



# CORRWATCH ANNUAL REPORT

Increasing Public Oversight and Accountability of Public  
Institutions in Kosovo

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## Abbreviation List

AIP - Agency for Information and Privacy

DMPO- Department for Management of Public Officials

ERO- Office of the Energy Regulator

EO- Economic Operator

HIF - Health Insurance Fund

ICMM- Independent Commission for Mines and Minerals

KEK- Kosovo Energy Corporate

KPS – Kosovo Probation Service

MAFRD - Ministry of Agriculture, Forestry and Rural Development

MCYS - Ministry of Culture, Youth and Sports

ME - Ministry of Economy

MEPSI- Ministry of Environment, Spatial Planning and Infrastructure

MIA - Ministry of Internal Affairs

MIET- Ministry of Industry, Entrepreneurship and Trade

OPM- Office of the Prime Minister

POEs- Public Owned Enterprises

PPRC - Public Procurement Regulatory Commission

PRB - Procurement Review Body

HRMIS – Human Resources Management Information System

## METHODOLOGY

This Annual Report is drafted under the methodological approach designed my CorrWatch initiative. CorrWatch uses a multifaceted methodology that includes a number of comprehensive assessment indicators applicable to all five components that are subject of CorrWatch monitoring, in addition to more custom-made ones that will serve the purpose of reaching the desirable impact under each of the components. The methodological approach is designed to answer four critical questions, including *the what, the why, the how and the final impact*. To select the focus and potential institutions, a comprehensive assessment of needs for interventions for each targeted area was conducted. In general, CorrWatch methodology draws out specific patterns and behaviours within focus areas that are constantly hindering efficiency and performance of targeted public institutions. To achieve this, systemic monitoring of processes takes place and information obtained for each area is further analysed in order to extract patterns and shortcomings - that are later on - addressed with specific inputs and recommendations via periodic reports. The following part of this section briefly elaborates on the methodological approach under each component.

Ensuring merit-based and transparent **recruitment processes within the administration** remains one of the key challenges. The so far mostly controversial and dubious recruitment processes – in specific to top level positions in the civil service and independent agencies – harmed citizen trust into the sector due to irregularities reported by civil society and media. Considering this, the role and potential of civil society in ensuring transparent and merit-based recruitments is critical and should be further explored. Using this rationale, CorrWatch utilises a top-down approach by sustaining the efforts already established by the UK-funded recruitment project. Special focus is put on recruitments taking place within the civil service, POEs and independent agencies. The methodology pays attention to some of the most critical aspects of recruitment processes, including all phases of the recruitment procedures.

Equal focus is put in the **public procurement practices and contract management**. Although there is progress noted in the field, including an increased transparency due to the growing usage of e-procurement tools, public procurement is still vulnerable to irregularities and prone to corruption. The so far interventions have managed to prevent the longstanding challenges that happened in the past due to digitalization, yet, problems are evident in specific in the phases of budget planning for capital investments where loopholes are evident, in most cases lacking the rationale of investments proposed. In addition, technical specifications are often unclear and tailored for specific private economic operators tied to different groups of interest. Besides these, special focus is put in the contract management part for specific tenders that are characterised with irregularities.

Within the initiative, interventions take place in the field of **grant provisions and subsidies** by certain public institutions, as well. There has been a lack of transparency, accountability and oversight of Kosovo public institutions from external parties on a number of significant processes, one of them being grant provision and subsidies. The purpose of this component is to monitor a number of public institutions in Kosovo that provide grants and subsidies to individuals and/or organizations. Under this component, CorrWatch conducts thorough analyses of the whole process starting from the open call, and up to the evaluation of the impact of grant/subsidy beneficiaries.

**The monitoring methodology for permits and licenses** under CorrWatch is divided into two main categories through which the entire process is monitored, starting from the announcement, procedures and criteria, and finally, their approval. Based on the nature of CorrWatch, and the ultimate goal of preventing corruption and organized crime, the methodology is divided into direct observation and desk research. Based on the analysis of different processes in the past and experiences. The permits, licenses, and tariffs component include the monitoring of the most important institution in terms of energy policies in Kosovo, which is the Energy Regulatory Office (ERO). Given this, CorrWatch team has regularly monitored the work of ERO, its main processes, and the permits issued for the second half of year 2022.

This final component of CorrWatch is designed to support concrete performance improvements of the targeted **POEs**, given their longstanding challenges and systematic problems. CorrWatch provides a two-fold methodological approach with regard to POEs. First, numerous POEs are selected and are directly monitored in terms of performance and governance, on the basis of their complexity or structural problems that need immediate interventions. Second, CorrWatch closely follows the processes of board members' appointments, as vast majority of POEs are currently functioning with temporary boards, given that previous permanent ones were dismissed by previous governments. As these boards are entrusted to manage and operate these enterprises, ensuring transparent and merit-based appointments is vital. While the monitoring methodology aims to pinpoint the shortcomings, concrete policy solutions are pushed forward, aiming to ultimately support targeted POEs in their efforts to improve financial and operational performance.

## I. Executive Summary

In 2022, a Consortium including Group for Legal and Political Studies (GLPS), Institute for Advanced Studies GAP and the Institute for Development Policy (INDEP) have embarked on a three-year project aimed at enhancing public oversight and accountability of Kosovo's public institutions, with the support of the Foreign, Commonwealth & Development Office through the British Embassy in Kosovo. This flagship initiative under the name CorrWatch represents a landmark effort to promote transparency and good governance within the public sector. It focuses on five key components: the monitoring of recruitment processes, the

assessment of public procurement practices and contract management, the distribution of grants and subsidies, the issuance of permits, licenses, and tariffs, and the performance and management of publicly-owned enterprises.

Over the course of September 2022 - January 2023, systemic monitoring took place for each of the components and the information obtained for each area was further analysed in order to extract patterns and shortcoming with specific inputs and recommendations. So far, this approach deployed by CorrWatch has demonstrated remarkable success in rectifying legal violations in early stages of the procedure, thereby avoiding the redundant and time-consuming repetition of complex processes, in most cases. Despite this, when faced with institutional pushbacks regarding improvements or cancellations of certain procedures, CorrWatch took a transparent and public stance to address these issues.

CorrWatch findings stemming from the monitoring period reveal numerous loopholes and challenges in the public sector recruitment processes that require substantial changes. One major issue identified is the common practice of individuals holding acting positions for extended periods, which raises concerns about organizational stability and effectiveness. As for the public procurement, these processes often tend to be prone to corruption and political interference. Additionally, inadequate planning and allocation during the budgetary phase fail to serve public interest. Similar issues were also found in the agriculture and culture sectors, pertaining to grant provision and subsidies. These sectors lack digitization, permanent staff, and adherence to regulations, leading to misallocation of resources, lack of transparency, and corruption. As for the process of issuance of licenses and permits, Coordination between central permits is limited, further exacerbating the problems. As for Public Owned Enterprises (POEs), through our analyses and monitoring, meetings with POEs and the Unit for Policy and Monitoring of Public Enterprises, CorrWatch identified challenges that need to be addressed regarding transparency, accountability, and efficiency. The following sections of this report provide a detailed analysis achieved so far in each of the components that were under regular and direct scrutiny since the beginning of this initiative. In addition, it portrays the impact achieved so far, as well as it depicts some the most common challenge patterns that were identified during the monitoring period.

