IMPROVING PERFORMANCE OF PUBLIC ADMINISTRATION:
Current Experiences and Future Perspectives

Conference Proceedings

TEN Think *for* Europe Network

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IMPROVING PERFORMANCE OF PUBLIC ADMINISTRATION:
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FOREWORD

Dear readers,

It is our great pleasure to share with you the authors' papers presented at the Conference *Improving Performance of Public Administration: Current Experiences and Future Perspectives*, which was held on 09-10 September 2015 in Belgrade. The Conference was organised within the project "Performance Audit and Policy Evaluation: On the Same or Parallel Tracks?" which is implemented by member organisations of the Think for Europe Network (TEN).

The Conference gathered representatives of state institutions, policy makers, practitioners in the fields related to public administration, researchers from civil society and academia, and representatives of international organisations, coming from the Western Balkans, as well as the EU member states. The purpose of the Conference was to contribute to a better understanding of the relevance of performance management in public administration as well as to put performance audit and policy evaluation on the policy agendas in the region, with a specific focus on Macedonia, Montenegro and Serbia. The reason behind specifically addressing performance audit and policy evaluation as important pillars of public administration and the policy making reform, is that these processes breed potential for the advancement of administrative practices and policy development in the context of the EU enlargement to the Western Balkans.

The Conference opening remarks were made by the representatives of TEN. **Mr Nebojša Lazarević**, Director of the European Policy Centre (CEP), stressed that accession negotiations represented the greatest challenge for Serbia, not only in terms of joining the EU, but also becoming a successful member state in the future, capable of gaining benefits from the EU membership and representing its own interests once it starts participating in decision-making on the EU level. **Ms Malinka Ristevska Jordanova**, Director of the European Policy Institute (EPI), and **Mr Stevo Muk**, President of the Managing Board in Institute Alternative (IA), agreed on the relevance of regional cooperation in the negotiating process, in the form of exchanging national experiences and cooperating with civil society. The opening remarks were followed by the keynote speech of the President of the State Audit Institution of Serbia, **Mr Radoslav Sretenović**, who pointed out that the jurisdiction of the SAI for performance audit had become an essential element in the accountability process in the public sector, particularly within the new environment of public sector management. When it comes to improving the performance of public administration, Mr Sretenović stressed that the SAI had contributed and would continue to contribute to this area. Head of the Negotiating Team for Accession of the Republic of Serbia to the European Union, **Ms Tanja Miščević**, confirmed in her speech that an efficient public administration was an essential element of building and maintaining sustainability of institutions. Additionally, she emphasised that Chapter 32 – Financial Control, and Chapter 23 - Justice and Fundamental Rights were of profound importance for strengthening administrative capacity in the negotiation process.

Subsequently, TEN representatives **Ms Milena Lazarević** (CEP), **Ms Simonida Kacarska** (EPI) and **Ms Jovana Marović** (IA) presented preliminary findings of the policy study "Performance Audit and Policy Evaluation in the Western Balkans: On the Same or Parallel Tracks?" The findings and recommendations were discussed with **Ms Jasna Atanasijević**, Director of Public Policy Secretariat in Serbia and **Professor Gerhard Hammerschmid**, from the Hertie School of Governance from Berlin. During the discussion, Professor Hammerschmid reflected on the importance of reliable and accessible government data for adequate performance management in the public sector and, consequently, for performance audit and policy evaluation. While discussing the findings from the study, **Ms Atanasijević** introduced the current activities of the Public Policy Secretariat, i.e. the establishment of a planning system in Serbia, better policy management, and their importance for policy evaluation.

The panel "Feeding performance audit results into policy development: What are the odds?" gathered practitioners, managers and civil

servants in the areas of performance audit and policy evaluation from Macedonia, Montenegro and Serbia. Panellists shared their views on challenges in conducting performance audit and policy evaluation in the region and the related impact on policy making practices.

In the last panel of the day, "EU as the Driving Factor in the Improvement of Government Accountability and Performance in the Western Balkans" (ReSPA Panel), the discussion focused on how the EU accession process and EU policy conditionality have affected performance in the Western Balkan countries so far, what the lessons learned were and what was expected from the acceding countries in the negotiation process. The panel gathered representatives of the Serbian European Integration Office (SEIO), the EU Delegation to Serbia, the OECD/SIGMA, the Regional School of Public Administration (ReSPA), the European Policy Institute (EPI) and former employees in the European Commission.

The papers in this publication follow the order of their presentation in the three working groups organised on the second day of the Conference. In **the first working group** titled *Does Policy Evaluation Matter?*, the authors shared experiences in implementing policy evaluation in both EU member states, as well as acceding EU countries, additionally highlighting specific issues surrounding policy evaluation. From the perspective of the Western Balkan countries' accession to the EU, it is of vital importance to establish a sound policy evaluation system, on the other hand, the experience from the EU member states shows that this is only the beginning of the journey which opens up questions about the quality and frequency of utilising evaluation-produced evidence. **The second working group** included paper presentations on the topic of *Public Administration, Performance and Delivery*. Discussions in this working group centred on different aspects and types of accountability and performance in the public administration, which is often burdened by systemic deficiencies such as the lack of transparency and professional integrity in the Western Balkans. It has also reflected on the motivational factors which could increase the level of engagement within the public administration bodies and therefore encourage better performance and policy effectiveness. Finally, in **the third working group** *Improving Policy Making*, it was argued that even in old EU member states, institutions with long experience in the assessment of government performance, such as the UK National Audit Office, face challenges when it comes to the assessment of effectiveness of government policies. Moreover, two papers from this working group focused on local level performance, elaborating on methodologies and performance measurement and benchmarking systems used for assessing the quality of the local services provisions for citizens.

The papers were selected from among over 50 submissions received through the open call. We would like to thank the authors for making the effort and submitting inspirational papers which will hopefully further inspire fruitful discussions regarding public administration performance in the Western Balkans. Additionally, we would like to thank all of the conference participants and panellists, who not only contributed to the success of this event, but also helped us successfully finalise the project.

The project "Performance Audit and Policy Evaluation: On the Same or Parallel Tracks?" is implemented within the Regional Research Promotion Programme in the Western Balkans (RRPP) and funded by the Swiss Agency for Development and Cooperation (SDC).

We sincerely hope you will enjoy the reading!

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CONTENTS

THE MACEDONIAN SYSTEM OF POLICY EVALUATION: SCATTERED NOT LINKED

Marija Risteska, PhD[1]

Abstract

Policy evaluation has been promoted in democratic states as an important mechanism for results-oriented analysis and smart policy making. The Macedonian system of policy development envisages policy evaluation as one of the five phases of the rational synoptic policy cycle applied in the country. However, this paper argues that the country features three different policy evaluation forms: routine evaluation; post-implementation review and post-legislative scrutiny that have been scattered rather than systematized in the Macedonian institutional and policy making framework. Applying desk top research of secondary data, interviews for gathering primary data and two case studies the paper provides analysis of the status of implementation of the three evaluation forms employed in Macedonia. Hence it offers the missing links between the different policy evaluation forms.

Key words: *policy making, policy evaluation, better regulation, post implementation review, legislative scrutiny*

1. Introduction

Macedonian model of policy development is close to the rational-synoptic policy-making conceptualized by Sabatier (1999) in great detail. It includes five stages: (i) agenda setting or problem definition; (ii) policy analysis or identification of policy options and their evaluation; (iii) Adoption of a policy option; (iv) implementation of a policy option; (v) monitoring and evaluation. In this respect policy evaluation is a distinct step or stage in the policy process, which follows on from the implementation of a new policy. Its purpose is "to identify lessons learned in order to improve ongoing policy design and implementation" (OECD, 2012: 36).

Policies are designed in a context of uncertainty and limited information. They are implemented in complex environments and

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their impacts may be affected by a wide variety of factors. In these circumstances, by taking stock of previous experience and observed outcomes, policymakers should be able to learn and apply lessons about what worked well and what worked less well in the past. As Business Innovation and Skills - BIS (2010), concludes, these lessons may be general (what kinds of intervention have previously worked well or badly in what circumstances) or specific (how the design or implementation of a policy in a particular area could be improved).

Policy evaluation is therefore intended to provide information on what is the impact and effectiveness of the policy and whether its objectives are met; why the policy was effective or not; what are the consequences of the policy and what lessons can be learned about implementation (BIS 2010). In Macedonia, as in many other countries, polices are commonly given effect by legislation. Therefore the policy evaluations will inevitably extent to evaluation of legislation. In its application to legislation, evaluation may take a number of different forms. The fields of program evaluation and statistical analysis have developed a variety of research designs upon which to base causal interference about the impact of regulation (Shadish, Cook and Campbell 2002).

