undermining the principles of fairness, accountability, competition, transparency and affects the unequal treatment of NGOs, and potentially leading to misuse of public funds and lack of proper evaluation of subsidy requests.

### Planning Phase

#### Technical Specifications

Based on Article 28.4 and Article 28.8 of the PPL, the technical specifications for procurement contracts should refer to certain standards. The technical specifications must also accurately define the executive and functional requirements to enable bidders to understand the main subject of the contract and allow contracting authorities to award the contract. However, during the examination of three procurement procedures, the following deficiencies were identified:

- For the construction of the "Ali Ajeti" school in the village of Ballofc, the municipality signed a contract worth €384,444, but the technical specifications contained inaccurate and non-measurable descriptions of positions, such as paving without specifying the capacity of the pellet tank, Al-PVC pipes without indicating stability or resistance to temperature, and high-quality ceramic tiles without providing specifications for quality measurement.
- For the construction and adjustment of the bed of the Llap River, the municipality concluded a contract worth €249,634, but the technical specifications did not determine the quality standard of the required works or products, and only specified Concrete C25/30 without indicating the method or production standard for concrete quality control. The quality and elasticity standard for the supplied armor was also not determined.
- For the repair of gravel roads, the municipality signed a contract worth €173,976, but the technical specifications for the position "Opening of channels for the removal of atmospheric waters" were inaccurate and non-measurable, without determining the depth, width, or shape of the channel.

These deficiencies occurred because the requesting units did not conduct adequate and professional reviews to eliminate ambiguities, and the responsible officer did not exercise sufficient controls to prevent these deficiencies. Inaccurate or non-measurable descriptions of positions in technical specifications may result in poor quality of the works or products delivered under the contracts, and it also makes monitoring more difficult.

## Municipality of Vushtrri/Vučitrn

### Planning phase

#### Payment Negligence

The contract for the regulation of public space, co-financed with UN-Habitat and dated 10.06.2021, includes a provision in article 2.4 stating that UN-Habitat is exempt from Value Added Tax (VAT). However, it was identified during the payment process for the construction of roads, with co-financing from the 60-UN Habitat fund that an amount of €14,775, which should have been exempt from VAT, was paid in full, including the VAT amount of €2,253 that should not have been paid. This discrepancy occurred due to inadequate supervision by the responsible officials during the payment execution process.

### Planning Phase

#### Lack of the Executive Project

According to the A01 Regulation No.001/2022 on Public Procurement, specifically article 19, it is mandated that the technical specifications for work contracts must include an executive project as an essential part. Point 13 of the Regulation stipulates that the contracting authority is responsible for drafting the executive project, which must be attached to the technical specifications as part of the tender documentation. It is mandatory for no contracting authority to issue tender documentation without including a detailed description of the project. However, in Vushtrri/Vučitrn the audit report found five (5) samples of contract works, where the municipality failed to prepare the executive project for these contracts. Instead, they only developed procurement procedures by preparing pre-measurements and pre-calculations. The lack of executive projects was found in the following contracts: "Regulation of public space A Walk in History"; "Regulation of the Sitnica & Vushtrri riverbed"; "Expansion of the public lighting network in the city and 13 villages-Lot 1"; "Rehabilitation of locker rooms on the field in the sports field"; and "Asphalting of local roads in 14 villages-Lot 2".

Lack of an executive project may result in inadequate project planning and design, leading to potential issues during the execution phase, such as delays, cost overruns, and quality concerns. It may also raise questions about transparency and fairness in the procurement process, as the lack of complete and accurate project information in the tender documentation could impact the evaluation and selection of bids. Finally, it may result in legal and financial risks for the municipality, as non-compliance with procurement regulations could lead to penalties, contract disputes, and reputational damage.

## Municipality of Rahovec/Orahovac

### Tendering Phase

#### Contract Signing without Adequate Funds

According to Article 13.8 of Law no. 07/L-41, which governs budget allocations for the 2021 budget, contracts for multi-year capital projects can only be signed by budget organizations if they are financially covered by the budget law for the current year and the Medium-term budget framework.

However, in two instances, contracts for capital projects were signed without proper financial coverage, resulting in budget discrepancies as follows:

- For the project "Construction of the AMF in the upper district", the budget law for the current year and the two subsequent years allocated €150,000, but the signed contract was worth €252,269, exceeding the planned value by €102,269; and
- For the project "Construction of the soil drainage channel in Forteše-Celine", the budget law for the current year and the two following years allocated €220,000, but the signed contract was worth €239,520, exceeding the planned value by €19,520.

These discrepancies occurred due to inadequate analysis and unrealistic estimates of the financial costs of the projects during the budgeting process. This may lead to unplanned expenses, budget overruns, and financial strain on the organization responsible for the projects. It may also result in the misallocation of funds, which can impact other planned projects or services.

All Phases:

Delays

As per Article 81 of the Law on Public Procurement, and the A01 Regulation No.001/2022 on Public Procurement, it is the responsibility of contract managers to ensure that economic operators adhere to the terms and conditions specified in the contract and manage the contract accordingly. Each public contract is expected to be implemented within a defined deadline. However, significant delays have been observed in the physical progress of the following projects, as they were not carried out according to the dynamic plan specified in the contracts:

- "Construction of the nursery facility in Fshatin Ratkoc": The contract, signed on November 20, 2018, for €468,298, was supposed to be completed within two years. However, by the end of 2021, only 67% of the project had been completed.
- "Regulation of riverbeds": The contract, signed on December 6, 2018, for €765,095, was supposed to be completed within three years. However, by the end of 2021, only 61% of the project had been completed.
- "Construction of sewers in the municipality of Rahovec": The contract, signed on December 3, 2018, for €441,155, was supposed to be completed within two years. However, by the end of 2021, the project was only 90% completed.
- "Construction of roads in the municipality of Rahovec": The contract, signed on December 3, 2018, for €271,188, was supposed to be completed within two years. However, by the end of 2021, the project was only completed at a rate of 92%.

The Municipality officials have attributed these delays to non-agreements with landowners and improper budgeting for certain projects. However, these delays indicate a lack of effective control in monitoring project implementation by the Municipality. It is essential for proper adherence to contract terms, efficient budgeting, and effective project monitoring to ensure timely and successful completion of public projects.

Delays in project implementation can result in increased costs due to various factors such as inflation, changes in material prices, and prolonged labor expenses. It could lead to the municipality not reaching its

defined objectives and in the absence of budget funds for the following years, the started projects may not be completed for some time.

#### Municipality of Suharekë/Suva Reka

##### Planning Phase

##### Lack of the Executive Project

As per the A01 Regulation No.001/2022 on Public Procurement, specifically Article 19, it is mandated that the technical specifications for work contracts must include an executive project as an integral component. However, the following projects did not comply with this legal requirement, as only estimates and pre-calculations were prepared instead of an executive project:

- Project "Construction of local roads: Bubulina; Xhavit Kelmendi; Milaim Bugari; Shaban Polluzha and other local Suharekë roads", with a total value of €137,399.
- Project "Regulation and repair of local roads", with a total value of €96,811.
- Project "Construction of local roads in Boka neighborhood - continuation; construction of the road in the neighborhood Qarri - Esat Qarri - Grajqevc", with a total value of €26,301.

Lack of an executive project may result in inadequate project planning and design, leading to potential issues during the execution phase, such as delays, cost overruns, and quality concerns. It may also raise questions about transparency and fairness in the procurement process, as the lack of complete and accurate project information in the tender documentation could impact the evaluation and selection of bids. Finally, it may result in legal and financial risks for the municipality, as non-compliance with procurement regulations could lead to penalties, contract disputes, and reputational damage.

#### Municipality of Skenderaj/Srbica

##### Tendering Phase

##### Misuse of Public Procurement Procedures

As per Article 84 of Law No. 06/L-114 for Public Officials, Agreements for special services are governed by the relevant public procurement legislation, with specific rules outlined in Article 57 of the A01 Regulation No.001/2022 on Public Procurement. These rules apply only to the procurement of special services that cannot be fulfilled through recruitment procedures, and Agreements for special services must comply with the relevant public procurement legislation. However, the municipality in question engaged 16 employees through Agreements for special services without following proper procurement procedures. Upon testing a sample of four positions, it was found that these positions were mainly for regular work positions, such as medical specialists, pediatricians, and health staff. The personnel manager attributed this phenomenon to the increased need for staff engagement to fulfill the municipality's additional objectives during the pandemic period. This issue was also raised by Civil Society in our interviews.

#### Municipality of Malishevë/Mališevo

##### Planning Phase

##### Execution of payments for certain projects from the budget of other projects



As per Law no. 07/L-041 on budget allocations for the year 2021, specifically article 17 point 10, any changes in budget allocations for existing projects or replacement of capital projects of municipalities must be approved in advance by the Municipal Assembly. However, the Minister may authorize the movement of funds allocated from one capital project to another within the same subprogram of the budget organization if valid justifications are provided by the head of the budget organization. Such reallocations must be carried out in accordance with the procedures and criteria specified in the administrative instruction MF no. 05/2019 for the transfer and reallocation of budget allocations. Upon reviewing 19 payments totaling €517,935, it was identified that the Municipality had utilized project funds for purposes other than what they were originally planned for, without following the procedures and criteria for transfer and reallocation of budget allocations from one capital project to another.

These projects included asphaltting of local roads, construction of sewers, construction of aqueducts, construction of dome roads, construction of public lighting, and construction of infrastructure along the Mirusha River segment from the bridge in the center to the transit. This misallocation of funds occurred due to entering into public contracts without sufficient funds for certain projects, and utilizing funds allocated for certain projects in case of payment execution through court decisions, without adhering to the proper procedures and criteria for budget allocation transfer and reallocation. This practice may affect the incorrect presentation of reports of physical and financial progress of capital projects and risks that the budgeting of the following years becomes inaccurate, as well as increases the possibility of delays in payment of other bills.

#### Municipality of Viti/Vitina

##### Monitoring Phase

##### Contract Management Deficiencies

The Public Procurement Regulation (Regulation) requires that after a contract has been signed, the Procurement Officer informs the Chief Administrative Officer (CAO). The CAO then appoints a Contract Manager and a direct supervisor for the contract. Additionally, the Regulation stipulates that contract signatories must confirm that the financial information has not substantially changed before the publication of the Notice on the Decision of the Contracting Authority. However, in the contract "Regulation of sports fields in the Municipality of Vitia" worth €424,176, NAO appointed the contract manager but not the direct supervisor, and the pledge of funds was made after the contract was signed, despite an expected expenditure of €170,000 for the year 2021.