## **II. Recruitment Processes in Public Institutions in Kosovo**

Ensuring merit-based and transparent recruitment processes within the administration remains a longstanding challenge in Kosovo, hampering the overall reputation of the sector. There is a general fear that public institutions might be yet prone to non-meritorious recruitment if there is no scrutiny and public pressure coming from third parties. Given this, the role and potential of civil society in ensuring transparent and merit-based recruitments is critical and

should be further enhanced. Using this rationale, when monitoring, CorrWatch pays attention to some of the most critical phases of recruitment, along with all procedures undertaken during these processes. Although the Law on public officials 'attempts to tackle these issues - such as requiring electronic completion of written tests - the inclination towards favouring certain applicants remains a prevalent phenomenon.

In recruitment, CorrWatch focuses on top level positions within the public institutions. Some of the key methodological indicators that were thoroughly analysed during these processes include:

- Preparatory phase before the vacancy is published
- The quality of the announced vacancy and procedures followed
- The composition of the Selection Committee
- The list of applicants and the short-lists prepared (including any potential complaints)
- The complaints received and how they are handled
- Assessment process, structure and approach
- Adherence to merit-based practices by the Selection Committee
- Recruitment decisions
- The appointment procedures, and
- Complaints received (if any) after the undertaken decision for selecting a candidate

During this assessment period, CorrWatch monitored the following recruitment processes:

- Director General of the Agency for Information and Privacy (AIP)
- Director General of Kosovo Probation Service (KPS)
- Chief Inspector of Independent Commission for Mines and Minerals (ICMM)
- Director General of the Independent Commission for Mines and Minerals (ICMM)
- Chief Financial and Treasury Officer (KEK) General Counsel/ Corporate Secretary (KEK)
- Secretary General, Ministry of Industry, Enterpreneruship and Trade (MIET)
- Secretary General, Office of the Prime Minister (OPM)

### **The Recruitment Process for the Director General of the Agency for Information and Privacy (AIP): *Unlawful Criteria and Technical Errors***

As previously elaborated, the monitoring of the procedure starts from the preparatory stage of the announcement. Acting positions has evolved into a characteristic within senior management level positions. In numerous instances,

these interim roles are in place for an extended duration, even in the absence of legal regulation on this matter.

In the civil service, the practice of preparatory phase, in the early stages, has not yet been installed, which means taking actions by the institutions before the position remains vacant to ensure the continuity and avoidance of acting officials. According to the Law on Public Officials (LPO) the announcement's duration is 30 days and the deadline for application is 15 days.<sup>1</sup> After analyzing the content of the announcement, a discriminatory and non-legal criterion has been identified which could favor certain candidates (stating that preferable are the fields of studies related to the mandate of the Agency) as well as some errors which resulted that were copied from the content of previous announcements. Following identification of the abovementioned illegal criteria and technical errors, CorrWatch has recommended the Privacy Agency to address them and correct the announcement and the proposal was accepted.. By addressing them, the AIP has avoided confusion and misinformation among the potential candidates and the public in general.<sup>2</sup>

Other stages of the procedure, more precisely, the preliminary verification as well as that of the evaluation of the candidates, were developed in accordance with the legal regulations. This means that the members of the Commission implemented good practices – established to avoid favoring certain candidates - such as communication with the candidates during the written test, the interruption of discussions before the individual scoring of the Committee members in the interview phase, etc.

According to the LPO, there should be at least two successful candidates, for the head of the institution to be able to appoint a candidate. Otherwise, the recruitment procedure fails and must be repeated. Following the conclusion of all stages of evaluation and calculation of all points, only one candidate passed the threshold of 70 points, hence, resulted in the annulment of the procedure. The active monitoring of this procedure has resulted in a regular legal process as well as a fair evaluation process, although not completed successfully. As a result, the AIP has re-announced this position<sup>3</sup>, which will be closely monitored by CorrWatch.

### **The Recruitment Process of the Director General of Kosovo Probation Service: Technical Errors Unveiled**

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<sup>1</sup> Law no. 06/ L-114 on Public Officials, Article 40, Official Gazette of the Republic of Kosovo, available at: <https://gzk.rks-gov.net/ActDocumentDetail.aspx?ActID=25839>

<sup>2</sup> An example is the case when the announcement stated that the procedure is monitored by the BDO, but in fact it was not true).

<sup>3</sup> Announcement for the position of the Director General of the Agency for Information and Privacy, HRMIS, available at: <https://konkursi.rks-gov.net/jobs?servant=1&functionalCategory=4&institution=6076>



Although this process was in general correctly administered, CorrWatch has nevertheless identified few technical errors which were communicated to the institution, and taken into consideration. Out of the six candidates who applied for this position, only two of them have met the general formal conditions and criteria during the verification phase.

In the process of selecting of questions, CorrWatch noticed that one of the members of the Commission was absent. In order for the process to be as transparent as possible, the Commission was asked to provide explanations on the absence of one of its members, and to confirm if they agreed on the selected questions, which according to the legal framework must be done two hours before the beginning of the testing procedure. CorrWatch has subsequently been informed that there has been an agreement from the absent member to proceed with the question selection process.

Similarly, during the interview phase, it was observed that one of the questions was repeated twice during the process, which was noted as a technical issue. The evaluation procedure resulted with two successful candidates that passed the minimum threshold of 70 points, sufficient to be part of the selection list. As noted in the LPO, the results of similar recruitment processes should also be published in the Human Resource Management Information System (HRMIS), one the evaluation phase is concluded. CorrWatch noticed that these results were not published in HRMIS, and were publicly available only in the Ministry of Justice website. published only in the website of the Ministry of Justice, but not in HRMIS. This issue was raised and addressed by the institution, after CorrWatch's reaction. While this process was generally well-administered, technical issues should be avoided in future recruitments. **The Recruitment Process of the Director General of the Independent Commission for Mines and Minerals (ICMM): Startling irregularities during the shortlisting phase**

The Independent Commission for Mines and Minerals (ICMM) was without a Supervisory Board for over a year. The absence of this Board<sup>4</sup> resulted in halted recruitment processes for vacant positions. As a result, ICMM was led by an acting General Director for an extended period. In September 2022, following the appointment of its Board, the ICMM opened the competition for the position of the General Director.<sup>5</sup>

Out of 11 candidates that applied for this position, only two of them have successfully passed the preliminary verification stage. CorrWatch identified a legal violation as one of the candidates was eliminated from the shortlist in the preliminary verification process for not submitting the document proving the ability to act although it was not listed among the documents that the candidates

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<sup>4</sup> The board was appointed in December 2021.

<sup>5</sup> Announcement for the position of the Director General of the ICMM, HRMIS, available at: <https://konkursi.rks-gov.net/jobs?servant=1&institution=28205>

were required to submit. As a result, only 2 out of a total of 11 candidates passed this stage. The elimination of 9 candidates creates the impression of favoring the 2 shortlisted candidates despite the document not required explicitly. This said, CorrWatch recommended for the remaining candidates to submit this document, without the need to repeat the whole verification phase. This way, other candidates would be given the right to submit the document that was not explicitly listed in the required documents list.

After the Human Resources Unit of the ICMM, CorrWatch prepared a professional legal explanation for the annulment of the decision on the shortlist, hence, returning the legality of the process. After the reverification of the candidates' files, 8 more candidates have been added to the short list, meeting the predetermined conditions. So, in addition to returning the legality and legitimacy of this process by avoiding the return of this process to the initial phases, CorrWatch has also managed to avoid a discrimination in the competition by increasing the number of candidates who have legally met the required criteria, respectively, from 2 to 10 candidates. CorrWatch will continue to monitor all phases of this recruitment process.