Since its independence Macedonia is striving to become a member of the European Union. One of the essential preconditions for such membership is improvement of the democratic capacity and enhancement of good governance and rule of law reforms. Especially important in this regard is the decision making and what is more, the law making process. Evaluation of the regulatory policy (how regulations are developed and what they achieve) is a new focus of the European Union and the OECD countries in particular. Radaelli and Fritsch, 2012 have depicted that there are limited and skewed country practices for policy/regulatory evaluation, although there is lot of information in regulatory management systems that is not collected systematically as indicators.

The Republic of Macedonia has in the last ten years undertaken serious reforms of the policy making system directed towards improvement of the quality, consistency and applicability of the policies being developed. In parallel the country conducts regulatory reform that includes elimination of administrative burden of laws through regulatory guillotine and introduction of several mechanisms for smart policy/

laws development, such as the regulatory impact assessment[2] and the ex-post evaluation of laws[3]. While regulatory impact assessment has been pushed by the EU, in the area of ex-post evaluation Macedonia took the lead and included itself in the club of countries that have designed a framework for evaluation of regulations before even the OECD has developed its own framework of indicators for policy evaluation[4]. The regulatory reform efforts of Republic of Macedonia are therefore not just novel but ground-breaking for the region of Western Balkans and beyond.

2. Types of Policy Evaluation

Parker and Kickpatrick, 2012 have noted in a review of papers that poor designed regulation can stifle economic activities and ultimately reduce economic growth. "It also appears that regulatory governance and the institutional framework, in the country, may mitigate the damaging effects" (Parker and Kickpatrick, 2012: 7). However, policy evaluation should not be limited to "measurement only of costs for complying with administrative obligations and ignoring other instruments and areas" (Radaelli and Fritsch, 2012: 7). Especially as "it is difficult, and sometimes impossible, to provide robust quantitative evidence of a causal relationship between the policy design and the impact on economic outcomes such as economic growth" (Parker and Kickpatrick, 2012: 42).

We may distinguish three forms of 'ex-post evaluation':

(i)   Routine evaluation - the implementation of a new policy through legislation to be followed by evaluation that feeds into reassessment of the new policy and, where necessary, the development of modifications and the enactment of

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[2] The Methodology for Regulatory impact assessment (hereinafter RIA) has been developed in 2008 and was enforced from 2009, but the Constitutional court challenged the Methodology not to have legal basis which led to the Amendment to the Rules of Procedure of the Government in 2013 introducing RIA requirement and adoption of a new methodology in 2013.
[3] Amendments to the Rules of Procedure of the Government in 2013 introduced this requirement. *Ex post* is a commonly used term about impact assessment. It refers to evaluation after completion of the intervention such as the introduction of a law.
[4] Macedonia adopted its Methodology for ex-post evaluation of laws in 2013 (for more detail see here: http://mioa.gov.mk/files/pdf/Ex_post_Metodologija.pdf, whereas the OECD has developed its framework of indicators for policy evaluation in 2014 (for more detail see here: http://www.keepeek.com/Digital-Asset-Management/oecd/governance/oecd-framework-for-regulatory-policy-evaluation_9789264214453-en#page29).

amendments to the original law.[5] The timing and frequency of routine evaluations of this kind are commonly left to the discretion of ministries as are the methods by which they are carried out and the question of the publication of their results.

(ii)   Post- implementation review – refers to the review of regulatory policy that complements the *ex-ante* appraisal contained in a regulatory impact assessment. It is known as ex post RIA and should be integrated into the policy making process as part of policy evaluation.

(iii)   Legislative scrutiny - review of how legislation is working in practice. Its primary audience is Parliament. Unlike post-implementation review, it includes a review of the extent to which the legislation and the supporting secondary legislation has been brought into force.

Macedonia does not have an explicit policy on better regulation as the OSCE ODIHR Legislative Paper (December 2008) – Law Drafting and Regulatory Management in the Former Yugoslav Republic of Macedonia identifies "most legislation is not based on a proper policy development process" (OSCE, 2008: 9). There is a tendency to develop legislation without going through all the phases of policy development (definition of a problem, situation analysis, impact assessment analysis, the interest of the concerned partied through public consultations) all of which should be transposed into a policy paper that is a basis for development of the policy making instrument - the law. However, it is noticeable that without a system for legislative scrutiny there is a lack of effective verification procedures, i.e. checks, both of the underlying policy options and of the legislative draft itself (Page, Risteska and Spasovska 2010).

Hence, a number of elements of better regulation policy have been put in place: (i) the "regulatory guillotine"; (ii) regulatory impact assessment and (iii) regulatory consultation within affected interests and the public, transparency. All three, play a vital role in improving the quality of legislation, if practiced regularly and as a matter of routine. The regulatory guillotine as a regulatory simplification initiative has yielded significant results – 341 pieces of secondary legislation have been abolished. The introduction of RIA was not such a success although data from the Ministry for Information Society

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[5] As has been pointed out, it is rare that such a smooth process is feasible given the continuing demands for legislative activity in other fields. Rather, changes to existing legislation tend to be driven by short-term considerations or immediate priorities.

and Administration "shows that the number of laws accompanied by RIAs (as a proportion of the total number of laws approved by the government) grew from 21% to 35% between 2012 and 2013" (Necev and Nikolov, 2012: 53). Finally, "there is an emphasis on technology (e.g. the Single National Electronic Register of Legislation, a forum for policy making and a web portal for open data) to deliver the objectives of policy making, especially public consultation. This technology alone has so far not helped adherence to important procedures that embody the value of transparency, such as minimum consultation periods" (SIGMA, 2014).

2.1 Routine Evaluation

Ex-post[6] evaluation is a routine part of the policy work of ministries. In many countries there is an expectation that policies, and where appropriate the legislation that gives effect to them, will be periodically evaluated. With routine evaluation introduced in the policy development system it is expected that the implementation of a new policy through legislation be followed by evaluation that feeds into reassessment of the new policy and, where necessary, the development of modifications and the enactment of amendments to the original law. The timing and frequency of routine evaluations of this kind are commonly left to the discretion of ministries as are the methods by which they are carried out and the question of the publication of their results. So ex-post evaluation is about policy effectiveness rather than about legality, or how well the legislation is drafted, although how well it is drafted may have a crucial bearing on its effectiveness.

In Macedonia the legal framework for decision making and policy formulation is set by the Rules of Procedure (hereinafter RoP) for Operation of the Government. Numerous amendments were made between 2001, when the RoP were first adopted, and 2013. Some amendments have been of a technical nature, but some recent significant reforms in the work of the Government, such as the introduction of a detailed methodology and instructions on the RIA process, and *ex post evaluation* in 2013. This created a legal basis for adoption of the Methodology for ex post evaluation of implemented laws. The methodology entitles the ministries to decide which 2 laws they will evaluate and examine whether the laws have achieved the intended impact. It follows an input-process-output-outcome logic of systematically assessing the effects of regulatory policy measures. As such it allows for practical contribution for achieving regulatory

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[6] *Ex post* refers to evaluation after completion of the intervention such as the introduction of a law.

outcomes and diagnosing systematic issues with the design and implementation of regulation.

The ex–post evaluation of legislation as a routine evaluation pushes the Ministries to define strategic outcomes when developing new policies and to measure/assess/evaluate their achievements. It allows them to gather data on indicators that measure what has been achieved with implementation through all stages of policy development: from design to impact. The intention is to use the indicators and information from the evaluation for the process of development new policies. In this way the ex-post evaluation grants learning from the experience of implementation and basis the new policy development process on evidence. In this way rationality is added to the policy making process.