Similarly, in the contract "Construction of bridges in the village of Pozheran and Buzovik" worth €74,888, the review of funds availability was done after the contract notification, not before the award notification, and the pledge of funds was not made before signing the contract. In the contract "Construction of sidewalks and public lighting" worth €820,153, the availability of funds was reviewed and signed, but the pledge of funds before signing the contract was only €50,000, while the budget for 2021 was €370,000. The expenses for this project in 2021 were €97,493. These discrepancies occurred due to the failure to correctly implement the legal requirements outlined in the Regulation. The lack of proper appointment of a Contract Manager and direct supervisor, as well as failure to review funds availability before contract award, could lead to mismanagement of funds allocated for projects, resulting in improper expenditure and potential misuse of public funds.

## Municipality Obiliq/Obilić

### Tendering Phase

#### Irregularities in Public Procurement Procedures

According to Article 36 of the Law on the Management of Public Finances (LMPF), it is required to register the commitment in KFMIS before initiating a procurement process. However, several violations of this requirement occurred in the following contracts:

The public contract for the supply of wood and pellets for school institutions, with a contract value of €40,000, was signed without prior commitment of funds in SIMFK. The commitment and purchase order were made 45 days after the contract was signed, which was after the contract's 10-day deadline.

In the public contract for the maintenance of official vehicles, with a weighted value of €13,458, the security of contract execution by the winning tender was not 10% of the contract value of €61,635, but only €4,000 based on the estimated value. The estimated value was not correct and consequently the fixed price of the performance security was not 10%. The Municipality's estimation was €40,365, and the winning offer exceeding the estimated value at €61,635.

Similarly, in the contract for the Digitization of roads and public facilities worth €23,218, the purchase order was made 26 days after the contract had expired.

These violations occurred due to insufficient controls in the public procurement processes, leading to non-compliance with the Law No. 03/L-048 on Public Financial Management and Accountability requirements and potential risks in the management of public finances. As a result, these contracts may not be implemented in the absence of the necessary budget funds. The value of the performance security may not cover the possible damages from non-performance of the contract.

## Municipality of Lipjan/Lipljan

### Tendering Phase

#### Economic Operator Contracting Concerns

According to Article 59.4 of the LPP (Law on Public Procurement), the contracting authority must consider a tender as responsible only if it complies with all the requirements stated in the contract notice and tender file. However, in the tender file for the "Asphalting of the Marie Shllaku Street and construction of the bridge over the Sitnica River in New Rufe" project, which has a value of €354,549, there was no evidence of the ISO Certificate 18001:2007 as required in Requirement 5 related to technical and/or professional qualifications. Similarly, in the tender file for the "Construction of public lighting on Llugaxhi Gadime street, Gadime e Ulët, as well as sidewalk construction on Lipjan Janjevë street" project, which has a value of €114,193, there was no evidence of financial turnover for the last three years as required in Point III-2.3 related to the annual turnover of €200,000 during the years 2018-2020.

These discrepancies indicate potential non-compliance with the requirements of the LPP and may raise concerns about the responsible and compliant execution of the procurement process, which could have legal, financial, and reputational implications for the contracting authority. It is crucial to ensure that all tender files are complete and in compliance with the requirements set forth in the contract notice and

tender file to ensure transparency and fairness in public procurement processes. Selecting a winning EO that does not meet the criteria defined in the tender file can result in rewarding the EO in violation of legal requirements. It is crucial to ensure that the winning EO fulfills all the criteria set forth in the tender file to maintain compliance with legal regulations and ensure the successful execution of the project.

## Ministry of Health

### Planning Phase

#### Misclassification of Expenses

As per the provisions outlined in Article 18, point 3 of Financial Rule no. 01/2013 - Expenditure of public money, and in accordance with Article 11 of AI 19/2009 on the accounting plan, which mandates the Chief Financial Officer (CFO) to ensure adherence to the structure of the accounting plan and defined classifications in SIMFK (Financial Management System), it has come to light that the MoH in 2021 (in accordance with government decisions and budget planning) has recorded expenses amounting to €835,372 under inadequate economic categories, as follows:

Expenses totaling €424,446 incurred for the engagement of health staff in managing the Covid-19 pandemic were paid from the category of subsidies and transfers, as per the government's decision, but in nature, these expenses should have been classified as goods and services.

Expenses totaling €443,517 for the procurement of medical equipment and serological tests were paid from the category of capital investments, under the Emergency Covid-19 project for Kosovo, as planned by the budget law. Of this payment, €46,450 pertained to medical equipment classified as capital investments, while the remaining €397,067 mainly comprised supplies of serological tests, which should have been categorized as goods and services.

The payment of €13,859 for the procurement of laboratory tables, which falls under the category of equipment below €1,000, was budgeted and paid from capital investments, whereas it should have been classified as goods and services.

These discrepancies arose due to the allocation of financial resources in some cases through government decisions and in other cases through the Budget Law. It is worth noting that the MoH had initially requested that the expenses for the engaged staff be budgeted and allocated under the goods and services category, but this was not adhered to. These misclassifications occurred due to improper budget allocations and failure to accurately assign expenses to the appropriate economic categories. As a result, the annual financial report does not reflect the expenses in a fair and accurate manner, leading to a misrepresentation of the organization's financial performance. It is imperative to address and rectify these misclassifications to ensure the proper reflection of expenses in the financial reports and to maintain the integrity of the accounting practices.

#### All Phases

#### Delays

As per the stipulations outlined in Article 40.3 of the A01 Regulation No.001/2022 on Public Procurement, the procedure for the examination, evaluation, and comparison of tenders must be completed by the CA (Contracting Authority) within a timeframe not exceeding 30 days from the opening of the offers.

However, in exceptional and justified cases, particularly for contracts of a complex nature, this period may be extended by an additional 20 days. In the case of the Procurement Procedure "Supply with laboratory equipment," which consisted of eight (8) lots, the evaluation of offers took 60 days to be completed after the opening of the offers. This delay was attributed to the complexity of the procedure, which necessitated additional clarifications to be sought from the EO (Economic Operator) regarding certain devices, leading to the extended timeline for evaluation. The prolonged evaluation period may result in delays in the overall procurement process, leading to potential delays in the delivery of laboratory equipment and subsequent impacts on project timelines or operational efficiency, it may also lead to the delays related to contracts and consequently the postponement of supplies and receiving services for citizens.

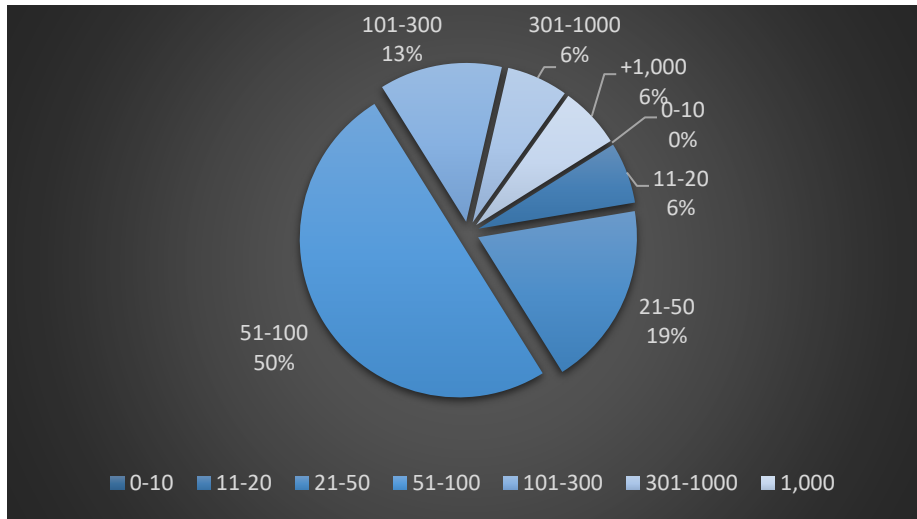
### Statistical Findings

In addition to the qualitative analysis of deficiencies in project cycle management, this study also utilized statistical analysis to provide quantitative evidence on the impact of these deficiencies on the budgets of the MoH and local municipalities. Descriptive and inferential statistics were employed to analyze quantitative data collected from the 16 municipalities under study. Descriptive statistics were used to summarize key variables related to budget allocations, procurement expenditures, project delays, and cost overruns. The findings from the statistical analysis provided quantitative evidence that supported the qualitative findings of deficiencies in project cycle management. The descriptive statistics also revealed common patterns and trends in budget allocations and procurement expenditures across the municipalities, providing valuable insights into the overall impact of deficiencies in project cycle management on budget management. It is important to note that the statistical findings in this study may be limited by the availability and quality of data related to budget deficiencies. Despite efforts to collect comprehensive data from the 16 municipalities and MoH, there are clear limitations in the level of information that could be obtained. One potential limitation is that authorities do not have robust systems in place for tracking and documenting budget deficiencies related to project cycle management. As a result, the data available for analysis may be incomplete or inconsistent, which could affect the accuracy and reliability of the statistical findings. Despite the limitations, this chapter provides an examination of the statistical findings pertaining to the procurement process within the scope of this research. By scrutinizing these statistical findings, we aim to elucidate the intricacies, strengths, and limitations inherent in the procurement landscape.

### Public Hearings

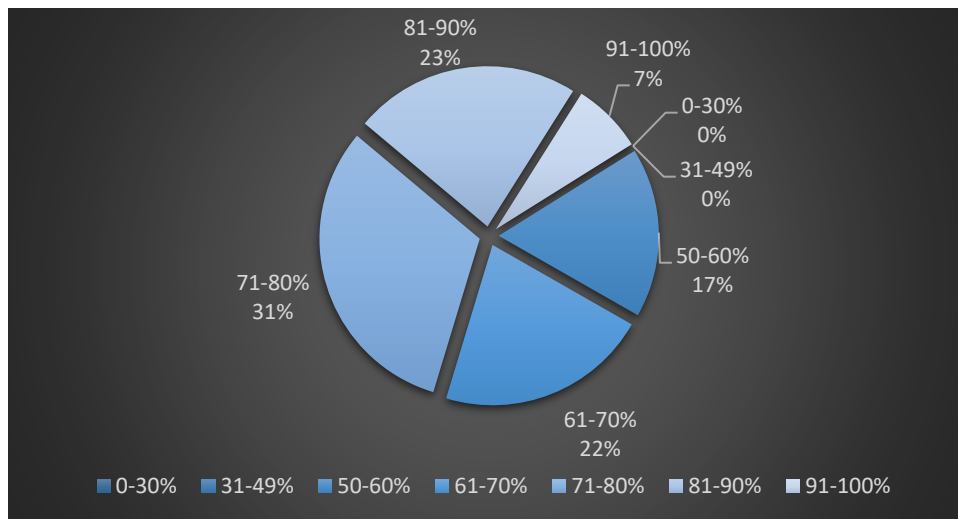
Of all the CA's interviewed, all answered that they hold public hearings and regular meetings with citizens.