#### **The Recruitment Process of the Chief Inspector of the Independent Commission for Mines and Minerals (ICMM)**

Similar to the position of the Director in the ICMM, the absence of the Board has also suspended the position of the Chief Inspector in this institution for over two years. With the announcement of the Preliminary Notice by the ICMM in September<sup>6</sup>, CorrWatch has analyzed this announcement in terms of the designation of the Chief Inspector as a senior management position in this institution. In this regard, CorrWatch expressed rational reservations about this categorization, based on the Law on the Organization and Functionalization of State Administration and Independent Agencies (LOFSAIA)<sup>7</sup>, which states that an institution should only have one senior management position as the main administrative officer, and in this case there is no place for two senior level positions in an institution of that size. At the request of the ICMM Board, CorrWatch analyzed the existing institutional documents related to the evaluation of the leadership capacities of the Chief Inspector. However, from the assessment it was found that the ICMM does not have internal organization regulations, and functions under a simple organisational chart. In absence of an internal regulation for organization or any by-law that defines this issue, it is impossible to give any recommendation on how to proceed further. While this

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<sup>6</sup> Announcement for the position of the Chief Inspector of the ICMM, HRMIS, available at: <https://konkursi.rks-gov.net/jobs?servant=1&institution=28205>

<sup>7</sup> Law No. 06/L-113 on Organization and Functioning of State Administration and Independent Agencies, Official Gazette of the Republic of Kosovo, available at: <https://gzk.rks-gov.net/ActDetail.aspx?ActID=18684>

position was announced twice as a senior management position, ICMM continued with the recruitment procedure following the previous practice.

Corrwatch monitored the preliminary verification stage (shortlisting), at the request of the institution, and through the provision of continuous advice and the analysis of the documentation submitted by candidates, out of 6 applicants, only 2 managed to pass the verification stage. The selection procedure of the Chief Inspector of the ICMM is still ongoing and will be monitored.

**The Recruitment Processes at the Kosovo Energy Corporation (KEK): Chief Financial and Treasury Officer & General Counsel/ Corporate Secretary - Lost in the Gray Area: How Lack of Regulation for Recruitment in Public Owned Enterprises Hinders Progress**

The lack of a clear regulation in recruitment procedures for senior positions in POEs has frequently created opportunities for the boards of various enterprises to lead the procedure with ad-hoc decisions. Even in the case of the recruitment of senior managerial positions such as that of the Chief Financial and Treasury Officer<sup>8</sup> General Counsel/ Corporate Secretary of KEK<sup>9</sup>, the Board of Directors has decided to postpone the deadlines for application without sound justification.

During the phase of interviews of the candidates for the two positions, CorrWatch highlighted the evidenced bad practices/irregularities. More specifically, CorrWatch noted that before the Commission members assigned individual scorings for each candidate, they opened a discussion regarding the quality of the answers provided by the interviewed candidates.

Unlike the state institutions that use HRMIS, which prevents intervention and immediate information about the total points of the candidates, in this competition the points of the candidates according to the members of the Commission are placed in an Excel form, a practice which can allow for change of points if the preferred candidate does not turn out as first. This also leaves room for technical errors when assigning points to the candidates. CorrWatch publicly declared that such practices should be avoided in the future, as they are outdated and provide opportunities for irregular scoring, and mismanagement.

The entire process has been completed by selecting the candidates with the highest scores, improving along the way with the assistance of CorrWatch, such as through advising the Commission on good practices of recruitment

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<sup>8</sup> Announcement for the position of the Chief Financial and Treasury Officer of KEK, available at: <http://kek-energy.com/kek/job/zyrtar-kryesor-financiar-dhe-i-thesarit/>

<sup>9</sup> Announcement for the position of the General Counsel/ Corporate Secretary of KEK, available at: <https://kosovajob.com/korporata-energetike-e-kosoves/keshilltar-i-pergjithshem-sekretari-i-korporates>

procedures, especially in the interview phase, recommending the use of the ORCE model (Observe, Record, Classify and Evaluate) for evaluation, etc.

### **The Recruitment Process of the Secretary General of the Ministry of Industry, Entrepreneurship and Trade (MIET) - *Problems Plaguing the Announcement***

Similar to many other public institutions, MIET is no exception from the phenomenon of acting position. MIET functioned with an Acting Secretary General for more than a year. In order to fill this important position, the Ministry has published the announcement within the legal deadline.<sup>10</sup>

After detailed analysis of the announcement, CorrWatch identified exclusionary or favouring criteria such as education requirements, limited to only graduates of Faculty of Economics – Management. In this regard, CorrWatch considered that such a narrow limitation should be argued and justified concretely at the Ministry of Internal Affairs - Department for Human Resources Management (DMPO). After analysing the rationale provided by MIET, CorrWatch has considered that it was too general and vague. In this case, CorrWatch recommended that this restrictive criterion to be removed as it creates concrete suspicions of favouring certain candidates, as well as limits the number of candidates interested in applying.

### **The Recruitment Process of the Secretary General of the Office of Prime Minister: *Post-Recruitment Procedure Procrastination***

During this period, CorrWatch monitored one of the key recruitment processes, which was that of the Secretary General of the OPM. The list of three successful candidates was sent for selection by the head of the institution, but unfortunately the Secretary of the OPM has not been selected even five months after the successful finalisation of the recruitment process. CorrWatch considers that this practice constitutes a violation of the LPO, Article 42, which stipulates that after the successful completion of the recruitment procedure, the direct supervisor is obliged to select one of the candidates from the list of winning candidates within a ten (10) days period<sup>11</sup>. In the event that the direct supervisor does not make a decision within this period, the candidate with the highest score is automatically appointed.

The successful completion of the procedures but the non-appointment of the candidate by the head of the institution has started to become a frequent phenomenon. Besides being a legal violation, it is dangerous and directly affects the credibility of the process and discourages potential candidates from applying.

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<sup>10</sup>Announcement for the position of the Secretary General of the Ministry of Industry, Entrepreneurship and Trade, HRMIS, available at: <https://konkursi.rks-gov.net/jobs?jobPosition=Sekretar&servant=1&functionalCategory=4>

<sup>11</sup> Law no. 06/ L-114 on Public Officials, Article 42, Official Gazeta of the Republic of Kosovo, available at: <https://gzk.rks-gov.net/ActDocumentDetail.aspx?ActID=25839>

Therefore, such situations should be avoided so that they do not have long-term consequences on the functioning of the state administration in the future.

### **Summary on the component findings**

During this monitoring period, a number of shortcomings were identified that call for substantial changes during recruitment processes in the public sector. One of the key patterns noted during this period is the widespread practice of individuals holding acting positions for long periods, which raises a serious concern about the stability and effectiveness of the public institutions in Kosovo. This phenomenon not only undermines the principles of meritocracy and fair competition, but also creates opportunities for potential nepotism and irregularities. This is particularly problematic as it can result in the appointment of individuals who may not be qualified or suitable for the role, thereby affecting the overall functioning of public. Moreover, it has been noted that the criteria set for appointments and promotions often violate the existing laws and regulations. This not only weakens the legal framework and undermines the integrity of the system, but also raises questions about the motivations behind such actions. Another concerning pattern identified is that, often times, recruitment processes are characterized by tendencies of favouritism and discrimination, where specific criteria are set to provide advantages to certain candidates over others. This runs contrary to the principles of fairness and impartiality that should form the cornerstone of any transparent and credible selection process within the public sector.