Table 1: Legal framework for ex-post evaluation (routine evaluation)

Legal framework for ex-post evaluation	Macedonia
Explicit policy promoting ex-post evaluation	Rules of Procedures of the Government of Macedonia adopted in 2013
Body responsible for the coordination of the ex post evaluation	Ministry of information society and administration of the Government of Macedonia
Legal act adopted by the government which regulates the principles and procedures of ex-post evaluations	Methodology for ex-post assessment of regulations 2013
Written guidance on ex-post evaluation	Manual for Ex-post evaluation
Access to regulation	Law on organization and work of the state administration art. 10 p.1, as well as art. 71/68-a from the Law on Government regulates that the draft laws should be published on Ministry's web sites and ENER (unique national registry of legislation)
Coordination and quality control unit	Ministry of information society and administration of the Government of Macedonia as a coordinator, that does not conduct extensive quality control
Scope of ex post evaluations	Process, Output, Outcome and Impact

Source: Author's presentation

The ex-post evaluation of the implementation of legislation, its effectiveness and efficiency could bring about better regulation. What is more the SIGMA 2014 Assessment of the policy development system noted that "the introduction of *ex post* analysis for two laws per

ministry per year is a proportionate approach that enables a staggered introduction" (SIGMA 2014)**.**

2.2 Post-Implementation Review

The second form of evaluation refers to the review of regulatory impact assessment that complements the *ex-ante* appraisal of a law. The visible output is a revised impact assessment, and its objective is to detect the failures and successes in assessing the expected impact and result legislation would have before its adoption. The review is conducted post adoption and implementation of the law. The post-implementation review further extends the rationality of the law making process and contributes to better regulation.

In Macedonia the regulatory impact assessment (RIA) has been introduced as compulsory in 2008 when the RIA Methodology was adopted requiring for each ministry to identify the laws that will need RIA and to make a preliminary assessment whether initial or extensive RIA will be needed to be conducted in accordance with the principle of proportionality (Official Gazette of the Republic of Macedonia, no 36/2008). The regulatory impact assessment is envisaged to be undertaken for all legal acts (does not include secondary legislation) which are prepared and proposed by the Government. The legal solutions that are prepared and/or proposed by the members of the Parliament of the Republic of Macedonia as well as the amendments to the draft legal texts proposed by the Government along with the laws and the amendments proposed by the citizens that have used their right to submit draft laws, are not subject to regulatory impact assessment.

Table 2: Legal framework for impact assessment in Macedonia

Legal framework for impact assessments	Macedonia
Explicit policy promoting regulatory reform and regulatory quality improvement	Rules of Procedures of the Government of Macedonia adopted in 2008 and later changes from 2013
Body responsible for the regulatory reform	General Secretariat of the Government of Macedonia (2008) and Ministry of information society and administration (2013)
Legal act adopted by the government which regulates the principles and procedures of impact assessments	Methodology for regulatory impact assessment 2009 and Methodology for RIA 2013

Written guidance on impact assessment	Manual for RIA (2009), Manual for RIA (2013)
Access to regulation	Law on organization and work of the state administration art. 10 p.1, as well as art. 71/68-a from the Law on Government regulates that the draft laws should be published on Ministry's web sites
Consultation	Regulated in the Law on organization and work of the state administration art. 10, p.2 and operationally planned to be achieved through ENER
Coordination and quality control unit	Ministry of information society and administration (2013) as a coordinator, that does not conduct extensive quality control
Responsible for guaranteeing impact assessment information in the explanatory memorandum accompanying draft laws	The Ministry conducting the impact assessment
Categories of impact assessments	Economic, social and environmental

Source: Risteska 2011, and adaptation in 2015.

The RIA 2008 Methodology does not include requirement for post-implementation review of the impact assessment. Contrary, the new Methodology for RIA updated in 2013 introduces monitoring function of the quality of the RIA process and entitles the Ministry for information society and administration in cooperation with other ministries to review, analyse and issue an Annual report on implementation and development of the RIA process, to the Government of the Republic of Macedonia. This cannot be interpreted as post-implementation review of the impact assessment.

2.3 Post-Legislative Scrutiny

The final form of ex-post evaluation is a review of how primary legislation is working in practice. Unlike post-implementation review, it includes a review of the extent to which the legislation and the supporting secondary legislation has been brought into force. In this respect post-legislative scrutiny also has a public accountability function as it provides democratic control, enhances integrity of public governance, but also aims to improve performance.

Several laws form the legislative scrutiny legislative framework in Macedonia: (i) the Law on Government (OG 59/2000) which inter alia regulates the monitoring and evaluation function of the executive; (ii)

the Law on State audit office (OG 66/2010) which regulates the auditing of the regularity and the auditing of performance audit through which effectiveness and efficiency of legislation is checked; (iii) the Law on Administrative inspection (OG 50/2010) which together with the Book of rules for conducting inspection oversight (OG 114/2008) by the Administrative inspection regulates the function of the inspectorate to check if the laws and bylaws are enforced and if there are not enforced it determines why is that so; (iv) the Law on Parliament (OG 104/2009) which regulates the oversight function of the legislative body.

Table 3: Institutional and legal framework for post legislative scrutiny

Who exercises post-legislative scrutiny	Parliament
	State audit office (hereinafter: SAO)
	Inspectorates
What the exercise of post legislative scrutiny consists of	Oversight
	Sanctions
	Impeachment
Rationale	to obtain information and experts' opinions in relation to the establishment and the implementation of the policies, the implementation of the laws and the other activities of the Government and the state bodies
AIM	Improve quality of legislation, and effectiveness of implementation process

Source: Author's presentation

According to O'Donnell (1999b: 38), horizontal accountability is the existence of state agencies that are legally enabled and empowered, and factually willing and able, to take actions that span from routine oversight to criminal sanctions or impeachment in relation to actions or omissions by other agents or agencies of the state that may be qualified as unlawful. In horizontal accountability there are two sub-types of accountability: political and legal accountability. Political accountability is an extremely important type of public accountability within democracies. Here, accountability is exercised along the chain of principal-agent relationships (Strom, 2000). Therefore in political accountability the Parliament is a key actor. In terms of holding government officials to account, Parliament is the principal and the official the agent. Parliament, as principal, requires the government and its officials, as agents, to implement the laws, policies and programs

it has approved – and holds the government and officials to account for their performance in this regard (Risteska, 2014).

Finally, Parliament in Macedonia is responsible for organization of two types of hearings: (i) legislative or public discussions regulated under article 145 of the Rules of Procedure of the Parliament of the Republic of Macedonia and (ii) oversight hearings. Both are directed to improvement of the quality of laws. The legislative hearings were governed by both the Law on Parliament and the Rules of Procedure, whereas the oversight hearings are a novelty in effect since January 2010. The oversight hearings of the Parliament encompass the two aspects of the policy evaluation: its enforcement and its effectiveness. The oversight hearing's format allows for the Minister in charge for implementation of a certain policy to report on the achievements and witnesses to provide proofs for failures, challenges and opportunities for strengthened policy implementation and/or propose policy changes to enhance policy outcomes. The members of Parliament are also allowed after the presentation of the Minister and the witnesses to ask questions to the Minister and hold him/her accountable of the work of the Ministry on implementation and the effects it has. The oversight hearings held in the period 2010-2013 had great impact on new policy formulation in several areas such as landfill management, justice for children, donations and sponsorships and etc. The implementation pace has been slower since the opposition's boycott of the work of the Parliament and thus has not contributed to better policy development recently.

In the past decades independent and external administrative bodies have been established to exercise administrative and financial supervision and control. These bodies vary from ombudsmen and audit offices, to independent supervisory authorities, inspector generals, and anti-fraud offices. These do not fit the top-down relationship of the horizontal accountability set up, but form diagonal accountability as all of these bodies report to Parliament and foster parliamentary control.

In Macedonia there are two bodies that perform functions of diagonal accountability and post legislative scrutiny. The State Audit office checks whether the adopted legislation is working out in practice (it is implemented and it achieves expected results) through the performance auditing. Hence, the effectiveness and efficiency to achieve the policy objectives are being proven, whereas the enforcement of the laws and bylaws, on the part of the state administrative bodies, is checked by the State Administrative Inspectorate and the other inspectorates. At the same time, the State Audit Office, through the regularity auditing,

reports on the established systemic shortcomings that are created through the lack of alignment, the non-implementation or the lack of clarity (imprecision) of the existing regulation and it provides recommendations on how to surpass the same through new or amendments to the existing regulation.

However, working relations between the SAO and Parliament are still missing. Although the SAO's reporting duties vis-à-vis Parliament have been laid down in Articles 33 of the State Auditing Law and are facilitated by submitting the annual report to the Parliament, the Parliament discussion over the audit report is usually without any direct SAO involvement and, in most cases, only if these reports permit conclusions about politically relevant misconduct, especially misbehaviour of individuals in the audited bodies. Only in few cases has Parliament drawn wider conclusions for its legislative work (as noted by the Peer review of the State Audit Office p .20).

All these processes and institutions work independently, without any pre-planning and coordination. They do not form one system of policy evaluation, nor there is a body that is responsible to ensure that implemented policies are evaluated and the results of the evaluation are embedded in the new policy development cycle.