The number of citizens varies from 20 to 2,000 participants. The rate of public hearings varies from 3 to 40 per year.



### Citizens Request

All CA's have responded that they consider the demands of the citizens. No CA can complete 100% due to budget restrictions and project prioritization. On average, 70% of citizens' requests are considered.



### Value of signed contracts:

The total value of signed contracts increased significantly from 429,622,215.80 in 2021 to 559,017,913.90 in 2022, indicating a substantial growth of approximately 30% in the total value of contracts signed.

### Total number of signed contracts

The total number of signed contracts also increased from 9,887 in 2021 to 10,290 in 2022, indicating a moderate growth of approximately 4% in the total number of contracts awarded. This suggests a slightly higher number of contracts being awarded in 2022 compared to 2021, which may be attributed to the increase in the total value of contracts, since the total value of signed contracts also increased from 429.6 million to 559 million.

### Total Requests for Interpretations/Advices

The total number of requests for interpretations/advices increased significantly from 1,483 in 2021 to 3,360 in 2022, indicating a substantial growth of approximately 126% in the number of tips/interpretations provided. This suggests a higher level of engagement and feedback from bidders or other stakeholders in the procurement process in 2022 compared to 2021.

### Standard notice for correction of errors in published notices

The number of standard notices for correction of errors in published notices also increased from 1311 in 2021 to 1685 in 2022, indicating a higher rate of errors that needed to be corrected during the procurement process.

### Notice of cancellation of the procurement activity

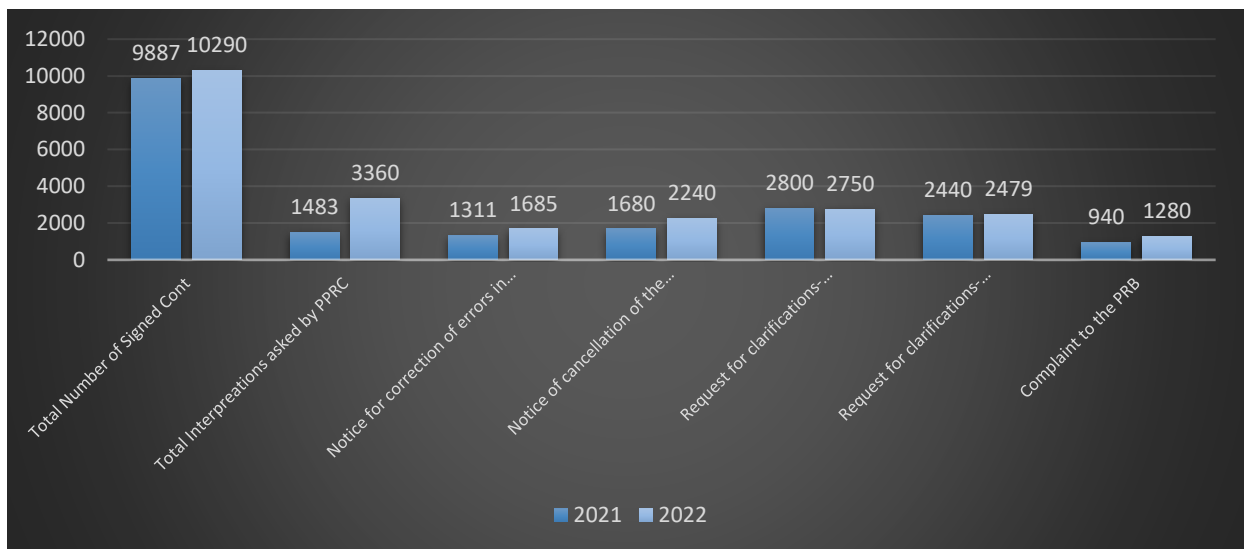
The number of notices of cancellation of the procurement activity also increased from 1,680 in 2021 to 2,240 in 2022, suggesting a higher number of procurement activities that were canceled during the procurement process in 2022 compared to 2021.

### Request for clarifications-additional information of Tender Dossier

The number of requests for clarifications or additional information remained relatively stable, with a slight decrease from 2,800 in 2021 to 2,750 in 2022, indicating a consistent demand for clarifications or additional information from bidders during the procurement process.

### Request for Review in CA

The number of requests for reconsideration in the Contracting Authority (CA) also remained stable, with a minor increase from 2,440 in 2021 to 2,479 in 2022, indicating a consistent number of bidders seeking reconsideration of procurement decisions by the CA.

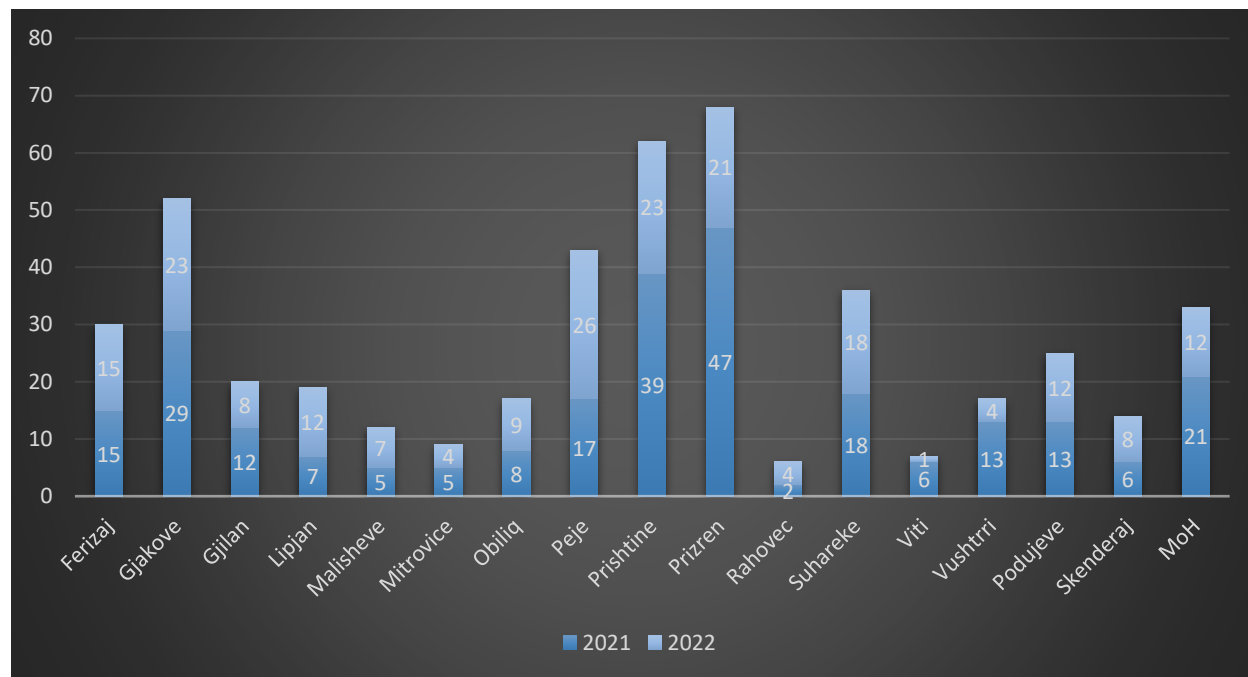


Overall, the data indicates a significant increase in the total value of signed contracts in 2022 compared to 2021, but also highlights a slight increase in the number of errors, cancellations, and requests for reconsideration in the procurement process. This may suggest a need for improved procurement practices

and increased attention to quality control measures to minimize errors and cancellations and ensure transparency and fairness in the procurement process. The stable number of requests for clarifications and complaints to the PRB may indicate consistent bidder engagement, while the slight decrease in requests for reconsideration in the CA may suggest improved decision-making by the Contracting Authority. The significant increase in the number of requested interpretations in 2022 compared to 2021, may suggest an increased procurement activity and engagement from stakeholders, it may also suggest an increase in complexity or ambiguity in procurement notices or requirements, or a higher level of scrutiny and engagement from stakeholders to ensure transparency and fairness in the procurement process. Further analysis and investigation may be needed to identify specific factors contributing to these trends and recommend appropriate measures for improvement.

### Complaint to the PRB

The number of complaints to the Public Review Body (PRB) increased from 940 in 2021 to 1280 in 2022, suggesting a higher number of complaints filed with the PRB during the procurement process in 2022 compared to 2021.<sup>20</sup> However, when it comes to complaints to the PRB only from the 16 municipalities and MoH, the number of complaints has fallen. In 2021 the total number of complaints was 263, whereas in 2022 it has fallen to 207.<sup>21</sup> It is also important to note that the total number of awarded contracts for these CAs has fallen from 2701 in 2021, to 2527 in 2022.



<sup>20</sup> <https://oshp.rks-gov.net/en/Reports/Index>

Taken from the PRB website. There are other numbers mentioned in the PRB annual report however.

<sup>21</sup> <https://oshp.rks-gov.net/sq/ProcurementActivities/Search>

## Number of Complaints Reviewed by PRB

Of the 470 complaints sent to PRC from the 17 CA's, 385 of them were reviewed by the PRC. Below we see the tables from 2021 and 2022 on the reviewed complaints and their decision. These tables do not include the reviewed complaints in 2023.