In many cases within the civil service, the recruitment procedures for public positions were delayed, and in some cases, cancelled without any legal basis. This has occurred when the recruiting body (DMPO) itself surpassed the deadlines for the recruitment process and subsequently cancelled them on these grounds. Despite the absence of specific provisions in the law allowing cancellations in such situations, this trend persists, compromising the fairness and efficiency of the overall appointment processes. Furthermore, there have been numerous cases of unjustified delays in announcing the names of successful candidates, which leads to uncertainty and undermines trust towards the public sector.

In conclusion, the findings of this monitoring phase emphasize the need for a comprehensive review of recruitment practices governing appointments and promotions, to ensure that they are based on merit, fairness, and compliance with the legal framework. This will help restore confidence in the system, and promote transparency and accountability, thereby enhancing the overall effectiveness and efficiency of the organization.

Concerning Public Owned Enterprises (PoEs), CorrWatch considers that there is currently a lack of standardization in the process of recruitment competitions and appointments for senior management positions. This has led to a concerning

trend where individuals who have recently held political appointments or leadership roles within a political party are being appointed as Chief Executive Officers such as the case in TERMOKOS and Ibër Lepenc<sup>12</sup>. This practice not only goes against the law, but it also hampers the fundamental principle of depoliticizing POEs in Kosovo in order to maintain their independence from political interference.

### Recommendations

- The Government should increase the human capacity for managing the recruitment process to ensure efficient and effective management;
- The Government and subordinate institutions should provide continuous training for members of the selection commissions to maintain their knowledge and skills;
- POEs should standardize the content of the announcement to ensure fairness and transparency in the recruitment process;
- Standardize the application form and evaluation process forms to make the process easier to understand and complete for all candidates;
- Recruitment processes should be planned well ahead, before a position becomes vacant. This proactive approach will help to avoid disruptions and ensure that the recruitment process runs smoothly.

## III. Public Procurement and Contract Management in Kosovo

Although there is progress noted in the field of public procurement practices and contract management in the recent years, including an increased transparency due to e-procurement tools, public procurement is still vulnerable to irregularities and prone to corruption. CorrWatch depicts selected procurement processes, which are subject to direct scrutiny and monitoring in all stages, including preparation of technical specifications, public announcement, opening and assessment of tender dossiers, complaint procedures and contract management monitoring.

During this period, CorrWatch monitored and analysed the following procurement processes:

1. Expansion of the national road Pristina-Besi-Podujevo – Ministry of Environment, Spatial Planning and Infrastructure
2. Supply with Blank Documents, VIZA System, ABIS, Registration, Personalization and Issuance of Personal Identification Documents – Ministry of Internal Affairs
3. Supply of Food Items – Central Procurement Agency

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<sup>12</sup> Telegrafi, January 2023, available at: <https://telegrafi.com/glps-gap-dhe-indep-te-shqetesuar-proceset-rekrutuese-ne-termokos-dhe-iber-lepenc/>

### **Expansion of the national road Pristina-Besi-Podujevo**

On January 2023, the Ministry of Environment, Spatial Planning and Infrastructure (MESPI) initiated a procurement procedure for the Extension of the National Road R25 Prishtina-Besi-Podujevo<sup>13</sup>. The contract was divided into 5 different lots, allowing economic operators to participate in multiple lots, as long as they are able to demonstrate financial stability, secured bank support, tender security, equipment, machinery, and professional staff. The estimated value of the contract, as stated in the tender file, is 38,030,326Euro.

The main objective of this contract is to execute the works for the extension of the national road R25 Prishtina-Besi-Podujeva with a length of 23 km. However, upon review by the CorrWatch, there was a discrepancy identified in the number of kilometres stated in the mandatory technical specifications, which was 19,088.55 meters, 3,912 meters shorter than the initial value presented in the tender file<sup>14</sup>. After this issue was raised by CorrWatch, MESPI took measures to correct this error.

### **Supply with Blank Documents, Viza System, ABIS, Registration, Personalization and Issuance of Personal Identification Documents**

Over the course of 2021-2022, the Ministry of Internal Affairs (MIA) undertook three procurement activities relating to the supply of personal identification. However, these procurement activities were not properly budgeted for and were not reflected in the institution's procurement plan. The first procurement activity for the "Supply of Blank Documents, VIZA System, ABIS, Registration, Personalization and Issuance of Personal Identification Documents," was initially valued at 21 million Euro and was announced in March 2021.<sup>15</sup>

However, two months later, this procurement activity was later cancelled by the Ministry due to objective and demonstrable events beyond the control of MIA and due to a lack of adequate technical specifications and design errors in the personal document process.<sup>16</sup> This highlighted the persisting issue with contracting authorities in Kosovo often failing to prepare proper technical specifications in public procurement processes.

After a first failed attempt, MIA announced a new procurement activity in April 2022 under the name "Contract for Supply of Personal Identification Documents and Maintenance of Electronic Systems," with a value of 12,524,000 Euro. Unfortunately, this procurement activity was again cancelled after the tender

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<sup>13</sup>Tender dossier 205-23-21-5-1-1, E-procurement, Public Procurement Regulatory Commission, available at: <https://shorturl.at/ltx36>

<sup>14</sup> Ibid

<sup>15</sup> Tender dossier 2021/214-21-941-1-1-1, E-procurement, Public Procurement Regulatory Commission, available at: <https://shorturl.at/xE367>

<sup>16</sup> Ibid



application process, given that one of the economic operators failed to fully with the technical specifications, and the other operator failed to provide adequate evidence of technical capacitance filed a complaint with the Procurement Review Body (PRB), but the review panel did not uphold their complaint. The other operator also filed a complaint, alleging that the Contracting Authority had unlawfully cancelled their request for reconsideration. The review panel has not yet made a decision on this second complaint.

On the basis of CorrWatch direct monitoring, the procurement of the materials for the personal identification documents, such as ID cards and passports, has been hampered by multiple challenges that stem from the root cause of inadequate technical specifications and inadequate planning. This has resulted in a wretched situation where citizens are unable to access the critical documents that they require for their daily lives. This public procurement process, which is meant to ensure the efficient and effective delivery of these important documents, has failed to deliver.

### **Supply of Food Items – Central Procurement Agency**

The Central Procurement Agency (CPA) opened a procurement process for the "Supply of Food Items" with an estimated value of 9,310,000 Euro.<sup>17</sup> This notice for a contract was divided into five different lots that included the supply of beef and lean meat products, chicken meat and chicken meat products, milk and milk products, as well as various food items for the needs of forty-one (41) public institutions. The procurement process has generally gone well for all lots. However, For Lot 4, CorrWatch found out that the selected economic operator encountered issues in the past contracts, given that the the Food and Veterinary Agency's inspectors found several violations and irregularities committed by this same operator back in 2022<sup>18</sup>. Despite these findings, the legal shortcomings in addressing such issues meant that the company is not sanctioned until a final decision is reached by the court. Awarding a contract to an economic operator that has a dubious track record in implementing similar contracts is a huge problem and should be avoided at any cost. It becomes even more concerning when it comes to this nature of contract where food is being supplied and the health of citizens can be put at risk. There is a need for a more robust and effective legal framework to address such issues and ensure the smooth functioning of the procurement process.