3. The Missing Links in the Macedonian Policy Evaluation System

A formal system for ex-post evaluation of the implementation of legislation in Macedonia does not exist. However, a number of mechanisms and institutions exist that perform an evaluation function in the policy development system. This paper distinguishes routine evaluation, post implementation review and post-legislative scrutiny and identifies existence of all forms in the Macedonian system of policy development. Namely, the routine evaluation is recognized in the recently introduced ex-post assessment/evaluation of laws; early beginning of the post implementation review can be seen in the introduction of the RIA quality control function of the Ministry for information society; whereas the Parliament's oversight hearings, the administrative inspection and the performance audit of the SAO are recognized to complete the list of post legislative scrutiny mechanisms. Hence, all these mechanisms and institutions work independently, without any pre-planning and coordination and thus we cannot say that they form one system of policy evaluation on national level.

What is more, these elements are not sufficient to establish a policy for improvement of the regulation. This is mainly because systematic

monitoring and gathering data through performance (input, process, output, outcome and impact) indicators are still missing. Although there are requirements for monitoring of government performance, such as the obligation of the General Secretariat to monitor the work of the Government, to prepare periodic reports on the achievement of the Annual Working Program and to inform the public on the decisions of the Government laid down in the Rules of Procedure of the Government (RoP 2001, Articles 87-89, 91, and 120-124) and the Methodology on Strategic Planning and Preparation of the Annual Working Program (hereinafter AWP)[7], the capacity for monitoring within ministries remains weak. All ministries have established a unit on strategic planning and policy co-ordination reporting directly to the State Secretary, but usually the number of staff is limited and they deal mainly with co-ordination activities related to development of the strategic plan, whereas monitoring is done only when the ministry has to update the strategic plan for the next mid-term period (Interview with Gordana Dimitrovska, 2013). In addition the Ministries do not prepare annual reports (Interview Aleksandar Cekov, 2015). Therefore, SIGMA in 2014 assesses that the monitoring and reporting of government performance is only partially implemented.

Why is this important for the policy evaluation system? Without operational monitoring system that will allow for systematic gathering of data to be used for the evaluation of policy implementation, a system of policy evaluation cannot work. Therefore it is important what type of indicators the ministries and the Government are using. A review of the process of preparation of the annual quarterly and semi-annual reports shows that these documents include gathering of monitoring data on activities implemented by ministries related to different projects, laws that have been adopted, funds allocated for different capital projects, etc. However the performance indicators used for this purpose are more focused on inputs, processes and outputs. Not on outcomes. Or as SIGMA notices the Government and ministries monitor decisions to prepare laws and the actual preparation of those laws (and secondary legislation), but not the outcomes of laws or policies (SIGMA, 2014).

The absence of such performance indicators that monitor the outcomes of policy implementation might be a crucial gap for fulfilling requirements for implementation of EU reforms supported through

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[7] That regulates responsibility of the General Secretariat of the Government to prepare a progress report on implementation of the Government strategic priorities; a quarterly early warning reports on the implementation of the Government AWP; and semi-annual and annual reporting on the implementation of the AWP according to pre-defined monitoring indicators.

the Instrument for pre-accession (hereinafter IPA). Namely, Macedonia as candidate country has signed the IPA II agreement which in Art. 2.2 and Art. 2.3 (of the IPA Regulation No 231/2014) envisages that the Commission shall regularly monitor its actions and review progress made towards delivering expected results, covering outputs and outcomes. The monitoring and reporting framework that has been set up in this regard also shifts the DG Enlargement monitoring culture from essentially focussing on financial execution performance to results-based performance (where both outputs and outcomes need to be looked at), and this irrespective of the management mode. Therefore it is critical to monitor results of the policy implementation and in addition to distinguish whether those results have enhanced Macedonia's alignment with the EU.

By developing the monitoring system the country will not only fill in the missing links in the scattered policy evaluation system but will also contribute to the advancement in the process of EU accession. Since the IPA II requires indicators to be developed dependent on every country's context, Macedonia should use the opportunity to design together with the EU Commission a common set of context, impact and outcome (higher level) indicators for Macedonia,[8] to ensure easier tracking and comparability with other countries but also to enhance the newly established routine evaluation requirements to Ministries.

The lack of quality assessment of the performed regulatory impact assessments represents a weakness of the system as well. To this end the recent update of the RIA methodology was an opportunity lost to introduce a post implementation review of the RIA. Recognizing that the evaluation of quality of the RIA process will contribute to the development of realistic targets, outputs and outcomes, the post implementation review of the impact assessment should be also critical for the new IPA II monitoring approach and therefore should be embedded in the overall monitoring an evaluation system of Macedonia.

Finally, the post-legislative scrutiny mechanisms need to be strengthened as the effectiveness of audit conclusions, and moreover their recommendations, strongly depends on whether they are supported by Parliament. Therefore, it is important for a committee in charge of government audit issues, such as a Public Accounts Committee, to be established (Peer review of the state audit office, p. 19) or to empower the State Auditor with powers for incrimination and legal prosecutions of misdoing determined with the audit reports.

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[8] Different indicators can be used to reflect country specificities or lack of availability of data.

Hence, the performance audits should be taken by Parliament as basis for new policy appraisals and/or changes of the existing legislation. In this way the performance audit by the independent institution – the SAO – will act as policy evaluation and inform Parliament on the needs to improve regulations. This will strengthen the role of Parliament as active policy maker. Although the Constitution of Republic of Macedonia sets the division of powers in the Macedonian political system where the Parliament is the main decision making institution, responsible for adoption of laws; the Government is heavily involved into the policy development process. The Parliament has initiated only 4% of the legislation, which was adopted in a period of 5 years (Page, Risteska and Spasovska, 2010).

The ex-post evaluation of the implementation of legislation, its effectiveness and efficiency could bring about better regulation. As Macedonia has promoted public commitment for better regulation the country should progress towards an examination of the accomplishments of the legal acts as they are most commonly used policy instruments. Hence, the systematization of the policy evaluation should represent the next great priority of the Government for support of its policy for better regulation. This will further advance the logic of better regulation which brings about learning from experience as a method of policy-making. It will also bring Macedonia closer to the EU as the reforms increase deliberation in the policy development and therefore strengthen the democratic capacity of the country. However, the deliberation will inevitably affect the pace of adoption of new legislation and in that sense will slow down the process of alignment of the Macedonian legislation with the EU *acqui*s.

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USE OF KNOWLEDGE IN ADMINISTRATION – HOW EVALUATION INSPIRES POLISH DECISION-MAKERS?

Maciej Kolczyński[1]

Guiding topic: Evidence-Based Policy Making as a Precondition for Performance of Public Administration

Abstract

Evaluation is currently one of the most important tools to verify the effectiveness of Polish administration implementing projects within the EU Cohesion Policy. The question remains to what extent these achievements of evaluation are used in policy-making process and have influence on the shape of programming documents for 2014-2020 financial perspective. The paper presents the outcomes of a project which aim was to answer this question by performing a meta-evaluation of reports performed for 2007-2013 period and active participation in the process of preparation of implementation documents for Cohesion Policy in Poland in 2014-2020. It is also enriched with the results of cooperation with Norwegian evaluation institution which allowed us to find similarities in evaluation systems in both countries, as well as identify factors, which may hinder the use of knowledge from evaluation reports. The project has led us to conclusions, that to give precise answer about the use of evaluation knowledge is difficult, that we should look for new roles for evaluation, from the perspective of NGO's and that strengthening of Polish – Norwegian cooperation can give mutual benefits.

Key words: *evaluation, evidence-based policy, use of knowledge*

1. Introduction

With its accession to the European Union in 2004 Poland has become the largest beneficiary of the EU Cohesion Policy and had to adopt an undeniably useful know-how related to planning, implementation, monitoring and evaluation of this policy. The most visible changes could be observed in terms of the adoption of evaluation system. With established structures, which proved their worth in 2004-2006 and 2007-2013 period, together with elaborated procedures it gradually

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became one of the most important elements of the whole system of implementation of Cohesion Policy in Poland. According to the National Evaluation Unit in the Ministry of Infrastructure and Development in the period 2002-2014, a total of 976 evaluation studies were performed in Poland. What still remains a great concern for policy-makers and evaluation practitioners on national and regional level is the question of how the knowledge from evaluation studies is translated into practice?