Number of Complains Reviewed by PRC in 2021									
Contracting Authority	CA decision approval	Re-evaluation	Re-tender	Dismissal Complaint	Complaint withdrawal	CA obligation for clarification	Ordinance	Changing the Tender Dossier	Total of Complaints
Ferizaj / Uroševac	2	3						1	6
Gjakovë / Djakovica	2	8		2		2			14
Gjilan / Gnjilane		1		1					2
Lipjan / Lipljan	3	1		1					5
Malishevë / Mališevo				1					1
Mitrovicë / Mitrovica	1	2							3
Obiliq / Obilić	2	1							3
Pejë / Peć	5	2							7
Podujevë / Podujevo	4	4	1	5					14
Prishtinë	6	7		3			1		17
Prizren				1					1
Rahovec / Orahovac	2	2	2	2					8
Skenderaj / Srbica	1	1		1					3
Suharekë / Suva Reka		4							4
Viti / Vitina									0
Vushtrri / Vuçitrn									0
MoH	2	3		4				2	11
<b>Total</b>	<b>30</b>	<b>39</b>	<b>3</b>	<b>21</b>	<b>0</b>	<b>2</b>	<b>1</b>	<b>3</b>	<b>99</b>

Number of Complains Reviewed by PRC in 2022																		
Contracting Authority	Complaint not allowed	Untimely complaint	Incomplete complaint	Complaint is approved / The contract remains in force	Complaint is approved / Improvement of the TD	Approved-Complaint/ Reassessment	Approved complaint / Reassessment / Ordinance	The complaint is approved / The tender is cancelled	Approved complaint/ Ordinance	The agreement of the parties is approved	The complaint is partially approved / The tender is cancelled	The withdrawal of the complaint is approved	Out of time for review	Rejected complaint / Reassessment	Complaint is rejected / Tender is cancelled	The complaint is rejected / the Decision of the CA is confirmed	The tender is cancelled	Total
Gjakovë / Djakovica	2			3	5							5				5		20
Gjilan / Gnjilane	1	1		1	2							2				2		9
Lipjan / Lipljan	1	1		3	5				1			7				3		21
Malishevë / Mališevo	1			1	2		1				3	7				3	1	19
Mitrovicë / Mitrovica	1	1		4	3				1			1	2			1		14



Obiliq / Obilić		1	1			4			1	1			1			4		13
Pejë / Peć	1	2			2	6							10	1		2	1	25
Podujevë / Podujevo	1					3							8	1		4		17
Prishtinë	5	3		1	3	7		3				1	5			6	2	36
Prizren	2		2	1		13				2			3			7		30
Rahovec / Orahovac						3							1			4		8
Skenderaj					2	2				1			3					8
Suharekë		1			2	7		1				2		1	2	2	1	19
Viti						2						1	6			2	1	12
Vushtrri	1					2		1		1			1			2	1	9
MoH	1					2			1			1	4	1		2		12
<b>Total</b>	<b>17</b>	<b>10</b>	<b>3</b>	<b>2</b>	<b>22</b>	<b>71</b>	<b>0</b>	<b>7</b>	<b>2</b>	<b>7</b>	<b>0</b>	<b>8</b>	<b>71</b>	<b>6</b>	<b>3</b>	<b>49</b>	<b>7</b>	<b>286</b>

### Total Value of Contracts and Number of Contracts

Year 2021				Year 2022	
	Contracting Authority	No. of Contracts	Total Value of Contracts	No. of Contracts	Total Value of Contracts
1	Ferizaj / Uroševac	174	13,667,891.00	181	6,084,400.00
2	Gjakovë / Djakovica	196	12,479,251.70	155	9,645,831.34
3	Gjilan / Gnjilane	167	6,365,363.98	169	11,435,001.96
4	Lipjan / Lipljan	177	5,483,214.84	194	4,193,647.62
5	Malishevë / Mališevo	116	6,840,439.33	128	13,157,575.41
6	Mitrovicë / Mitrovica	211	4,881,131.21	89	6,255,133.80
7	Obiliq / Obilić	211	5,749,405.00	172	8,665,887.28
8	Pejë / Peć	338	27,935,210.05	269	34,922,607.40
9	Podujevë / Podujevo	89	3,226,903.54	83	17,543,173.07
10	Prishtinë	138	13,261,810.25	90	12,899,679.57
11	Prizren	97	4,944,675.53	107	3,346,585.65
12	Rahovec / Orahovac	300	18,866,131.10	263	20,986,305.36
13	Skenderaj / Srbica	201	6,289,967.77	149	7,703,811.09
14	Suharekë / Suva Reka	133	3,744,167.47	172	10,898,026.87
15	Viti / Vitina	99	4,208,215.94	115	5,052,531.34
16	Vushtrri / Vuçitryn	57	5,419,746.40	63	11,915,723.81
17	MoH	63	11,518,051.25	107	8,395,106.87

*From the above table we can see that:*

- The total number of contracts awarded in 2022 by all the authorities listed in the table is 2,506, whereas the average number of contracts awarded per authority in 2022 is approximately 147.4 contracts per authority.
- The total number of contracts awarded in 2021 by all the authorities listed in the table is 2,767, whereas the average number of contracts awarded per authority in 2021 is approximately 162.7 contracts per authority.

c) The total value of contracts awarded in 2021 by all the authorities listed in the table is 154,881,576.36 EUR, whereas the average total value of contracts awarded per authority in 2021 is approximately 9,110,680.96 EUR per authority.

d) The total value of contracts awarded in 2022 by all the authorities listed in the table is 193,101,028.44 EUR, whereas the average total value of contracts awarded per authority in 2022 is approximately 11,358,884.03 EUR per authority.

Based on the above analysis, it appears that the average number of contracts awarded per authority decreased from 2021 to 2022, with authorities awarding fewer contracts on average in 2022. However, the average total value of contracts awarded per authority increased from 2021 to 2022, with authorities awarding higher value contracts on average in 2022. This could potentially indicate a shift towards fewer but higher value contracts being awarded by the authorities in 2022 compared to 2021. The decrease in the average number of contracts awarded per authority from 2021 to 2022 could potentially indicate that contracts are not being divided into smaller lots. When contracts are not divided into smaller lots, it may result in larger contracts being awarded to a smaller number of bidders, which could potentially hinder Small and Medium Enterprises (SMEs) and women-led bidders from participating and winning contracts. SMEs and women-owned businesses often face challenges in competing for larger contracts due to their relatively smaller size, limited resources, and capacity compared to larger firms. Smaller lots of contracts provide an opportunity for SMEs and women-owned businesses to participate and bid for contracts that align with their capabilities, which can promote competition and diversity in the procurement process.

#### Implementation of the Procurement Plan

Implementation of the Procurement Plan 2022			
No.	Contracting Authorities	Self-declared	USAID KMI Declared
1	Ferizaj/Uroševac	80%	45%
2	Gjakovë/Djakovica	94%	83%
3	Gjilan/Gnjilane	90%	60%
4	Lipjan/Lipljan	90%	84%
5	Malishevë/Mališevo	80%	35%
6	Mitrovicë/Mitrovica	89%	54%
7	Obiliq/Obilić	97%	55%
8	Pejë/Peć	80%	84%
9	Podujevë/Podujevo	90%	38%
10	Prishtinë	80%	69%
11	Prizren	90%	48%
12	Rahovec/Orahovac	85%	78%
13	Skenderaj/Srbica	90%	51%
14	Suharekë/Suva Reka	90%	93%
15	Viti/Vitina	95%	52%
16	Vushtrri/Vučitrn	90%	84%
17	MoH	n/a	62%

On the above table we can see the level at which the procurement plan was implemented in 2022. The data under "self-declared" percentages represent the implementation claims made by the contracting authorities themselves during our interviews with them, while the percentages attributed to USAID KMI represent the assessments or conclusions made by USAID KMI after monitoring the procurement plan.

According to the CA the average level of implementation is 88% for all 17 CA's, whereas according to USAID KMI that level falls to 63%. We do not have data for the MoH, under self-declared. From the remaining 16 CA's we can see that 14 of 16, declared a higher level of implementation than what was monitored by USAID. It is important to note that 9 of the 16 CA's declared an implementation rate which was 30% or higher than what was monitored by USAID KMI. The disparities between the self-declared percentages and the assessments by USAID KMI suggest potential variations in reporting or performance by the contracting authorities. Monitoring and evaluation mechanisms would be crucial to ensure accurate reporting and assessment of the procurement plan's implementation, and to identify any discrepancies or areas for improvement in the procurement process.

### PCM Trends

The chapter aims to provide an analysis of the project cycle management (PCM) practices within the selected municipalities and the MoH. By examining the prevailing trends in PCM, we seek to gain a deeper understanding of the strategies, strengths, and areas for improvement in the planning, implementation, and evaluation of projects. This chapter presents a synthesis of the key findings derived from data collection, interviews, and analysis conducted as part of our research. Through an examination of PCM practices, we aim to shed light on the factors influencing decision-making, resource allocation, and overall project effectiveness. Furthermore, by highlighting the emerging trends and patterns, we aim to provide evidence-based insights to inform policy development and enhance PCM practices in the participating municipalities and the MoH. We already analyzed how PCM in Public Procurement is regulated in the Introduction, now this chapter will explore various dimensions of PCM, strengths, weaknesses and future trends. . Ultimately, our analysis aims to contribute to the advancement of PCM practices, foster sustainable development, and improve service delivery to the citizens.

### Current PCM Practices: Strengths and Weaknesses

This section examines the current PCM trends in the 17 CAs. PCM is a vital component of effective procurement processes, ensuring the successful implementation of projects and the achievement of desired outcomes. By analyzing the prevailing trends in procurement planning, tendering, contract management, implementation and monitoring, financial management, stakeholder engagement, and capacity building, we gain valuable insights into the overall PCM practices in the CAs. We have already identified current PCM practices based on Kosovo Law under the Project Cycle Management in Public Procurement section of this paper. Here we will summarize some of the key practices identified which do not necessarily adhere to the law. In the section below, we will present some of the key PCM Strengths and Weaknesses identified during this research.

### PCM Strengths

#### Information and Transparency

One significant improvement is found in information availability and transparency. Thanks to the digitization of the procurement process through the e-procurement platform and the increase of public awareness on transparency principles and laws, transparency has increased. From the interviews conducted, all involved stakeholders were positively impressed with the improvement of transparency, including civil society. CA now uses the e-procurement platform, their websites and social media to publish comprehensive procurement notices and tender documentation and ensuring timely and widespread

dissemination of relevant procurement information. Additionally, under Law No. 06/L-081 on Access to Public Documents, interested parties may ask for access on public documents with much more ease. This proactive approach has enabled potential suppliers and stakeholders to have a clear understanding of upcoming procurement opportunities, requirements, and timelines. CAs believe that improved information management and accessibility have significantly contributed to transparency, fairness, and accountability in the procurement process, ultimately fostering public trust and confidence in the Contracting Authorities' operations.