### **Summary on the component findings**

During public procurement, the goal of relevant institutions should remain in high quality products and services while protecting the public interest, given that it's

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<sup>17</sup> Tender dossier 2016-22-10949-1-1-1, E-procurement, Public Procurement Regulatory Commission, available at: <https://shorturl.at/owDG2>

<sup>18</sup> Report of the Food and Veterinary Agency, provided by FOI, 09.12.2022



the taxpayers money that is put at play. However, these processes are often dubious, prone to corruption political interest and intentionally unclear procedures and criteria in order to accommodate clientelistic interests. In addition, the budgetary planning phase is very often characterised with inadequate planning and allocation that does not serve the public interest at all times. In many cases, public procurement plans are generalized and lack details. E-procurement systems have helped to reduce irregularities in some stages of procurement processes, but not those encountered during the management and implementation of contracts.

Although CorrWatch did not involve in directly monitoring contract implementation during this monitoring period, numerous meetings were held with targeted institutions, aiming to identify some of the longstanding challenges that are faced during this phase. In many cases, public institutions fail to properly monitor the awarded contracts and verify the actual status of projects. This is partly due to the selection of contract managers by political or interest groups, and a lack of accountability for those assigned with this responsibility. In addition, the technical acceptance of work can also be a problem, leading to delays from contractors and a lack of cooperation from authorities. Currently, the contracting authorities fail to sanction the contracted economic operators that fail to fulfil their contractual obligations.

## **Recommendations**

- Relevant institutions should significantly increase their efforts in improve budgetary planning to ensure that the budget is allocated to serve the public interest and is well planned;
- Develop clear and detailed technical specifications for all procurement activities, in order to ensure that contractors have a clear understanding of the requirements;
- Enhance procurement planning to include more specific details and timelines for procurement activities;
- Install a well-functioning system that enables proper monitoring of the implementation of procurement plans;
- Strengthen the contract management and monitoring processes to ensure that these contracts are fully-compliant to awarding criteria, and services are delivered according to the agreed terms;
- Increase internal capacities and accountability via further enhancing contract management efforts and those of contract managers that are responsible to oversee contract implementation;
- Enforce and strengthen the penalties for those contractors that fail to fulfil their obligations, in order to avoid delays and weak service delivery;
- Enhance technical acceptance procedures to ensure that work is completed to the highest standards possible, and within the given timeframe;

- Regularly engage with stakeholders, including the general public, to gather feedback and continuously improve the procurement process.

## IV. Grant Provisions and Subsidies in Kosovo

Over the years, there has been a noted lack of transparency and accountability in a number of processes of grants and subsidies' provisions from public institutions in Kosovo, accompanied by cases of corruption and miss-management of funds. Moreover, there has been a lack of real-time process monitoring and a lack of an impact evaluation system based on their objectives.

The CorrWatch methodological approach within this component is multi-fold. Among others, it puts special monitoring focus in the following aspects: 1. Financial support planning and allocation, 2. The Evaluation Committee and complaints; commissions, 3. Definition of criteria for the process of application, 4. The quality of the public announcements of the Call Applications', evaluation process and publication of results, 5. Contracts with beneficiaries, and 6. Monitoring and reporting process.

During this assessment period, under this component, CorrWatch targeted the Ministry of Agriculture, Forestry and Rural Development, the Ministry of Culture, Youth and Sports, and the Health Insurance Fund. These institutions have been selected as they are responsible for managing large amounts of funds during the year, in crucial sectors such as agriculture, health and culture.

### Ministry of Agriculture, Forestry and Rural Development

During this period, CorrWatch monitored the distribution processes of grants and subsidies under the Ministry of Agriculture, Forestry and Rural Development (*hereinafter*: MAFRD). More specifically, CorrWatch engaged in monitoring and analysing the state of play of the agricultural sector in Kosovo during the five-year period of 2018-2022. The main indicators monitored and analysed include identification of most common challenges and problems in the sector in general, the legislative framework, the roles and responsibilities of relevant institutions and their performance, the incentives allocated in the agriculture sector during a five-year period, and the potential misuse of grants and subsidies within this period.

In January 2022, the MAFRD approved the Program for Direct Payments 2023<sup>19</sup>, where some of the innovations in this program compared to the previous year were: Sunflower support with a value of 614 Euro/ha, Chestnut support with a value of 504 Euro/ha and Sunflower support with a value of 450 Euro/ha.

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<sup>19</sup>Program for Direct Payments, Ministry of Agriculture, Forestry and Rural Development, January 2023, available at: [https://www.azhb-ks.net/repository/docs/2023\\_02\\_28\\_023132\\_Programi\\_per\\_Pagesa\\_Direkte\\_per\\_vitin\\_2023.pdf](https://www.azhb-ks.net/repository/docs/2023_02_28_023132_Programi_per_Pagesa_Direkte_per_vitin_2023.pdf)

However, the Program for Direct Payments for 2023 and the Green Report for 2022 have not yet been published by the MAFRD. CorrWatch has reviewed the criteria that must be met by farmers/applicants during the first call for Application for Direct Payments for milk/litre according to quality categories, reported slaughter of cattle, calves for fattening and aquaculture for the second half of 2022.

With the opening of the first call for Direct Payment Application for this year, the project has concluded this year the call was opened earlier than previous years. During the period of 2019-2021, calls were open each January 15, while in 2022 the call was opened on January 21. For Direct Payments for milk/litre in the selection criteria that must be met by farmers/applicants, compared to 2022, farmers are not required to be registered in the Kosovo business registry. However, the mandatory documents section, a copy of the business registration certificate – KBRA is required, contradicting the abovementioned criteria. It should be mentioned that the farmers are required the bank confirmation of the applicant's bank statement (only for legal entities), unlike last year where the confirmation from the bank on behalf of the business was required.

In the section Subsidization method, compared to last year, the subsidy per litter of milk delivered, the category "1. Extra class" will be rewarded with 1 cent more: 0.07c/l; For Direct Payments - reported slaughter of cattle, although the criteria remain the same as last year, the same change has been made to the Bank Confirmation as in the column above in Required Documentation;. The amount for the Subsidy Method remains the same. As for aquaculture and calves, the criteria remain the same. Changes are found under "Necessary Documentation". In the Register issued by Veterinary Practices contracted by FVA, validity for 2022 is indicated. In the previous year, the year/term of the Register was not indicated by FVA. The value for the Method of subsidy has increased whereas in the first 6 months of 2022, the amount was €10/head, for this year it is €25/head;

### **Ministry of Culture, Youth and Sports**

During this period, **three** open calls for grants and subsidies have been monitored in the **Ministry of Culture, Youth and Sports**. More specifically, the processes of applications' evaluation and results publication have been monitored. The monitoring process in this phase was focused on the work of the Evaluation Committees. After including the phase of complaints and having published the final list of beneficiaries, CorrWatch inputs were shared further with the targeted institutions. A summary of the monitoring reports for each of the three open calls is provided below.

#### **Process 1 – Call for the “Mobility Fund 2022”, Sport, Youth, Art, Cultural Heritage**

The Call for Application for the Mobility Fund 2022 was open in August 2022, with an open span of 15 working days, while the evaluation of offers took six (6) full

days, with a final decision reached on September 20, 2022. In this process, out of 77 applications, a total of 46 individuals were successfully awarded. The amount budgeted for this call was 300,000 – 350,000 Euro, whereas the total amount awarded reached 223,891 Euro.

The evaluation of applications was based on the criteria set in the call, and not on the Regulation on Criteria, Standards and Procedures for Public Financing of NGOs. This was decided by the Evaluation Commission since the call was designed for individual applicants, and not for NGOs.

Overall, the evaluation process went well and the Commission was professional in carefully evaluating the candidates. In a number of cases, the commission examined the budget proposal submitted by the candidates, and intervened by reducing the requested amount, as they considered that candidates presented inflated financial figures. Moreover, they paid specific attention to the submission of complete documentation, as required by the call.