The aim of this paper is to present the findings of the project *Use of knowledge in administration – mechanisms of civic supervision*, implemented by the Polish Foundation IDEA of Development under Citizens for Democracy Programme of the Stefan Batory Foundation in Poland, financed by the European Economic Area (EEA) Grants[2]. The main objective of the project was to answer the following question: *Does evaluation inspire Polish administration?* Within the project a meta-evaluation has been performed covering 176 evaluation reports commissioned in 2007-2013 period, assessing various aspects of EU Funds' implementation in Poland. The analysis was focused particularly on reducing administrative burdens for beneficiaries and was also supplemented by conclusions from the monitoring exercise of the preparation of implementation documents for the new programming period 2014-2020. At its final stage the project has been extended with international experiences on use of evaluation from Norway. The paper will provide a brief description of all stages of our project and conclusions from its implementation. It will be preceded by an introduction to evaluation system in Poland.

2. Evaluation System in Poland[3]

The importance of evaluation in Poland has been changing gradually, starting from only few evaluations of pre-accession programmes, when the evaluation market was still very limited, with slight increase of the number of evaluations after the Polish accession to the European Union and then its dynamic growth in 2007 and 2008 – an effect of different approach to implementation system for 2007-2013 and delegation of management related tasks to Managing Authorities (MA's) at regional level. What has also influenced the number of studies was the institutional capacity, in terms of performing evaluations, which has improved over years. Since 2007 the Polish evaluation system is

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[2] More about the project: http://ideaorg.eu/en/2014/04/23/does-evaluation-inspire-polish-administration/ (accessed 8 October 2015).
[3] Chapter prepared on a basis of: National Evaluation Unit (2014), *Process of evaluation of the Cohesion Policy in Poland 2004–2014*, Warsaw: Ministry of Infrastructure and Development.

strongly decentralised and, like it has already been mentioned, it is an effect of decentralisation of the implementation system of Cohesion Policy in Poland.

Legal basis for evaluation in Poland are introduced by *Council Regulation (EC) No 1083/2006 of 11 July 2006 laying down general provisions on the European Regional Development Fund, the European Social Fund and the Cohesion Fund and repealing Regulation (CE) No 1260/1999*[4] where the Council of the European Union has obliged all the Member States to conduct the evaluation of the financial support obtained from EU structural funds. The main document at the national level is the *Act of 6 December 2006 on pursuing the development policy*[5]. However, the evaluation system is defined in more detailed way in *Guidelines no 6 on the evaluation of operational programmes for 2007–2013*[6]. This document defines all the main actors of the evaluation system and describes their tasks. The institutional setup involves a wide group of actors. The main role in the whole process is performed by the National Evaluation Unit (NEU) which is an element of the structure of the ministry responsible for regional development (currently Ministry of Infrastructure and Development). According to the *Act on Pursuing the Development Policy* this ministry is responsible for coordination and implementation of evaluation process of development policy[7] and this role is performed by the NEU itself. It is therefore responsible for the coordination of the entire evaluation system, including the activities of other evaluation units. With numerous initiatives, such as annual Evaluation Conferences, trainings on evaluation methods or post-graduate studies organized jointly with the University of Warsaw ("Academy of Evaluation") it is also the main actor in the process of building the evaluation culture in Poland. The NEU can also perform evaluations by itself. Already mentioned *Act on pursuing the*

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[4] For 2014-2020 financial perspectives it will be replaced by the Regulation (EU) No 1303/2013 of the European Parliament and of the Council of 17 December 2013 laying down common provisions on the European Regional Development Fund, the European Social Fund, the Cohesion Fund, the European Agricultural Fund for Rural Development and the European Maritime and Fisheries Fund and laying down general provisions on the European Regional Development Fund, the European Social Fund, the Cohesion Fund and the European Maritime and Fisheries Fund and repealing Council Regulation (EC) No 1083/2006. Available at: http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32013R1303&from=EN (accessed 12 July 2015).

[5] Recently amended in 2015.

[6] For 2014-2020 programming period the Ministry of Infrastructure and Development is preparing *Guidelines on the cohesion policy evaluation system and evaluation of operational programmes under the 2014–2020 perspective*, which are currently available (in Polish) in its draft version on Ministry's website: https://www.funduszeeuropejskie.gov.pl/strony/o-funduszach/dokumenty/projekt-wytycznych-w-zakresie-ewaluacji-polityki-spojnosci-na-lata-2014-2020/.

[7] Article 3a, point 4a.

development policy, among the tasks of the ministry, also envisages its responsibility for evaluation of national strategies and for drafting standards and recommendations for national evaluation documents. These tasks are also the responsibility of National Evaluation Unit.

On national and regional level there are also separate units located in MA's of operational programmes (OP's) and within Intermediate Bodies (IB's).[8] They are responsible for the evaluation process within particular programmes/priority axes. Supporting role in the evaluation process is performed by steering groups and monitoring committees.[9]

The structure will be similar in the new programming period. Apart from the NEU, in 2014-2020 there will be one evaluation unit located in every Managing Authority for centrally managed operational programmes and 16 units in MA's for regional operational programmes. There will be also evaluation units functioning within the Intermediate Bodies.

Evaluation studies are based on evaluation plans which are prepared according to the *Guidelines for operational programme evaluation for 2007–2013*[10] for all three implementation levels (NSRF, particular OP or lower, if applicable). Evaluation plan should comprise of the description of the OP, presentation of the organisation of the evaluation system, including information about involved institutions and staff, as well as about available budget. It should also introduce the list of evaluation topics and actions related to building of the evaluation culture in Poland.

NEU also facilitates the use of knowledge from evaluations. Since 2009 it has been developing a system for managing conclusions and recommendations from evaluation studies. Its aim is to coordinate the process of implementation and monitoring of those recommendations. NEU is responsible for managing the database of evaluation studies available at www.ewaluacja.gov.pl, as well as for analysing and monitoring of horizontal recommendations. It is also in charge of the Database of Recommendations which is one of the main tools of the whole system. The decision whether to use particular recommendation and monitor its implementation is up to the MA of an operational programmes. Evaluation units are also involved in the process, together with Implementing Bodies, steering groups and monitoring committees. In the new programming period the system will be

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[8] Managing Authorities of operational programmes may delegate part of their competences (hence evaluation competences too) to lower implementation levels (to the so called "Intermediate Bodies").
[9] Established within the majority of operational programmes.
[10] Especially according to Chapter 5 of Guidelines.

improved and it has already been introduced to the new guidelines. As a source of information from different evaluations, the database will be especially useful for meta-evaluations. The final shape of the system will be known after the official guidelines will be published.

3. Project Methodology

The project consisted of two phases. The first phase was based on the desk research performed by experts, who analysed the available evaluation reports for 2007-2013 period to examine the way and extent of use of recommendations in preparation for implementation of the funds in the years 2014 to 2020. The key element of the first phase was a report entitled *Reducing administrative burdens for beneficiaries of EU Cohesion Policy – recommendations from evaluation studies.*

The second phase was focused on the monitoring and dissemination of the results of the expert work. It involved presentation of the report in various fora involving both, public administration representatives and NGO's, promoting the outcomes in the Internet and participation in the consultation process of draft guidelines prepared by the Ministry of Infrastructure and Development, by submitting comments on the possible ways of reducing the burden for beneficiaries. At the end of 2014 we have extended the scope of the project by using the method of international benchmarking, involving partner from Norway, Oxford Research AS. Our Norwegian colleagues have introduced us with their know-how on domestic evaluation system and use of evaluations in the implementation of public policies. Within this phase we have also relied mostly on desk research of available publications regarding the use of knowledge from evaluations, available in English. Supplementary method in this case was face-to-face discussion with experts from Oxford AS, via Skype and during their stay in Poland.

3.1 Analysis of Evaluation Reports - 1st Phase

The starting point for the project was the desk research analysis of the recommendations from the evaluation studies carried out in the period 2007-2013. This phase consisted of 4 stages:

1. Identification of evaluation reports,

2. Identification of recommendations on reducing burdens for beneficiaries,

3. Analysis of the recommendations by programme and thematic areas,

4. Analysis of projects of selected Operational Programmes for 2014-2020.

As a result of this phase we have identified the overall of 408 recommendations on reducing the burden for beneficiaries, of which we have selected, based on the expert analysis, 66 key recommendations which should be considered when preparing funds implementation system for the next period (2014-2020). Key recommendations were selected on a basis of the following criteria: the amount of recommendations which are repeating in different reports, quality of justifications of particular recommendations, innovativeness of a given solution, indication as a good practice and the fact that recommendation was recommended to be implemented in the new period 2014-2020.