### Utilization of Technology

The utilization of technology represents a significant improvement in the PCM practices. As mentioned above, the e-procurement platform has greatly improved and eased PCM for all involved parties. PPRC is also working on continuously improving the e-procurement platform, increasing its capacity, and adding new features. Additionally key institutions such as PPRC, PRB, NAO and the 17 CAs have improved websites, where interested parties can find a multitude of important information. The use of digital communication channels and collaboration platforms has facilitated seamless interaction with suppliers, allowing for timely clarifications and exchange of information. This can also be seen by the increased number of requests received by PPRC for advice and clarification via digital communications channels. Technology utilization surely has a long way ahead, as there will be new features and tools created in the future, however it is important to note that this is a positive trend.

### Capacity Building

Capacity Building is a never-ending process; however, it is worth noting that there have been clear improvements in this matter. Capacity building is a notable strength in the current PCM practices of the CAs. Training programs, workshops, and professional development opportunities have been implemented to strengthen the understanding of Procurement principles, legal frameworks, and the use of standardized procedures. Through capacity building, the CAs have fostered a culture of continuous learning and improvement, equipping their staff with the necessary skills to make informed decisions and execute procurement activities with efficiency and professionalism.

Although there have been complaints by CAs about the training provided by PPRC and IKAP being too short, ultimately these have helped build CA capacities. Additionally, the support provided by partners such as USAID Team, DEMOS etc., have proven crucial in capacity building. Recognizing the importance of developing a skilled workforce, donors have provided valuable support through funding, technical assistance, and knowledge sharing initiatives. This support has enabled the CAs to access specialized training programs, expertise, and resources that contribute to building the capacity of their staff.

### Stakeholder Engagement

Stakeholder engagement stands out as a key strength in the current PCM practices of the CAs. Recognizing the importance of involving relevant stakeholders throughout the procurement process, the CAs have implemented proactive and inclusive approaches to engage various stakeholders. This includes engaging with government agencies, civil society organizations, local communities, and other relevant entities at different stages of the procurement cycle. In some cases, CAs have gone as far as creating databases of stakeholder information and contacting them when necessary. By fostering open lines of communication, soliciting input, and actively involving stakeholders in decision-making processes, the Contracting

Authorities have created a collaborative environment that promotes transparency, accountability, and shared ownership. In some cases, political staff claimed they engage in multiple field visits, hold multiple meetings with stakeholders annually and have open door policies. Stakeholder engagement is never ending, CAs must continue to improve and find new ways to engage their stakeholders. It is important to note that while CAs are working harder on stakeholder engagement the number of engaged stakeholders is not necessarily growing in all 17 CAs, this however can also be due to different factors such as immigration and non-formal stakeholder meetings which are not accounted for.

### Sustainable Procurement Practices

Sustainable procurement practices have emerged as a notable strength in the current PCM practices of the CAs. While there is still a lot to be desired, no doubt officials recognize the importance of integrating environmental, social, and economic considerations into the procurement process, the CAs have embraced sustainable procurement principles and strategies. This involves incorporating sustainability criteria and requirements into the procurement specifications, evaluation criteria, and contract conditions. By prioritizing environmentally friendly materials, energy-efficient technologies, socially responsible suppliers, and fair labor practices, the Contracting Authorities are not only ensuring compliance with legal and regulatory frameworks but also demonstrating their commitment to sustainable development and responsible procurement.

### Procurement Planning

Improved procurement planning is a notable strength observed in the current PCM practices of the CAs. Recognizing the importance of effective planning in achieving successful procurement outcomes, the CAs have dedicated efforts to enhance their procurement planning processes. This involves conducting thorough needs assessments, engaging relevant stakeholders, and developing comprehensive procurement plans that align with the strategic objectives and priorities of the organizations. The improved procurement planning ensures that projects and purchases are well-defined, properly scoped, and aligned with the desired outcomes. There is no doubt that this trend must continue improving as there are still some weaknesses, especially when it comes to market research where most CAs do not have the necessary capacities to conduct in-depth market research and mostly rely on their experience and hunch. By focusing on improved procurement planning, CAs are better equipped to achieve their procurement objectives, enhance efficiency, and ensure that public resources are allocated wisely and in accordance with the identified needs.

### PCM Weaknesses

#### Insufficient Capacity

While there is an improvement in Human Capacity through trainings and workshops, there is a clear lack of total Human Capacity. Every single CA that was visited by the research team had vacant positions. Firstly, there is a lack of personnel period, this is especially evident to certain professions such as Engineers and Architects who are crucial to the monitoring and evaluation of contractors. Secondly there is a lack of trained and qualified procurement personnel within the CAs. Insufficient expertise in procurement processes, including planning, tendering, contract management, and monitoring, can hinder the ability of CAs to navigate complex procurement procedures and ensure compliance with legal and regulatory frameworks. One of the key reasons identified for these vacant positions is the issue of low salary levels.

The remuneration offered for procurement roles within the CAs may not be competitive enough to attract and retain qualified professionals. This results in difficulties in recruiting and retaining skilled procurement staff who can contribute to the effective implementation of PCM practices.

Addressing this weakness necessitates focused efforts on building and strengthening capacity within the CAs. This includes investing in comprehensive training programs to enhance the skills and knowledge of procurement staff, allocating sufficient resources for professional development, and establishing clear organizational structures with defined roles and responsibilities. By bolstering capacity, CAs can enhance their ability to carry out efficient and effective procurement activities, leading to improved outcomes and increased value for money in public procurement.

#### Inadequate Monitoring and Evaluation

One significant weakness identified in the PCM practices of the 17 CAs is the inadequate monitoring and evaluation of procurement processes. This finding highlights the lack of effective mechanisms to track and assess the performance of suppliers, contractors, and the overall procurement cycle. Firstly, there is a limited focus on performance tracking, whereby CAs fail to establish comprehensive systems for evaluating the quality, timeliness, and cost-effectiveness of delivered goods, services, or works. This hampers their ability to assess the success of procurement activities and make informed decisions based on measurable outcomes. Secondly, weaknesses in post-contract management are evident, with insufficient oversight and control over contract execution. This includes challenges in monitoring compliance, addressing contractual disputes, and ensuring the fulfillment of agreed-upon terms and conditions. As a result, CAs may face difficulties in effectively managing contracts and achieving desired procurement outcomes. This is evident by the finding on lack of a detailed contract management plan.

CAs must implement robust systems for performance tracking, establishing effective post-contract management mechanisms, and enhancing risk management strategies. By doing so, CAs can improve transparency, accountability, and the overall effectiveness of their procurement processes, leading to better outcomes and value for money in public procurement. This weakness is also directly related to insufficient capacities.

#### Inadequate Risk Management

One significant weakness observed in the PCM practices of the 17 CAs is the inadequate management of risks throughout the procurement process. Risk management plays a crucial role in identifying potential threats, assessing their likelihood and impact, and implementing appropriate mitigation strategies. However, it is evident that risk management is not given due attention and is often overlooked or handled in an ad-hoc manner. The lack of a comprehensive and structured risk management strategy hinders the CAs' ability to proactively anticipate and address risks that may arise during the procurement process.

Some of the identified ad-hoc measures taken by CAs to tackle risk are: 1) Reactive Decision-making, where in the absence of a structured risk management approach, CAs may resort to making reactive decisions when risks emerge; 2) Informal Mitigation Measures, where CAs may rely on ad-hoc mitigation measures that are not part of a systematic risk management strategy. These measures may include ad-hoc negotiations with suppliers, making last-minute changes to contract terms, or seeking additional funding to address unforeseen risks; 3) Problem-solving on a Case-by-Case Basis, ad-hoc risk handling often involves dealing with risks as they arise, focusing on immediate problem-solving rather than implementing

preventive measures. This approach limits the ability to identify risks proactively and develop systematic strategies to manage them effectively etc. To address this weakness, it is crucial for the CAs to develop and implement a robust risk management framework that encompasses all stages of the procurement process.

#### Low Implementation of the Procurement Plan

Earlier on we identified that of the 17 CAs, the level of Procurement Plan implantation sits at only 63% which is rather low. Although CAs have improved when it comes to procurement planning, they do not manage to adhere to their plans. There are a multitude of reasons behind this, some of these are related to the above mentioned PCM weakness such as Irresponsible Economic Operators who do not comply with the contract they signed; Inadequate Risk Management; Inadequate Monitoring and Evaluation and most importantly perhaps Lack of Capacities. Additionally inadequate compliance with the plan stems from a lack of awareness or understanding of its importance among stakeholders. CAs may deviate from the plan due to operational constraints, changing priorities, or external pressures, which disrupts the flow of procurement activities and compromises project schedules. Insufficient monitoring and oversight mechanisms exacerbate the problem. Weak supervision and limited tracking of procurement activities make it difficult to identify deviations from the plan and take corrective actions promptly. This lack of proper monitoring hampers accountability and increases the likelihood of incomplete or delayed procurement processes.

#### Future Directions

While the analysis has identified both strengths and weaknesses in the procurement processes, it is crucial to look ahead and consider future directions for PCM trends. By proactively addressing the identified areas for improvement and embracing emerging practices, CAs can enhance the effectiveness, efficiency, and transparency of their procurement activities. The future directions of PCM trends are centered on key areas that require attention and strategic interventions. This section aims to outline these areas and provide recommendations for the CAs to enhance their procurement practices and achieve better outcomes. One important trend is the increased use of the Economically Most Advantageous Tender. We saw that this method was used less than 1% in 2021, went up to over 6% in 2022 and is continuing to grow. From the interview with PPRC representatives, this number is expected to grow to 50% by the end of 2023.

Another important trend is the improved functionality of PRB, we saw that PRB is becoming more efficient. PRB received considerably more complaints in 2022 than 2021, however it also managed to review exponentially more complaints, jumping from 99 in 2021 to 286 in 2022.

PPRC is also continuing to improve their performance, by issuing more interpretations, clarifications, advice, offering more trainings and issuing more legal documents and guidebooks. We also see innovation and collaboration being more and more accepted by CAs and other stakeholders. Embracing innovation and fostering collaboration among stakeholders can lead to more efficient and effective procurement outcomes. This includes exploring emerging technologies, adopting innovative procurement methods, and partnering with the private sector, civil society organizations, and academia to leverage their expertise and resources.