There were some procedural irregularities identified in this process. Firstly, the Commission did not use evaluation sheets for the candidates, as required by the regulation. Further, for one of the candidates, the invitation/acceptance letter was missing; but still the commission decided to grant funds as they considered that for these kinds of activities the invitation is not required.

## **Process 2 – Public Call “Proposals for Youth”**

Similarly, this CfA was opened in August 2022 for a period of 15 days, and the evaluation process has lasted for 17 working days, with a final decision reached on October 5, 2022. In this process, out of 161 applications, a total of 58 organizations were awarded financing. The amount budgeted for this call was 500,000 euro, whereas the amount provided was 373,286.77 Euro.

The Selection Commission consisted of 5 members, of which 3 were representatives from the Ministry, 1 civil society representative and 1 external expert. According to the Regulation on the Criteria, Standards, and Procedures of Public Financing of NGOs, in which the selection process was based on, all five members of the Commission must be present during the meetings, but during the first week one of the members was absent due to health reasons. This happened in the following weeks as well, where there was often an absence of one or several members.

There were some irregularities identified during the monitoring process. Firstly, despite the fact that both the CfA and the Regulation do not allow financing for NGOs with missing documentation, the Commission was tolerant, and decided that if an important document is missing, the NGO is disqualified, but if it is a less important document, the NGO qualifies. This way, it remained in their full

discretion to decide about the importance of a certain documents, which is against the applicable Regulation mentioned above.

In a number of cases, during the evaluation process there was an absence of one or several Commission's members. As a result, at the end of the last monitored meeting, some of the members did not sign some of the evaluation sheets. In addition, the Ministry delayed the decision regarding the beneficiaries of this financial support but also regarding the complaint procedure.

### **Process 3 – Public Call “Increasing professional capacities of young professionals through financial study support in the field of culture, cultural heritage and sports”**

This process opened in October 2022, with an open call published providing bidders a period of 15 working days to apply. The evaluation of bids lasted three working days, with a final decision undertaken in November 17, 2022. For this process, out of 44 applications, a total of 13 individuals were awarded financing. The amount budgeted for this call was 300,000 Euro, whereas the amount awarded reached 109,630.83 Euro.

In this monitoring process, two substantial irregularities were identified. Firstly, the absence of one of the Commission's members during the second meeting. Secondly, the regulation outlined in Article 16, Point 4<sup>20</sup>, states that during the selection process, two monitoring officers must be present, one from the legal department and one from the financial department. However, only a monitoring officer from the legal department participated in the meetings, creating a violation of the established regulations. These irregularities highlight the need for a thorough review and improvement of the selection process to ensure fairness, transparency, and compliance with established regulations.

A significant finding that required intervention during the process, was the deadline set for complaints of applicants. When the preliminary list of beneficiaries was published on the website, the deadline for complaints was set at 5 days. However, according to the Regulation, it should be 15 days. As a result, as a monitoring party, we required from the head of the commission to change the deadline to 15 days, as it is set in the Regulation. In conclusion, the deadline set in the website was changed to 15 days.

### **Health Insurance Fund**

During this assessment period, CorrWatch monitored four (4) Board meetings of the Health Insurance Fund. Main highlights of these meetings were the discussion on the overall performance of the Fund, as well as the amount of funds allocated to third parties. More specifically, the Acting Executive Director

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<sup>20</sup> Regulation No.04/20 7 on the Criteria, Standards and Procedures of Public Financing of CSOs, Official Gazette of the Republic of Kosovo, available at: <https://bit.ly/3LQmm3A>

provided the members with periodic reports on the overall performance, and highlighted main challenges and financial difficulties encountered during the specific period. A significant financial issue raised in all these meetings is the debt of the Fund, which was collected through the years. This continues to be a challenge for the Fund, and they have not managed to find a financing solution yet.

### **Summary on the component findings**

Overall, the current system of subsidies and grants for farmers in the country is facing several major challenges and shortcomings. The targets set for subsidies and grants are unattainable for many farmers, particularly those with small capacities, who are often excluded from the Direct Payment Program. Additionally, there is a lack of digitization of agricultural plots, which has led to cases of the same plot being subsidized more than once for an uncultivated agricultural crop. Furthermore, there is an absence of implementing staff, resulting in a lack of permanent staff to implement support schemes. This, coupled with delays in the granting process, has created additional difficulties for farmers and reduced the efficiency of the system, in general.

The involvement of employees at the Agency for Agricultural Development in the initial phase of planning the annual support programs is also a cause for concern, as it constitutes a conflict of interest and is not provided for in the regulatory legislation. The deadlines for applying for Direct Payments also often do not coincide with the deadline for cultivating agricultural crops, which has led to missed opportunities for subsidies and even blacklisting of farmers. The recent change of government cabinet has also affected the functioning of the Ministry of Agriculture, Forestry, and Rural Development (MAFRD), resulting in delays in the approval of support programs and payments to beneficiaries. Finally, there is a visible lack of coordination between the Departments for Agriculture and Rural Development at both the municipal and central levels, which has led to cases of double profit for the same measure/agricultural crop.

As for the grants in the sector of culture, during this period of monitoring CorrWatch noted that the selection process for beneficiaries raises several concerns regarding the absence of commission members and the non-adherence to regulations. The absence of a commission members' during the discussions affects the outcome and may result in important applicants being unfairly disqualified. The regulations regarding the presence of monitoring officers and deadlines for the selection process are not fully respected, which could compromise the integrity of the process in most cases. To improve the selection process, it is important to accelerate the pace of discussions and ensure the presence of all members during the evaluation. Maintaining objectivity and eliminating bias in the selection process will ensure that the best applicants are selected.

## Recommendations

For the Ministry of Agriculture, Forestry and Rural Development:

- Review the legislation on Agriculture and Rural Development, so that the sectoral analyses are conducted more often than every 7 years, and not only during the drafting of the "National Plan for Agriculture and Rural Development";
- The deadline for the implementation of the annual programs must coincide with the allocated budget for that year. The Program for Direct Payments as well as the Program for Rural Development must be drawn up and implemented within the year. All deadlines must be regulated in advance, and must be synchronised with the current season of agricultural crops;
- During the planning/drafting of the annual programs, the working groups must consist of adequate experts of the agricultural sector, agricultural unions as well as civil society representatives;
- Annual programs must be approved in a timely manner, regardless of political changes that may occur at the central level;
- Annual programs should include an additional pillar that allows new investors to contribute to the agricultural market. Although compared to previous years the budget allocated for grants and subsidies has increased, young traders are still vastly excluded from support schemes;
- The objectives of the current programs must be in harmony with the current state of agriculture, including the results achieved from the post impact of grants and subsidies, the strategic objectives foreseen in the National Strategy for Agriculture and Rural Development, as well as the measures addressed in the UA;
- In order to avoid a potential misuse of funds, and to ensure the smooth running of the grant process, it is recommended that the process of drafting, implementation, evaluation, control and payments is not executed by the same parties. A third party must be involved;
- Since payments cannot be executed without examining all complaints, in order to avoid delays in the compensation of farmers/agriculturists, it is necessary to establish a special department which should deal exclusively with counselling and/or examination of uncertainties raised by applicants throughout the year.
- There is a lack of data on the intended results and there are no records showing how these funds have influenced the development of the agricultural sector; Regular controls after the implementation of the grant and subsidy scheme must be carried out by the authorizing persons;
- Annual reports (Green Report, Kosovo Agriculture in Numbers) should be published in a timely manner. There is a lack of data on the intended results and there are no records showing how these funds have



influenced the development of the agricultural sector. Thus, data on the impact achieved is missing.