The detailed description of all four stages can be found in

3.2 Monitoring and Dissemination of Results - 2nd Phase

Starting from October 2014 and until March 2015 we have carried out the second phase of our project which specific objective was to analyse the selected implementation documents for 2014-2020, in order the verify to what extent the recommendations identified in the first phase of the project were taken under consideration. Within this phase we have performed desk research on two types of documents:

- Final versions of OP's, after their approval by the European Commission;
- Draft guidelines of the Minister of Infrastructure and Development being subject of public consultations through the website of the Ministry.

In case of operational programmes we were especially interested in comparing the wording related to the assumptions for reduction of administrative burden for beneficiaries in draft and final versions of documents. This allowed us to determine whether the final versions provide a broader range of administrative burden reduction than first versions. On that basis we could update the report developed in the first phase of the project.

As for the guidelines, in Polish implementation system they are treated as a "legal instrument defining harmonized conditions and procedures for the implementation of Structural Funds and the Cohesion Fund addressed to institutions participating in the implementation of operational programmes and used by these institutions (...) and by beneficiaries, under the project financing agreement or decision

on financing the project".[11] This means that guidelines, although addressed to institutions, are the legal instrument setting out precise obligations of beneficiaries. This fact makes them one of the main sources of administrative burdens and hence a matter of our interest.

The analysis was based on the following activities:

1. Ongoing monitoring of the Ministry's webpage, where draft guidelines were published;

2. Analysis of draft guidelines with regard to recommendations from evaluations identified in the first phase of the project;

3. Preparing comments whenever the reference to these recommendations could be found in guidelines;

4. Sending comments to the Ministry on a dedicated form;

5. Monitoring of the final versions of guidelines on the Ministry's webpage;

6. Analysis of the final version of guidelines with regard to acceptance or rejection of wording proposed by the Foundation.

In the indicated period we have analysed 21 draft guidelines which were subject to consultations. We have selected them according to areas in which we have identified recommendations in the first phase (see: Annex B, Chapter 2).

In the meantime we have commenced a dissemination of conclusions from our analysis of 2007–2013 evaluation studies among public administration. We have sent the report to two departments of the Ministry of Infrastructure and Development which are crucial actors in the implementation system of EU Cohesion Policy in Poland. As a result we have established a co-operation with civil servants responsible for preparation of the implementation system of EU Cohesion Policy in Poland for 2014-2020. We have received their comments in written form and had a possibility to discuss selected issues during the meetings.

Despite general positive feedback (our report has even been sent via the Ministry to the European Parliament) there were certain conclusions of our research which were not supported by the Ministry. In particular, proposals to introduce the pre-selection as an additional stage of the project selection procedure or to make the assessment of innovative projects more flexible were strongly contested. According

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[11]Art. 1 paragraph. 3 Section 32 of the Act of 11 July 2014 on the principles of implementation of programmes funded by cohesion policy in the 2014-2020 financial perspective.

to the representatives of the Ministry such changes would imply the need to ensure equality of beneficiaries, they would extend the duration of the call for projects and generate an excessive workload of staff in Implementing Bodies.

Finally, the Foundation has proposed a discussion on identified burdens and opportunities for their reduction on one of the fora bringing together the major institutions involved in the implementation system of EU cohesion policy or during one of the working groups. Unfortunately we didn't receive a positive feedback regarding the engagement of these bodies in our discussion, mostly due to a very tight calendar of people involved in the programming process.

3.3 International Benchmarking - Norway

In January 2015 we have extended the scope of our project by inviting a partner from Norway to share with us with experiences on evaluating pubic policies and most of all, of the use of the evaluation knowledge. Our partner, Oxford Research AS is a knowledge company focusing on the areas of industrial and regional development and welfare. It is an organization with almost twenty years of experience, and has its offices in 4 countries. It carries through evaluations and analyses, and offers consultancy on strategy.[12] The area of operation of Oxford Research AS coincides with the scope of interest of the Foundation Idea of Development.

Within our cooperation we have analysed the evaluation system in Norway with a particular focus on experiences related to "performance audits", which in Norway are treated as evaluations, due to used methodology. We have learned how the effects of performance audits are used by decision makers on municipal level. We have also analysed the impact of evaluation on providing municipal services. In this respect we could use Oxford Research AS experiences in evaluating programmes on ethics in municipal services of Bergen and Stavanger, which they conducted for almost two years. We have also examined the way evaluations are used in Norwegian development cooperation projects, using the evaluation efforts of Norad - the Norwegian Agency for Development Cooperation which is responsible for quality-assurance of Norwegian Development Cooperation.[13]

As a result of this cooperation we have prepared 2 articles to be included in a publication edited after conference organized on 10 June

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[12] http://www.oxfordresearch.eu/ (accessed 14/07/2015).
[13] http://www.norad.no/en/front/ (accessed 14 July 2015).

2015. Oxford Research representative has also attended the conference as a speaker.

4. Project Findings

Results of our analysis have indicated that it is very difficult to determine, whether the recommendations from 2007-2013 evaluations were taken under consideration when preparing new operational programmes. When it comes to reducing administrative burden in case of almost all analysed operational programmes there were no references neither to findings of ex-ante evaluations nor to recommendations resulting from them. Therefore it was impossible to assess, whether the authors of operational programmes reached to evaluation findings, when designing chapters on reducing administrative burdens. Only in one operational programme there is a clear indication, that "systematic analysis of data and evaluation studies of institutional capacity will allow for adequate changes to improve resources and efficiency of the institution,"[14] although it should be treated as a declaration rather, than a sound commitment. On the other hand, in the same programme we can find the "evidence" as well, since some of the proposals regarding the reduction of burden for beneficiaries were resulting from evaluations and other research performed by the MA, including ex-ante evaluation of the OP for the period 2014-2020, the evaluation of the system of project selection and evaluation of technical assistance implementation, as well as studies commissioned by IB's, in which evaluators recommend that the capacity of these institutions should be used in the period 2014-2020. In operational programme dedicated to human capital there are references to findings of evaluation on management and implementation system, but the reference only serves as a proof that introduced changes in the system were effective. Another common feature is stressing out that in the area of introducing simplifications for beneficiaries significant efforts have already been made in the period 2007-2013, however, even in this case there are no clear references to performed evaluations.

In general, we couldn't observe any significant changes in the content of the chapter on reducing administrative burdens in any of the final versions of programmes, when we compared them with their drafts. The wording of particular OP's in this respect was so general, that one could not definitely assess to what extent the evaluations fuelled

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[14] Ministry of Infrastructure and Development (2014), *Operational Programme Infrastructure and Environment 2014—2020*, version of 16 December 2014, p. 180 (author's own translation) Online. Available at: http://www.pois.gov.pl/media/1238/POIS_2014_2020_13022015.pdf (accessed 30 August 2015).

the work on these documents. Changes introduced in final versions of operational programmes very often were of editorial nature, and therefore did not contribute to the reduction of administrative burdens. They could not serve as an evidence, that the knowledge from evaluations is used by decision-makers.

What can be perceived as positive is a fact that proposals of simplification in the new programming period are in most cases in line with recommendations we have identified. This could suggest that to some extent evaluations were used, although it is difficult to confirm. In this respect we can only rely on a meticulous examination of two versions of document and comparison of wording in both of them. On the other hand, looking at thematic areas which we adopted for the purpose of this analysis, there's an example where despite numerous recommendations in our report concrete actions envisaged in programmes are very limited and will definitely not help solving problems that beneficiaries have to face.

Also looking at the outcomes of our analysis of guidelines we couldn't precisely state whether the authors of these documents reached for the knowledge resulting from evaluation studies and, if so, to what extent. In the process of analysis we have sent 13 comments to 4 draft guidelines, of which three were taken under consideration and two of them were a direct result of our work, as stated by Ministry's representatives who attended the conference summarizing the project. The information provided by representatives of the Ministry confirmed that the methodology used by the Foundation was accurate and may serve as a model for similar actions in the future. As for one remaining comment we are not 100% sure, whether the change in guidelines wording was a result of our activity within the project since in case of these particular guidelines no feedback has been provided for those who contributed in consultations.

As for Norwegian component of our project the conclusions were quite surprising. Despite the longer tradition of evaluating public policies in Norway (Romanow, 2015: in press), we have identified some similarities with the Polish system.

In both countries there's a strong emphasize on transparency of evaluation research i.a. thanks to the database containing all commissioned evaluation reports. In Poland the NEU has launched an online database[15] with full texts of all evaluations above the level of projects. The database has filters, which allow searching of studies which are currently needed. Currently there are 990 evaluations in

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[15] http://www.ewaluacja.gov.pl.

the database and all the reports can be downloaded.[16] In Norway the evaluation portal[17] called *Evalueringsportalen* gathers all evaluations commissioned by ministries and other government agencies from 2005 until today. It also includes key evaluations from the period 1994 to 2004. Currently there are 3555 evaluations in the database and all the reports can be downloaded as well. In both countries there are also similar initiatives undertaken to build the evaluation culture, such as the annual evaluation conference.