Sustainable procurement will also become a more important factor as time goes on. The integration of sustainable procurement practices, such as considering environmental and social factors in procurement decisions, will contribute to the achievement of broader sustainability goals. Looking ahead, it is essential to embrace the future directions of PCM trends. The increasing digital transformation, focus on supplier relationship management, emphasis on social and environmental responsibility, decentralized procurement models, outcome-based procurement, capacity development and training, and the importance of transparency and accountability all present opportunities for further improvement and innovation in procurement processes.

## Conclusions

This research study has examined the deficiencies in procurement processes and the state of Project Cycle Management (PCM) in MoH and 16 municipalities in Kosovo. Through a comprehensive analysis of the research questions, several strengths and weaknesses have been identified in procurement practices. The findings reveal that while there are some positive aspects such as efficient procurement practices, market research, and technical specifications development, there are also notable weaknesses such as inadequate resources, insufficient coordination, poor budget planning, and conclusion of contracts without sufficient available funds.

The research has shed light on the impact of these deficiencies on the overall deficits in procurement processes, including the challenges faced by municipalities' staff in implementing procurement legislation and ensuring effective PCM-market relations. The research also examined the outcomes and impacts of these deficiencies on the identified municipalities, as well as the role played by PRB, PPRC, and NAO in addressing these issues.

The insights gained from this research highlight the need for enhanced PCM practices in the procurement processes of MoH and 16 municipalities in Kosovo. This includes improved project planning, budgeting, and technical specifications development to ensure efficient procurement processes and better outcomes. Additionally, addressing challenges related to inadequate resources, insufficient coordination, poor budget planning, and conclusion of contracts without sufficient available funds is crucial for improving the overall performance of procurement processes in the identified municipalities.

Based on the findings, potential solutions could include capacity building for procurement staff, improved coordination among stakeholders, enhanced market research efforts, and stricter adherence to procurement legislation and PCM principles. It is recommended that decision-makers utilize the insights gained from this research to inform policy and practice changes that promote efficient and transparent procurement processes in MoH and 16 municipalities.

In conclusion, this research provides a comprehensive understanding of the deficiencies in procurement processes and the state of PCM in MoH and 16 municipalities in Kosovo. The identified strengths and weaknesses, outcomes, and impacts of these deficiencies offer valuable insights for addressing the challenges faced by decision-makers in improving PCM practices in the selected municipalities and MoH. By implementing the recommended solutions, Kosovo can move towards more efficient and transparent procurement processes, ultimately contributing to better service delivery and increased self-sustainability of the municipalities.



## Recommendations

This section of the research report presents evidence-based and practical recommendations for addressing the identified deficiencies in project cycle management impacting the budget of the MoH and local governments in the context of public procurement. Drawing upon the findings from the data analysis, literature review, and case studies, the recommendations are aligned with best practices and tailored to the local context. The goal of these recommendations is to provide actionable steps that can be taken by relevant stakeholders, including government agencies, municipalities, MoH economic operators, civil society organizations, and USAID-KMI, to improve project cycle management practices and ensure effective budget utilization. The recommendations are aimed at promoting transparency, accountability, efficiency, and effectiveness in public procurement processes, ultimately leading to better outcomes in project implementation and delivery of services to the public.

1. Create a price catalog based on market prices for quantifiable products: PPRC should establish a comprehensive and up-to-date price catalog based on market prices for products that can be quantified can help ensure that tender prices are realistic and aligned with market rates. This can prevent overpricing or underpricing of goods and services, reducing the risk of budget overruns or poor-quality products.
2. Create a database of experts for municipalities: Developing a database of experts from various fields can enable municipalities to choose and exchange experts among themselves, facilitating knowledge sharing and capacity building. This can enhance the quality of technical specifications in tender documents and ensure that procurement processes are informed by expert opinions, leading to better decision-making and improved project outcomes.
3. Increase the budget for services and goods: Considering that a significant portion of basic infrastructure has been built and now requires maintenance, increasing the budget for services and goods can ensure that adequate funds are allocated for ongoing maintenance and repair activities. This can prevent the deterioration of infrastructure due to lack of funds and ensure the sustainability of completed projects.
4. Increase salaries, especially for professional staff: Recognizing the importance of qualified and experienced staff in the procurement process, increasing salaries, particularly for professional staff such as engineers, can help attract and retain skilled procurement personnel. This can contribute to enhanced performance, motivation, and commitment to upholding best procurement practices, ultimately improving the quality of procurement outcomes.
5. Offer regular and relevant training: Providing regular and relevant training to procurement staff is essential for keeping them updated with changes in laws, policies, and procedures related to public procurement. This can include both international and local training opportunities to enhance their skills, knowledge, and understanding of best practices in procurement. This can result in more informed and capable procurement practitioners, leading to improved procurement processes and outcomes.
6. Allow disqualification of irresponsible operators: Empowering the procurement office to disqualify operators who are clearly not serious, such as those offering extremely low or high prices or having a poor track record, can help safeguard the integrity of the procurement

process. This can prevent the participation of unqualified or unreliable operators, ensuring that only qualified and credible bidders are considered for contract awards, which can lead to better quality products and services.

7. Do not allow recruitment to go through procurement via the Special Service Agreements: Recruiting through the Special Service Agreements is against the law; also separating the recruitment process from procurement can help prevent potential conflicts of interest and ensure that recruitment is based on merit and qualifications rather than procurement considerations. Implementing clear and transparent recruitment processes that are independent from procurement can help ensure that the most qualified individuals are selected for procurement-related roles, enhancing the overall integrity and effectiveness of the procurement process.
8. Improve the e-procurement system by adding more features: Enhancing the functionality of the e-procurement system by incorporating additional features can help minimize human errors and streamline procurement processes. This can include features such as automated checks for compliance with procurement regulations, real-time tracking of procurement progress etc. An improved e-procurement system can lead to increased transparency, efficiency, and effectiveness in procurement operations.
9. Change blacklisting rules and authority: Reviewing and updating the blacklisting rules can help strengthen the sanctions against non-compliant operators and deter fraudulent practices in procurement. This can include extending the duration of blacklisting beyond 12 months and empowering the PRB to blacklist an operator without requiring a request from the contracting authority. Such changes can serve as a stronger deterrent against non-compliance and promote accountability in public procurement. This would require the amending of the current law.
10. Promote competition through measures such as contract splitting and pre-qualification: Implementing measures to promote competition in public procurement can enhance transparency and fairness in the process. This can include splitting contracts into smaller lots to encourage participation by small and medium-sized enterprises (SMEs) and prevent monopolistic practices. Additionally, pre-qualifying suppliers based on their qualifications and capabilities can streamline the procurement process and ensure that only qualified bidders are allowed to participate, leading to improved competition and better value for money.
11. Compile a methodology for standardizing and determining priorities of citizens' requests in municipal budget planning: Developing a standardized methodology for prioritizing citizens' requests in the process of municipal budget planning can ensure transparency, fairness, and accountability in the allocation of resources. This can include defining clear criteria for prioritization, involving citizen participation in the decision-making process, and establishing mechanisms for monitoring and evaluating the implementation of citizens' requests. A standardized methodology can help ensure that municipal budgets are aligned with the needs and priorities of the local communities.
12. Increase capacities of municipal assemblies in project management: Strengthening the capacities of municipal assemblies in project management can enhance their understanding of the procurement process and enable them to play a more active role in overseeing procurement

activities at the local level. This can include providing training and capacity-building programs for assembly members on procurement regulations, procedures, and best practices. Additionally, regular reporting to the municipal assemblies on procurement progress, at least on a quarterly basis, can ensure their active engagement and oversight in the procurement process.

13. Ensure professional accountability of procurement officials and stakeholders: Establishing a culture of professional accountability among procurement officials and all other stakeholders involved in the procurement process is crucial to ensure integrity and transparency. This includes holding procurement officials and stakeholders accountable for their actions throughout the procurement process, taking responsibility for any mistakes or errors, and implementing appropriate corrective actions if necessary. This can also involve establishing channels for reporting and addressing any misconduct or unethical behavior in the procurement process and enforcing consequences for non-compliance with procurement regulations and procedures.
14. Implement recommendations from internal auditors rigorously: Recommendations from internal auditors should be considered seriously and implemented rigorously to address any identified deficiencies or weaknesses in the procurement process. This includes taking prompt action on the recommendations, developing action plans, assigning responsibilities, and monitoring the progress of implementation. Internal audit reports can serve as valuable feedback for improving the procurement process and enhancing accountability.
15. Enhance capacities of internal auditors in project management: Providing training and capacity-building programs for internal auditors in the field of project management can equip them with the necessary skills and knowledge to effectively audit the procurement process. This can include training in procurement regulations, project management principles, risk assessment, and other relevant areas. Enhanced capacities of internal auditors can result in more comprehensive and effective audits of procurement activities.
16. Start auditing the performance of municipal projects by internal auditors: Internal auditors should also audit the performance of municipal projects to ensure that they are implemented in accordance with the approved plans, budgets, and timelines. This can include assessing the quality of project deliverables, verifying the accuracy of financial reports, and evaluating the overall performance of the projects. Auditing the performance of municipal projects can provide valuable insights for improving project management practices and identifying any deviations from the planned outcomes.
17. Ensure equal distribution of human resources in project supervision: Human resources involved in project supervision, such as project managers, engineers, and technical experts, should be allocated equitably across all capital projects to ensure effective monitoring and supervision. This can help prevent overburdening of certain projects while neglecting others and ensure that all projects receive adequate attention and scrutiny throughout their implementation.
18. Increase transparency and citizen involvement in monitoring capital projects: Enhancing transparency in the monitoring process of capital projects and involving citizens can contribute to greater accountability and public trust. This can include providing regular updates on project progress, sharing information on project budgets, timelines, and performance indicators, and

involving citizens in monitoring activities through public hearings, citizen scorecards, and other mechanisms. Citizen engagement can provide valuable feedback, enhance transparency, and contribute to improved project outcomes.