For the Ministry of Culture, Youth and Sports:

- The Ministry should respect the regulation,<sup>21</sup> regarding the presence of all participants, so in this case, a monitoring officer from the finance department must be present;
- The Ministry should appoint a reserve member who replaces other members in cases of absence due to extenuating circumstances;
- Calls for individuals need to be published separately from those for NGOs, as this is causing confusion and inconsistency with the legal regulation;
- Spelling and technical errors need to be avoided in future calls, as they may lead to confusion for bidders. In this case, the call mentions the criteria only for the application of NGOs, even though the call was open for individuals too;
- Candidates over the age of 18 who include their family members as companions/trainers in the budget proposal, should prove their professional training and/or expertise in that particular field;
- The deadlines set in the regulation for starting the reviewing process and also publishing the list of beneficiaries should be fully respected;
- To speed up the pace of discussion on the selection of beneficiaries so that the process ends earlier and NGOs have the necessary time to implement their projects;
- To respect the evaluation process by having all members present at every moment of the discussion;
- Meeting minutes should be comprehensively drafted and kept in files for each process;
- Eliminate bias during the selection process and maintain objectivity during the review.

## **V. Provision of Licenses, Permits and Tariffs in Kosovo**

Corruption remains a persistent problem in the energy sector, environment, and mining and minerals industries. It can lead to lack of transparency, inappropriate allocation of resources, and a lack of accountability. To combat this phenomenon, governments and organizations have implemented a variety of measures, including the use of licenses and permits. Licenses and permits are a way to ensure that companies and individuals are following the rules and regulations set forth by the government or relevant organizations. They also provide a way to

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<sup>21</sup> Regulation No.04/20 7 on the Criteria, Standards and Procedures of Public Financing of CSOs, Official Gazette of the Republic of Kosovo, available at: <https://bit.ly/3LQmm3A>



monitor and track activities, ensuring that they are being conducted in a safe and responsible manner. By requiring licenses and permits, organizations can ensure that only those who are qualified and have the necessary skills and knowledge are allowed to operate in the industry. In the energy sector, licenses and permits are used to ensure that companies are following safety regulations and environmental standards. Companies must obtain a license or permit before they can begin operations, and they must adhere to the regulations set forth by the government or organization. This helps to ensure that the energy sector is operating in a safe and responsible manner. In the environment, licenses and permits are used to ensure that companies are following regulations and standards set forth by the government or organization. Companies must obtain a license or permit before they can begin operations, and they must adhere to the regulations set forth by the government or organization. This helps to ensure that the environment is being protected and that companies are not engaging in activities that could harm the environment. In the mining and minerals industries, licenses and permits are used to ensure that companies are following regulations and standards set forth by the government or organization. Companies must obtain a license or permit before they can begin operations, and they must adhere to the regulations set forth by the government or organization. This helps to ensure that the mining and minerals industries are operating in a safe and responsible manner.

### **Monitoring of ERO Board Meetings**

At its 12<sup>th</sup> meeting, the ERO Board reviewed and approved the Maximum allowed revenues and tariffs for the 2022/2023 heating season for the Termokos DHW Enterprise, approved the Ten-Year Development Plan (2023-2032) for the Gjakova DHW Enterprise, approved the request for the licensing of the Electricity Supply activity of the company ETMT ENERGY Sh. P, as well as 13 other requests for the granting of construction authorization for a generator for self-consumption, with a total installed capacity of about 328.6 kW.

In the thirteenth session, the ERO Board reviewed the final assessment regarding the findings presented by the ERO staff in their regular monitoring reports and approved the proposal for administrative measures with a fine for KESCO in the amount of €8.4 million and for KEDS in the amount of €2.7 million.<sup>22</sup> KESCO had also acted in violation of the license conditions, by cross-subsidizing the account of unregulated consumers, which led to the fining of the company. KEDS had nominated smaller amounts of energy for the loss of the distribution network than the forecast, therefore it had not procured amounts of energy fairly, which has resulted in the company being fined.

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<sup>22</sup> KOHA.net, November 2022, available at: <https://www.koha.net/arberi/352816/zrre-ja-gjobit-kesco-n-me-8-4-milione-euro-dhe-keds-in-me-2-7-milione/>

The fifteenth session of the ERO Board, and the last one for 2022, the ERO Board approved the request for the issuance of the authorization for the solar project and the acceptance into the regulated framework of the company PRO ENERGY. In addition, the Board also reviewed and approved 22 requests from consumers for authorization for self-consumption, of which 10 come from enterprises and 12 from individuals with a total of 569kW.

### **The Public consultation process for the "Draft Regulation of the Authorization Procedure for the Construction of Energy Projects"**

The process was in line with the legislation in place, and fair in terms of the advancement of energy policies and the electricity sector. However, the level of transparency meets only the minimum standards, since ERO has not invited the parties for preliminary consultations, has not sent invitations to participate in public consultations, and has not taken significant steps to advance the process of public consultations, even though the process has been published on the official website of ERO.

### **The public consultation process for the 'Draft Regulation for self-consumers with renewable resources'**

Similarly, for this process, ERO did not send a direct notification for the public consultation, but the notification was published on the official website only, while the process was in line with the legal framework. In addition to the monitoring of the transparency and legality of this public consultation process, the project provided inputs regarding the draft regulation. The comments - as per CorrWatch analysis for electricity consumers - suggest several improvements to ensure better definition, inclusion, and analysis of the scheme. The first comment suggests defining the basis of consumed energy, which is crucial for determining the amount of support provided to consumers. Our comments highlight the need to include electricity consumers connected to medium voltage in the support scheme, in order to make the support more comprehensive and accessible. The third comment recommends conducting additional analyses and consultations to increase the level of support provided to prosumers who generate more energy than they consume. The current support levels. Also, the procedure for electricity consumers who have already installed self-generating facilities to enter the Net Billing Support Scheme should not start from scratch. Instead, the draft regulation should take into account the existing facilities and provide a streamlined process for these consumers to join the scheme. The regulation should also define the permissible limits of the negative impact that the self-generating object of the prosumer can have on the network. At the same time, the network operator should be granted the full right to immediately stop the self-generating object if it exceeds the permissible limits. It is important to ensure that prosumers have the right to voice their concerns in case their self-generating object is stopped by the network operator. The draft regulation should include a

provision that gives prosumers the right to make a complaint at the moment their self-generating object is stopped.

**The Ministry of Environment, Spatial Planning and Infrastructure** was also monitored to ensure compliance with environmental regulations especially in issuing licences and permits. As part of this process, CorrWatch regularly with its representatives. During these meetings, proposals were put forward for better coordination of procedures with ERO, and to advocate for the harmonization of legislation related to the environment. One of the key goals of these meetings was to improve transparency and cooperation between the Ministry and the general public. Publishing of licences and permits on a regular basis via online tools was one of the main recommendations pushed forward. During this period, CorrWatch analysed the following: the procedure for obtaining Environmental Consent at the municipal level; the procedure for obtaining the Environmental Permit at the institutional level; the process of obtaining the Environmental Impact Assessment, including the criteria that had to be met during these procedures, the necessary documentation and the applicable deadlines.