As for negative similarities, unfortunately in both countries there is a common problem of a lack of empirical knowledge about the use of evaluation and their impact on policy-making. Although on the local level there are surveys according to which the outcomes of performance audits are used by councillors, heads of municipal departments and heads of municipal companies we still know very little about how and to what extent the evaluations are used in terms of their conclusions and recommendations. What's more, looking at the evaluation system of development cooperation in Norway this situation occurs, despite the existing system of follow-up for recommendations (OECD, 2010: 37), which should facilitate the process.

Table 1. Extract from the process of responding to evaluation recommendations adopted in Norad.

> ➡ After a draft evaluation report is sent to Norad by the Contractor it is circulated for comments;
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> ➡ After the approval of the final version the report is published and a dissemination seminar is organized;
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> ➡ After the seminar, Norad prepares a follow-up memo, which summarizes the report itself and outlines the seminar comments. Those recommendations which are supported by Norad are highlighted in the memo. The memo is then sent to the Ministry of Foreign Affairs;
>
> ➡ The Ministry is responsible for responding to the findings and recommendations within six weeks after receiving the report. In case when specific actions are required, the Ministry prepares an action plan for its Secretary General outlining actions to be taken;
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> ➡ After one year a follow-up report should be prepared by the Ministry outlining actions which were taken.

Source: Own elaborations on the basis of *Use of Evaluations in the Norwegian Development Cooperation System*, Norad 2012.

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[16] Last update of the database was on 17 December 2014.
[17] http://evalueringsportalen.no/.

In this case the problem seems to lie in differences between theory and practice. Looking at the Norad activity we could observe, that of 47 evaluations completed in the period 2006-2011 follow-up memos were prepared for 41, of which 37 contained recommendations which required official response. In fact, only for 28 reports action plans were available (in case of 4 reports there was a decision that there is no need to prepare a follow-up). One year after, for 28 evaluations only 19 follow-up reports were delivered.

Within the cooperation with Norwegian colleagues we have also identified several other factors which impede the use of evaluations findings in designing public policies. What's more, some of them seem to mirror certain features which are also present in Polish reality.

Among them we have identified a lack of ownership for follow-up activities, especially in case of evaluations which cut across the areas of responsibility of different institutions. Another important issue is timing – the evaluation study is only useful and will be likely used if delivered in the moment when it can still affect decisions (although our experiences from the Polish phase of the project don't seem to always confirm that in Polish case).

Another thing is, that evaluation reports tend to be written in a way, which sometimes makes them not user-friendly both, in terms of reception by policy-makers and external audience. This is mostly to the extensive use of jargon, acronyms and academic language[18]. This sometimes has influence on recommendations which are too general, not adequately supported in the evaluation, not well-targeted and difficult to implement in practice. It clearly indicates that more efforts are needed on developing recommendations in the evaluation process (Hendricks, Handley, 1990).

In case of evaluation of ethics in municipal services in Bergen and Stavanger it is also difficult to answer the question, whether municipalities use evaluation findings in designing their policies. In case of Bergen we could verify the outcomes of evaluation and what has changed after it has been published thanks to a report on the actions of municipal entities in Bergen. From the report there is a clear picture that self-governments have systematically worked with the theme of ethics. The annual report shows the approach of different departments in this respect. The overall conclusion is, that ethical issues are systematically taken under consideration in each of the

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[18] Similar problems were identified in report *Language of evaluation studies* prepared by the Institute of Polish Philology of Wroclaw University for the Ministry of Regional Development.

services provided. However, we couldn't find the exact answer to what extent municipalities continue ongoing development projects on the basis of previously adopted procedures and when they implement new measures, methods and tools as an impact of evaluation.

5. Conclusions

Evaluation cannot be an end in itself, but should be a tool to improve public policies. On national ground we are however still missing an evidence-based study which would prove, that the evaluation is used in this way. The project seems to be the first attempt to analyse the use of knowledge from evaluation in improving public policies on national level.

It seems that with the currently available empirical knowledge the question posed in the title of this paper will remain unanswered, at least for now. Despite the existing database of recommendations and system of their management, despite a growing interest in conclusions from mid-term evaluations, related to interim review of operational programmes and programming of new perspective (EGO, 2013: 139), we still don't know exactly how evaluation inspires Polish decision-makers. As our experience shows it's not a matter of lack of interest of evaluation works but rather not existing system of feedback in this respect, in Polish administration and this needs to be addressed and solved in the future in a way, which will be acceptable for administration itself.

This lack of feedback is probably one of the biggest obstacle in answering the question which was central to our project. On the other hand, the lack of feedback and the lack of reference to evaluation studies may be simply due to the limited volume of operational programmes or other constraints. We cannot therefore unambiguously exclude that policy makers use the knowledge coming from evaluations, even if they acquire it in an indirect way. From earlier studies on the 2004-2006 financial perspective we have learned, that the evaluation culture which was formed at that time in Poland, lacked a standardized system for using information gathered through evaluation studies. This knowledge, however, was transferred and used in an informal way, e.g. during the meetings, conferences and seminars (Ministry of Regional Development, 2010: 121-122)[19]. The problem of evaluation use in Poland in general, should be a subject of further research, involving to larger extent the representatives of national and regional administration.

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[19] Author's own translation.

Also taking a closer look at the Norwegian evaluation system has convinced us, that in certain elements Poland is following a right path and deepening cooperation with Norway could be beneficial, perhaps even for both sides. Poland could, for example, take a closer look at the system of responding to evaluation recommendations adopted for the purpose of examination of Norwegian development cooperation activities, at the same time trying to avoid discrepancies between theory and practice. Also mainstreaming of evaluation in Poland, reaching beyond the Cohesion Policy intervention, could be beneficial for evaluation system as such.

The question might also be raised about the role of evaluation in the future. Without a doubt, the evaluation shows an image of particular phenomena or processes on the basis of which we can assess current measures. The evaluation carried out today also creates the possibility of highlighting the changes which occurred when the next evaluation on similar topic is undertaken in the future. Evaluation should remain the tool of improving the efficiency of public administration but the outcomes of our work has shown that in hands of organizations like Foundation Idea of Development it might also be an instrument of monitoring of activities of public entities. Since knowledge generated by evaluations is a public resource and these reports are financed from public funds, it is also necessary to monitor the proper use of evaluations results. With the use of evaluation NGO's can examine whether public administration properly reacts for recommendations contained in the evaluation reports. Watchdog actions in this area can mobilize the administration to make more efficient use of the available knowledge and the report prepared by Foundation IDEA of Development is the best proof for this statement. Dissemination of evaluation methods and techniques, for example among the NGO's implementing watchdog activities is therefore highly recommended.

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Act on the Principles of Implementation of Programmes Funded by Cohesion Policy in the 2014-2020 Financial Perspective 2014, OJ no 0.1146.

Websites:

http://www.oxfordresearch.eu/ (accessed 12 June 2015)

http://www.norad.no/en/front/ (accessed 12 July 2015)

http://evalueringsportalen.no/ (accessed 10 July 2015)

ANNEX A – Project Description

The project *Use of knowledge in administration – mechanisms of civic supervision* has been implemented since March 2014 within the programme "Citizens for Democracy"[20] managed by the Stefan Batory Foundation, in partnership with the Polish Children and Youth Foundation.

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[20] The aim of the Citizens for Democracy Programme is to strengthen the development of civil society and the contribution of non-governmental organisations to social justice, democracy and sustainable development. The programme is financed by the European Economic Area (EEA) Grants.

The idea behind the project was that there is significant knowledge in evaluation reports which can be used in order to improve planning and implementation of public policies. In the framework of EU Cohesion Policy Poland has succeeded in creating a whole system of evaluation of the implementation of the Structural Funds and the Cohesion Fund, which is a source of information on the efficiency and effectiveness of the implementation of this policy. Many evaluations have been performed since the Polish accession to the UE though the common belief is that they are not fully used. The reason behind this is to large extent an organizational culture of public administration and quite traditional, formal methods of monitoring and evaluation of its performance (PSDB 2010: 34).

Therefore the idea was to examine whether the knowledge from 2007-2013 programming period could be used in designing the 2014-2020 instruments. As an area for analyses we have selected the issue of reducing the burden for beneficiaries – one of the most important areas in the implementation of EU programmes and projects, from the point of view of relations between government and society.