19. **Strengthen supervision of contracted economic operators:** Municipalities should enhance their supervision of economic operators contracted for implementing works in capital projects. This can involve regular monitoring of the performance and progress of the contracted operators, verifying compliance with contract terms and conditions, and taking appropriate actions in case of any deviations or non-compliance. Strengthened supervision can help ensure that contracted operators are performing their duties diligently and adhering to the agreed-upon standards.
20. **Develop a risk management strategy for public procurement:** A comprehensive risk management strategy should be designed and implemented to identify, assess, and mitigate risks associated with the procurement process. This can include conducting risk assessments at various stages of the procurement process, developing risk mitigation plans, and implementing measures to minimize risks. The strategy should be regularly reviewed and updated to ensure its effectiveness in addressing emerging risks and challenges.
21. **Ensure detailed invoices from public operators:** Public institutions should establish clear guidelines and requirements for invoices from public operators to ensure that they are detailed and contain all relevant information, such as item descriptions, quantities, prices, and delivery dates. This can help prevent invoicing errors, disputes, and delays in payment processing, and ensure that the invoices are accurate and complete.
22. **Prioritize recruitment efforts to fill vacancies:** Public institutions should prioritize recruitment efforts to fill vacancies in procurement positions in a timely manner. Vacancies in key procurement positions can lead to delays, increased workload, and potential risks in the procurement process. Ensuring that adequate staffing levels are maintained, and recruitment efforts are prioritized can help mitigate risks and ensure smooth procurement operations.
23. **Foster collaboration among public institutions:** Public institutions should collaborate and share best practices to improve the procurement process. This can include establishing forums for interagency coordination, conducting joint training programs, and sharing information on procurement practices, challenges, and successes. Collaborative efforts can help identify and address common issues, improve procurement performance, and promote consistency and standardization in procurement processes.
24. **Enhance supplier performance monitoring:** Public institutions should establish robust mechanisms for monitoring the performance of suppliers throughout the procurement process. This can include conducting regular performance evaluations, monitoring compliance with contract terms and conditions, and taking appropriate actions in case of any performance issues or non-compliance. Supplier performance monitoring can help identify and mitigate risks associated with supplier performance, quality, and delivery, and ensure that contracted suppliers are meeting their obligations.
25. **Strengthen contract management practices:** Effective contract management is essential for successful procurement outcomes. Public institutions should establish robust contract

management practices, including monitoring contract performance, tracking deliverables, managing changes and amendments, and ensuring compliance with contract terms and conditions. Strengthening contract management practices can help prevent contract disputes, ensure timely delivery of goods and services, and mitigate risks associated with contract non-compliance.

26. Foster collaboration with civil society organizations: Collaborate with civil society organizations and other stakeholders to promote transparency, integrity, and accountability in the procurement process. This can include engaging civil society organizations in monitoring procurement activities, conducting procurement integrity assessments, and promoting public participation in procurement decision-making processes.

#### Recommendations for USAID KMI:

27. Promote research and knowledge sharing on PCM: Encourage research and knowledge sharing on PCM among practitioners, academics, and other stakeholders. This can include organizing workshops, conferences, and seminars on PCM topics, fostering collaboration between academia and practitioners, and supporting research initiatives aimed at identifying best practices, lessons learned, and innovative approaches in PCM.
28. Establish a PCM system: Implement a comprehensive PCM system that includes standardized processes, procedures, and guidelines for procurement, contract management, and performance monitoring. This system should be based on best practices and international standards, and should be transparent, user-friendly, and accessible to all stakeholders involved in the procurement process.
29. Invest in PCM capacity building: Invest in building the capacity of procurement officials and other stakeholders in PCM principles, practices, and tools. This can include providing training programs, workshops, and seminars on PCM topics, as well as facilitating knowledge exchange and learning opportunities among procurement professionals.
30. Foster PCM collaboration with research institutions: Collaborate with research institutions, think tanks, and academic organizations to conduct research on PCM topics, such as procurement effectiveness, efficiency, and transparency. This can involve partnering with research institutions to conduct empirical studies, benchmarking exercises, and evaluations of procurement processes and outcomes, and using research findings to inform policy and practice.
31. Invest in further Research: It is recommended that USAID-KMI invests in a pilot project in three different municipalities to conduct a comprehensive analysis of public procurement related financial deficiencies. The pilot project should focus on addressing the identified deficiencies and improving project cycle management practices in the public procurement process.

## Annex A – Questionnaires

### Questions for the Ministry of Health

Questions for political staff, finance director and budget director.

1. Does your institution have a system in place for project cycle management? If so, kindly elaborate on its elements and the methods utilized for your institution.
2. Does your Ministry use a capital investment prioritization methodology, and what is it?
3. Do you plan projects according to the medium-term budget/expenditure framework?
4. On a scale of one to ten, with ten being the highest possible rating, how would you rate the general state of project cycle management within your institution?
5. How does the Ministry ensure compliance with project cycle management procedures for projects- capital investments?
6. How do you evaluate requests or investments to determine their feasibility?
7. Are multiple alternatives considered when evaluating potential investments?
8. Do you plan projects according to the medium-term budget/expenditure framework?
9. Can you describe a recent project that the Ministry has been involved in and what were the main findings?
10. How does the Ministry assess the effectiveness of project management and control systems for the projects?
11. How does the Ministry identify and evaluate risks associated with project management for capital investments?
12. How does the Ministry measure the success of a project in terms of its objectives and goals related to health?
13. Can you describe a situation where the Ministry identified and reported a significant project management issue for a project in a municipality and how it was resolved?
14. How does the Ministry evaluate the alignment of project management processes with the overall strategic objectives related to health?
15. How does the Ministry ensure that project management resources are allocated efficiently and effectively for projects?
16. How does the Ministry communicate and coordinate with other departments and stakeholders during the project management process?
17. What are the biggest difficulties in drawing up projects/specifications for capital investment - work?
18. Who designs the design tasks?
19. How do you collaborate in the preparation of the primary project?
20. What are the standards, regulations, and laws that primary projects must adhere to once approved and sent to the procurement office for bidding?
21. Is there cooperation and harmonization of projects with other Directorates or departments?
22. How does the Ministry contribute to the development of project management policies and procedures for projects?
23. How does the Ministry evaluate the performance of project managers and teams for projects?
24. How does the Ministry ensure that project management resources are allocated efficiently and effectively for projects?

25. Are there requests from citizens to access public documents to your department.

#### Questions for procurement office of Ministry of Health

1. To what degree is adherence to the procurement plan of Ministry strictly observed within your department?
2. Kindly enlighten, what are the most frequent issues encountered during the following stages of the procurement process:
  - a. Tender publication,
  - b. Tender criteria,
  - c. Bidding,
  - d. Appeals,
  - e. Tender awarding,
  - f. Tender deadlines,
  - g. Contract signing.
3. Are there statistics available on the number of cases brought before the Procurement Review Body (PRB)?
4. How efficacious is the implementation of PRB decisions when they are immediately applicable?
5. Are PRB guidelines adhered to when reassessment of specific elements of the procedure is required?
6. What measures are in place to resolve the conflicts of interest among parties involved in the procurement process in your ministry?
7. What is the role of the procurement officer and how many are currently employed within your institution?
8. Can you provide examples of successful procurement projects that your ministry has undertaken in the past?
9. How does your office handle procurement for emergency or urgent situations?
10. How does your office handle procurement for innovative or new technologies?
11. How does your office handle procurement for complex and large-scale projects?
12. How does your office handle procurement for projects that involve international partners?
13. How does your office handle procurement for projects that involve sensitive information and/or data?
14. Are there requests from citizens to access public documents to your department?

#### Questions for internal auditor at ministry of Health

1. How does the internal audit department ensure compliance with project cycle management procedures?
2. Can you describe a recent project that you have audited and what were the main findings?
3. How do you assess the effectiveness of project management and control systems in your ministry?
4. How do you identify and evaluate risks associated with project management in ministry?
5. How do you measure the success of a project in terms of its objectives and goals?
6. Can you describe a situation where you identified and reported a significant project management issue and how it was resolved?
7. How do you ensure that the project management process is aligned with the ministry's overall strategic objectives?

8. Can you provide examples of how your department has helped to improve project management processes and outcomes in your ministry?
9. How does your department contribute to the development of project management policies and procedures in your ministry?
10. Can you provide examples of how your department has helped to improve project management processes and outcomes in your ministry?
11. How does the internal audit department evaluate the effectiveness of procurement and contract management in your ministry?

#### Questions for civil society organizations

1. Can you describe your organization's experience with project cycle management in your municipality? Can you identify the challenges of your municipality in this regard?
2. Can you share any examples of successful projects that your organization has implemented in your municipality (including other municipalities as well) with focus on procurement or/and other aspects of project cycle management, and what factors contributed to their success?
3. How does your organization ensure transparency in procurement and project management in your municipality?
4. Which mechanisms does your organization apply to address any challenges or obstacles that arise during the project cycle management process in your municipality?
5. How is your organization involved in your Municipality in the project planning and implementation process?
6. Can you share any examples of how your organization has contributed to monitoring activities related to project cycle management and procurement?
7. How does your municipality ensure transparency in budget allocation?
8. How does your municipality ensure the transparency of procurement processes?
9. How does the municipality ensure that citizens are aware of the budget allocation and how it is being spent?
10. How does the municipality involve citizens in monitoring and evaluation of the municipality's performance-project cycle management?
11. Can you share any examples of how your municipality has contributed to capacity building of citizens in transparency and accountability?

#### Questionnaire for the Mayor's Office and members of the Committee for Politics and Finance

1. To what degree are the demands of the citizens taken into account during the phase of identifying and planning demands?
2. How many citizens actively participate in the consultation process during the compilation of the draft budget?
3. Does your institution have a system in place for project cycle management? If so, kindly elaborate on its elements and the methods utilized for organization.
4. Does your municipality use a capital investment prioritization methodology, and what is it?
5. Do you plan projects (Capital Investments) according to the medium-term budget/expenditure framework; MDP (Municipal Development Plan), UDP (Urban Development Plan, MZP (Municipal Zoning Map)?



6. On a scale of one to ten, with ten being the highest possible rating, how would you rate the general state of project cycle management within your institution?
7. Kindly comment on the procedure for budget planning and procurement plans/s and project management. Does your institution plan every project accordingly, and if so, how, and which actors are engaged?
8. To what extent is the Municipal assembly actively involved in drafting a project budget and municipal procurement plan?
9. How is the implementation of the procurement plan monitored?
10. How are the implementation of projects tracked and evaluated?
11. Is there the involvement of the community (citizens) where the project is carried out in the implementation monitoring process? If so, how?
12. How does your municipality engage the community and other stakeholders in the procurement process?
13. How does your municipality guarantee transparency and fairness in the procurement process?
14. What measures are in place to prevent conflicts of interest among parties involved in the procurement process?
15. How does your municipality ensure that procurement processes are accessible to small and medium-sized enterprises?
16. Can you describe any initiatives your municipality has undertaken to promote sustainability and environmental responsibility in the procurement process?
17. How does your municipality handle procurement for complex and large-scale projects?
18. How does your municipality handle procurement for projects that involve international partners?
19. How does your municipality handle procurement for projects that involve sensitive information and/or data?
20. How does your municipality keep track of and manage procurement-related documents and records?