### **Summary on components main findings**

The transparency and accountability in the processes of issuance of licenses and permits is often dubious. The bureaucratic procedures that are in place have become a breeding ground for corruption, leading to a lack of transparency and misallocation of resources. Despite some efforts undertaken to simplify the processes by repealing unnecessary requirements, coordination between the central institutions responsible for licenses and permits remains limited, further exacerbating the issues of corruption and a lack of accountability. These problems pose a significant challenge to the effective operation of various industries, including the energy sector, environment, and mining and minerals industries, and require immediate attention and resolution.

### **Recommendations**

- Ensure that licensing and permit requirements are robust and comprehensive, covering all aspects of the operations in the energy, environment, and mining and minerals industries;
- Implement measures that increase transparency in the licensing and permit process;
- Improve the monitoring and enforcement of licensing and permit requirements in the energy, environment, and mining and minerals industries;
- Ensure that mining companies are held accountable for their actions and that they are transparent in their operations.

- Encourage public participation in the licensing and permit process, by providing opportunities for the public to provide input and feedback on the decisions being made;
- Promote compliance with environmental standards in the energy, environment, and mining and minerals industries, by imposing penalties for non-compliance and by providing incentives for companies that adhere to these standards.

## VI. Performance of the Public Owned Enterprises

Public Owned Enterprises (POEs) through the years have been perceived to be highly politicized, mismanaged, inefficient and non-transparent. Moreover, a number of them have underperformed financially, thus creating a burden for the state budget. Issues raised through the years with regards to governance, including recruitment processes and board members' appointments, have had an impact on POEs operational and financial performance.

POEs that have been selected to be monitored during this period include:

- Kosovo Energy Corporation (KEK)
- NP "Ibër Lepenci"
- Regional Water Company "Prishtina"
- Regional Waste Company "Pastrimi"
- Prishtina City Heating "Termokos"
- Unit for Policy and Monitoring of Public Enterprises (under ME)

Regarding **transparency**, CorrWatch monitoring has shown PoEs, in general, lack transparency and are closed for the public, including the civil society. In many cases, POEs have not responded to CorrWatch's requests for access to public documents on the grounds that the Law on Access to Public Documents does not apply for them. In other cases, POEs have requested that every request go through shareholders, the Ministry of Economy or municipalities. In addition, the Policy and Monitoring Unit of Public Enterprise does not publish their reports and business plans on a regular basis, as required by the law. Similarly, POEs do not maintain update their websites and social media account on a regular basis; data on public enterprises are insufficient. In relation to **accountability**, the Law on Public Enterprises obliges each POE to measure and publish results for customer satisfaction. But POEs conduct this process with their internal resources, and it is not an independent assessment. While the results of these assessments show that citizens' satisfaction with their services is high, consumers find other ways to complain about their services. POEs largely do not respond to consumer complaints and are not proactive in this regard. As for the **efficiency**, available data show that a large part of POEs operate with a loss. Furthermore, are heavily

dependent on financial support from the government and different donors. Debt collection is very low and the level of technical losses is high. During the meetings held with the boards of targeted POEs, it was stated that POEs are overstaffed and majority of their annual budget is allocated to salaries.

Another issue identified was the need for improvement of their business plans. Drafting and approval of business plans is a legal requirement for POEs; however, it has been considered more as a formality, and often targets set are not realistic. As a result, boards raised the issue of improving business plans, with possible assistance by the CorrWatch consortium when necessary. Other issues raised by some of the POEs were the lack of internal regulation for certain administrative processes. Moreover, liquidity issues were also raised, and low debt collection rates for some of them pose a major burden.

### Recommendations

- The performance report of the POEs should be detailed and unified data for all enterprises, including the data on employees, disaggregated by gender, age, education and ethnic background; new recruitments and termination of contracts; financial data; investments; losses, etc.
- Public enterprises and Monitoring Unit should publish all the data required by law and the reports should be machine readable;
- Public enterprises and the Monitoring Unit should publish all the data required by law;
- The Monitoring Unit should engage a professional company to measure the consumer satisfaction.
- POE's should be responsive to all consumer complaints.
- The Government should dismiss board members if they fail to reach financial objectives;

## VII. CONCLUDING REMARKS

Over the course of September 2022 - January 2023, systemic monitoring took place for each of the components and the information obtained for each area was further analysed in order to extract patterns and shortcoming with specific inputs and recommendations. So far, this approach deployed by CorrWatch has demonstrated remarkable success in rectifying legal violations in early stages of the procedure, thereby avoiding the redundant and time-consuming repetition of complex processes, in most cases.

One major issue identified is the common practice of individuals holding acting positions for extended periods, which raises concerns about organizational stability and effectiveness. As for the public procurement, these processes often tend to be prone to corruption and political interference. Additionally, inadequate planning and allocation during the budgetary phase fail to serve public interest. Similar issues were also found in the agriculture and culture sectors, pertaining to

grant provision and subsidies. These sectors lack digitization, permanent staff, and adherence to regulations, leading to misallocation of resources, lack of transparency, and corruption. As for the process of issuance of licenses and permits, Coordination between central permits is limited, further exacerbating the problems. As for Public Owned Enterprises (POEs), through our analyses and monitoring, meetings with POEs and the Unit for Policy and Monitoring of Public Enterprises, CorrWatch identified challenges that need to be addressed regarding transparency, accountability, and efficiency.

During this monitoring period, a number of shortcomings were identified that call for substantial changes during recruitment processes in the public sector. One of the key patterns noted during this period is the widespread practice of individuals holding acting positions for long periods, which raises a serious concern about the stability and effectiveness of the public institutions in Kosovo. In public recruitment processes, CorrWatch emphasized the need for a comprehensive review of recruitment practices governing appointments and promotions, to ensure that they are based on merit, fairness, and compliance with the legal framework. This will help restore confidence in the system, and promote transparency and accountability, thereby enhancing the overall effectiveness and efficiency of the organization.

In public procurement, this report noted that numerous public institutions fail to properly monitor the awarded contracts and verify the actual status of projects. This is partly due to the selection of contract managers by political or interest groups, and a lack of accountability for those assigned with this responsibility. In addition, the technical acceptance of work can also be a problem, leading to delays from contractors and a lack of cooperation from authorities. Currently, the contracting authorities fail to sanction the contracted economic operators that fail to fulfil their contractual obligations.

In the area of grant provision and subsidies, CorrWatch noted that the current system of subsidies and grants for farmers in the country is facing several major challenges and shortcomings. The targets set for subsidies and grants are unattainable for many farmers, particularly those with small capacities, who are often excluded from the Direct Payment Program. Additionally, there is a lack of digitization of agricultural plots, which has led to cases of the same plot being subsidized more than once for an uncultivated agricultural crop. Furthermore, there is an absence of implementing staff, resulting in a lack of permanent staff to implement support schemes. This, coupled with delays in the granting process, has created additional difficulties for farmers and reduced the efficiency of the system, in general.

The transparency and accountability in the processes of issuance of licenses and permits is often dubious. The bureaucratic procedures that are in place have become a breeding ground for corruption, leading to a lack of transparency and

misallocation of resources. Despite some efforts undertaken to simplify the processes by repealing unnecessary requirements, coordination between the central institutions responsible for licenses and permits remains limited, further exacerbating the issues of corruption and a lack of accountability.

With regards to management and performance of POEs, CorrWatch monitoring has shown that POEs, in general, lack transparency and are closed for the public, including the civil society. In many cases, POEs have not responded to CorrWatch's requests for access to public documents on the grounds that the Law on Access to Public Documents does not apply for them.

# CorrWatch Annual Report

Increasing Public Oversight and Accountability  
of Public Institutions in Kosovo