#### Questionnaire for the Mayor's Office and Members of the Committee for Politics and Finance

1. To what degree are the demands of the citizens taken into account during the phase of identifying and planning demands?
2. How many citizens actively participate in the consultation process during the compilation of the draft budget?
3. Does your institution have a system in place for project cycle management? If so, kindly elaborate on its elements and the methods utilized for organization.
4. Does your municipality use a capital investment prioritization methodology, and what is it?
5. Do you plan projects (Capital Investments) according to the medium-term budget/expenditure framework; MDP (Municipal Development Plan), UDP (Urban Development Plan, MZP (Municipal Zoning Map)?
6. On a scale of one to ten, with ten being the highest possible rating, how would you rate the general state of project cycle management within your institution?
7. Kindly comment on the procedure for budget planning and procurement plan/s and project management. Does your institution plan every project accordingly, and if so, how and which actors are engaged?

8. To what extent is the Municipal assembly actively involved in drafting a project budget and municipal procurement plan?
9. How is the implementation of the procurement plan monitored?
10. How are the implementation of projects tracked and evaluated?
11. Is there the involvement of the community (citizens) where the project is carried out in the implementation monitoring process? If so, how?
12. How does your municipality engage the community and other stakeholders in the procurement process?
13. How does your municipality guarantee transparency and fairness in the procurement process?
14. What measures are in place to prevent conflicts of interest among parties involved in the procurement process?
15. How does your municipality ensure that procurement processes are accessible to small and medium-sized enterprises?
16. Can you describe any initiatives your municipality has undertaken to promote sustainability and environmental responsibility in the procurement process?
17. How does your municipality handle procurement for complex and large-scale projects?
18. How does your municipality handle procurement for projects that involve international partners?
19. How does your municipality handle procurement for projects that involve sensitive information and/or data?
20. How does your municipality keep track of and manage procurement-related documents and records?

#### Questions for Municipal Directors

- I. How are the projects (to be implemented in the future) identified and prioritized at your directorate?
  - a. Based on the municipal strategies, plans (if yes, select below):
    - i. Municipal Development Plan
    - ii. Urban Development Plan
    - iii. Municipal Zoning Map
    - iv. Waste Management Plan
    - v. Energy Efficiency Action Plan
    - vi. Another \_\_\_\_\_ plan (please specify)
  - b. Based on the identified needs and requirements through:
    - i. public \_\_\_\_\_ meetings/ \_\_\_\_\_ discussions (describe)
    - ii. situation \_\_\_\_\_ assessments (describe)
    - iii. other \_\_\_\_\_ (describe)
  - c. Another \_\_\_\_\_ approach (please specify)

2. Are multiple alternatives considered during the evaluation of possible investments and are comparisons made in similar projects with previous years?
3. How many citizens actively participate in the consultation process during the compilation of the draft budget?
4. Is there cooperation and harmonization of projects with other Directorates within the Municipality?
5. Are the projects analyzed in terms of feasibility, including both implementation and utilization/maintenance?
  - a. If yes, which components are included in feasibility analysis?
    - i. economic/ financial
    - ii. environmental
    - iii. human capacities
    - iv. Other (describe) \_\_\_\_\_
  - b. Does your municipality use a capital investment prioritization methodology, and what is it? \_\_\_\_\_
6. How are the project requirements determined in terms of the capacities?
  - a. Number and demographics of the intended beneficiaries/ users
  - b. Natural/ field conditions
  - c. Other \_\_\_\_\_ (describe)
7. How are the project technical specifications determined (in terms of specific functions, sizes/capacities, construction/implementation methodology, specification of applied materials/equipment, etc.)?
  - a. Design
    - i. Design of the project
    - ii. Concept and initial design
    - iii. Main design
  - b. Other \_\_\_\_\_ (describe)
8. How are the costs for future projects estimated?
  - a. Based on the design
    - i. Design of the project
    - ii. Concept and initial design
    - iii. Main design
  - b. Other \_\_\_\_\_ (describe)
9. Do you plan projects (Capital Investments) according to the medium-term budget/expenditure framework; MDP (Municipal Development Plan), UDP (Urban Development Plan, MZP (Municipal Zoning Map)?
10. What criteria are used to conduct financial assessments of demands and investments?
11. What are the biggest difficulties in drawing up projects/specifications for capital investment - work?
  - a. Who designs the design tasks?

- b. How do you collaborate in the preparation of the main (implementation) project?
12. What are the standards, regulations, and laws that main (implementation) projects must adhere to once approved and sent to the procurement office for bidding?
13. With which directorates do you primarily communicate, collaborate, and harmonize projects prior to submitting them to the procurement office? Who designs the main projects of the nature of the works and what is the quality control mechanism of these projects?
14. What are the requirements for projects submitted to respective directorates?
15. Do compliance/harmonization and approval procedures from other relevant directorates take longer than usual?
16. After the design of the projects, is it applied for a construction permit and are property issues resolved in time for the implementation of the given project?
  - a. Do you apply for a permit or license to the relevant directorates?
17. What do you consider when appointing or placing the contract manager for a particular contract and do you have continuous communication regarding the implementation process?
18. In addition to monitoring and the contract manager, is there qualitative supervision of the execution of works? The municipal inspection is involved in the inspection of works in public projects.
19. Is there the involvement of the community (citizens) where the project is carried out in the implementation monitoring process? If so, how?
20. Are you involved in technical acceptance commissions?
21. Have there been instances where you, as the director, did not approve technical acceptance?
22. How is identification and approval of additional work done and to what extent?

#### Questions for the Municipal Procurement Offices

1. To what degree is adherence to the procurement plan strictly observed within your department?
2. Kindly enlighten, what are the most frequent issues encountered during the following stages of the procurement process:
  - a. Tender publication,
  - b. Tender criteria,
  - c. Bidding,
  - d. Appeals,
  - e. Tender awarding,
  - f. Tender deadlines,
  - g. Contract signing.
3. Are there statistics available on the number of cases brought before the Procurement Review Body (PRB)?
4. How efficacious is the implementation of PRB decisions when they are immediately applicable?
5. Are PRB guidelines adhered to when reassessment of specific elements of the procedure is required?
6. Can you elaborate on the risk management strategy employed by your municipality during the procurement process?
7. What measures are in place to the conflicts of interest among parties involved in the procurement process??

8. What is the role of the procurement officer and how many are currently employed within your institution?
9. Can you provide examples of successful procurement projects that your municipality has undertaken in the past?
10. How does your office handle procurement for emergency or urgent situations?
11. How does your office handle procurement for innovative or new technologies?
12. How does your office handle procurement for complex and large-scale projects?
13. How does your office handle procurement for projects that involve international partners?
14. How does your office handle procurement for projects that involve sensitive information and/or data?
15. Are there requests from citizens to access public documents to your department?

#### Questions for the National Audit Office

1. Can you explain the process of project cycle management in the municipality from the National Audit's office perspective?
2. How does your audit approach ensure compliance with project cycle management procedures in the municipality?
3. Can you describe a recent project that you have audited and what were the main findings?
4. How do you assess the effectiveness of project management and control systems in the municipality?
5. How do you identify and evaluate risks associated with project management in the municipality?
6. How do you measure the success of a project in terms of its objectives and goals?
7. Can you describe a situation where you identified and reported a significant project management issue and how it was resolved?
8. How do you evaluate the alignment of project management processes with the municipality's overall strategic objectives?
9. How do you evaluate the performance of project managers and teams in the municipality?
10. How do you stay informed about best practices and new developments in project management?
11. How does your audit report contribute to the development of project management policies and procedures in the municipality?
12. Can you provide examples of how your audit helped to improve project management processes and outcomes in the municipality?
13. How do you ensure that project management resources are allocated efficiently and effectively in the municipality?
14. How does your audit team communicate and coordinate with other departments and stakeholders during the project management process?
15. How do you evaluate the effectiveness of procurement and contract management in the municipality during the project cycle management?

## Questions for the Procurement Review Body (PRB)

1. Can you explain the role of the Procurement Overview Body (PRB) in handling complaints related to procurement in municipalities?
2. How does the PRB ensure fair and impartial appeal process of procurement complaints in municipalities?
3. Can you describe a recent complaint that was brought before the PRB and how it was resolved?
4. How does the PRB evaluate and prioritize complaints related to procurement in municipalities?
5. How does the PRB communicate and coordinate with other departments and stakeholders during the complaint process in municipalities?
6. How does the PRB ensure that procurement complaints are handled in a timely manner?
7. How does the PRB determine if a procurement violation has occurred and what actions are taken as a result?
8. How does the PRB report and follow up on procurement complaints to ensure that appropriate action has been taken?
9. Can you provide examples of how the PRB has helped to improve procurement processes and outcomes in municipalities through the handling of complaints?
10. How does the PRB work with other oversight bodies, such as the Public Procurement Regulatory Commission, to ensure that procurement complaints are handled effectively?
11. How efficient is the implementation of PRB decisions when they are directly applicable?
12. Are PRB guidelines followed by budget organizations when they are required to reconsider certain elements of the procedure?

## Questions for internal auditors regarding project cycle management

1. Can you explain the process of project cycle management in the municipality?
2. How does the internal audit department ensure compliance with project cycle management procedures?
3. Can you describe a recent project that you have audited and what were the main findings?
4. How do you assess the effectiveness of project management and control systems in the municipality?
5. How do you identify and evaluate risks associated with project management in the municipality?
6. How do you measure the success of a project in terms of its objectives and goals?
7. Can you describe a situation where you identified and reported a significant project management issue and how it was resolved?
8. How do you ensure that the project management process is aligned with the municipality's overall strategic objectives?
9. How do you evaluate the performance of project managers and teams in the municipality?
10. How do you stay informed about best practices and new developments in project management?
11. How does your department contribute to the development of project management policies and procedures in the municipality?
12. Can you provide examples of how your department has helped to improve project management processes and outcomes in the municipality?
13. How do you ensure that project management resources are allocated efficiently and effectively in the municipality?

14. How does your department communicate and coordinate with other departments and stakeholders during the project management process?
15. How does the internal audit department evaluate the effectiveness of procurement and contract management in the municipality?