The project had 3 major objectives:

1. To establish mechanisms for control of the government activities regarding the use of knowledge from analyses, which are commissioned by it,

2. To increase the use of results of evaluations by the Polish public administration through participatory action,

3. To promote better use of evaluations as a tool of improving public policies by public administration.

ANNEX B – Detailed Description of the 1st Phase of Project

First Stage - Identification of Evaluation Reports

In our analyses we have focused on the outcomes of evaluations of five operational programmes for 2007-2013: Operational Programme Human Capital, Operational Programme Innovative Economy, Operational Programme Development of Eastern Poland and Operational Programme Infrastructure and Environment, which scope is to large extent mirrored in newly designed documents.[21]

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[21] In 2014-2020 period Polish government will implement the following programmes: Operational Programme Intelligent Development, Operational Programme for Knowledge, Education, Development, Operational Programme Infrastructure and Environment, Operational Programme Eastern Poland, Operational Programme Digital Poland.

The analysis included all evaluation reports, concerning both the whole programme and individual priority axes and measures. These reports were identified on the basis of evaluation studies database, available at: http://www.ewaluacja.gov.pl/Wyniki/Strony/Wyniki_badan.aspx.

Only in case of OP Human Capital, which has been partly decentralized and comprised of two components – one implemented on central level and one on regional level, we have focused on evaluations which concerned only the whole programme or its national component. This allowed us to identify recommendations adequate to the scope of the new programme for 2014-2020. The initial list of reports to be analysed was then verified twice on the basis of their thematic scope indicated at the NEU website and information on evaluation studies available on the websites of individual operational programmes. In addition, we have decided to include evaluation reports of horizontal nature to our analysis, where we expected to find recommendations relevant to the entire management system of EU Cohesion Policy funds. These reports have been identified on the same basis as reports for individual OP's. This allowed us to prepare the final list of reports which amounted to 176.

Second Stage - Identification of Recommendations on Reducing Burdens

At the stage of identifying recommendations we have decided to assume a broad interpretation of the term "burden for beneficiaries". For the purpose of the project it was understood not only as bureaucratic barriers which create costs for the beneficiaries, but any restrictions which, directly or indirectly hinder or prevent applying for EU funds and implementation of projects. Recommendations from evaluation reports identified on that basis were classified into the following categories:

- Project selection
- Monitoring
- Financing
- Control
- Communication and promotion
- Systemic issues
- Other

Most of the categories refer to the project life cycle and different stages, at which the beneficiary or potential beneficiary may face burdens. A separate category – "Systemic issues" has covered recommendations

related to the functioning of the whole implementation system of funds in general and particular OP's as well as issues relating to institutional and legal environment in which projects are funded.

Another source of information on recommendations for the period 2014-2020 was the integrated management system recommendations (see: Chapter 1. *Evaluation System in Poland*). The data from the system were used to verify the recommendations identified throughout the analysis of evaluation reports. However, due to the small number of recommendations on reducing the burden on beneficiaries included in this system, this source was treated only as complementary.

Third stage - Analysis of Programmes and Recommendations by Theme

During this phase we decided not to examine the validity of recommendations included in evaluation reports. We have presumed that all the recommendations are appropriate from the point of view of their relevance and adequacy. Hence, a qualitative analysis of the collected data which has been carried out, concerned:

- Discovery of some tensions in implementation system of the EU funds, resulting in inconsistency of recommendations contained in various evaluation reports,

- Prioritization of identified recommendations, in order to select those that should be implemented in the 2014-2020 period,

- Identification of good practices that can be used in other programmes,

- Identification of proposals of systemic solutions, which could lower the burden for beneficiaries.

As for the prioritization of selected recommendations for each category we have assumed that it is of particular importance to implement these recommendations, which are well justified by evaluators, are repeated in different studies and directly refer to the new programming period (2014-2020).

Qualitative analysis was carried out on two levels. At first, we have made a preliminary analysis of recommendations collected both, from evaluations of particular OP's and of issues of horizontal nature. Then we have carried out a second analysis which involved gathering and comparing data collected between programmes and in the area of horizontal recommendations in selected thematic categories. On this basis we have selected key recommendations, which we considered

worth including in preparations for the implementation of 2014-2020 period.

Quantitative analysis allowed us to show the distribution of recommendations between programmes and horizontal issues, between the adopted thematic categories and according to the date of implementation in the programming period to which they referred (2007-2013 and 2014-2020). I have shown trends when it comes to the content of evaluation reports in the area of reducing the burden on beneficiaries.

Fourth Stage - Analysis of Projects of Selected Operational Programmes for the Period 2014-2020

In the next stage, we have carried out an analysis of selected draft operational programmes for 2014-2020. The analysis included the following issues:

- How the Polish government does intend to reduce the administrative burden for beneficiaries of EU funds for 2014-2020?

- To what extent has the knowledge from 2007-2013 evaluation studies been used in the preparation of new operational programmes?

Within the analysis, we have focused on the results of our hitherto works but also on recommendations from ex-ante evaluations of particular programmes. Firstly, we have verified whether the OP's drafts introduced in their content a concrete action plan for reducing burdens on beneficiaries in the 2014-2020 period. Secondly, we have examined the coherence of OP's in the area of burden reduction with the outcomes of our analysis included in the report. Thirdly, we have presented conclusions and recommendations from the ex-ante evaluation of particular programmes. Fourthly, we have checked to what extent the recommendations from the ex-ante evaluation were reflected in operational programmes. Last but not least, we have carried out a secondary analysis of operational programmes following their adoption by the European Commission in order to check how identified recommendations were taken aboard by the authors of operational programmes. Within the four operational programmes we have identified 332 recommendations in total.

EXCESSIVE EVALUATION ANXIETY AND NATIONAL CULTURAL SETTINGS - BARRIERS TO EVALUATION CAPACITY BUILDING - THE CASE OF SLOVENIAN COHESION POLICY

Krunoslav Karlovčec[1]

Abstract

Slovenia joined the European Union in 2004 and shifted from being a candidate to a member state of European Union. One of the necessary requirements, demanded from the European Commission, was to establish a credible monitoring and evaluation system of the Cohesion policy.

The monitoring and evaluation system set up in Cohesion policy started in 2005 when the Evaluation Project group for the 2004-2006 programming period was established. Furthermore, the 2008 an inter-ministerial steering group for the programming period 2007-2013 was established to conduct on-going evaluations.

However, there are barriers to organisational evaluation capacity which are not evident from the beginning but can significantly hinder the whole process. This is also an issue in Slovenia because the evaluation capacity has not been fully developed yet. The article focuses on two obstacles – excessive evaluation anxiety and two dimensions of Hofstede's national culture – power distance and uncertainty avoidance. In my opinion, the implication for effective evaluation capacity building in Slovenia can be as follows: the utilisation of participatory evaluation with the use of stakeholder management and the closer cooperation between evaluators and auditors by enhancing the internal evaluation capacity.

Key words: *European Cohesion policy, evaluation capacity building, excessive evaluation anxiety, Hofstede's model of national culture, Slovenia.*

1. Introduction

When we think of word "evaluation" we usually have a picture in our mind of big, thick documents which contain many findings and recommendations for the improvement of delivery of public policy

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[1] Ministry of Economic Development and Technology, Kotnikova 5, Ljubljana, Slovenia. The statements and ideas are entirely personal and do not necessarily reflect the position of the Ministry or any other Cohesion policy institution in Slovenia.

programme. However, the path to conduct a quality evaluation report is very long and bumpy, with many obstacles on a pathway. The most desired outcome is to produce a report that a certain organisation is proud of and can be easily advocated across the organisation and to wider public. One of the most important necessities is to have adequate level of evaluation capacity to convey the messages and recommendation of evaluation.

The entire evaluation process has an analogy with the project management. If the final objective of evaluation exercise is fulfilment of the technical requirements, the adequate output of the evaluation manager is a ticked-off control sheet. This control sheet provides the evidence to the superiors that all the administrative requirements have been checked out and thus all the necessary technical requirements of the evaluation report are fully met. But there are always subtle processes that heavily influence the preparation and dissemination of evaluation report.

For example, taking into account and not neglecting the relevant stakeholders. The most effective and demand-responsive evaluation is the one that engages stakeholders during the whole evaluation process. The prepositional necessity to conduct such a participative evaluation design is to elaborate a very thoughtful stakeholder analysis. Stakeholder analysis has to be conducted already in the documentation preparation phase. The consequences of excluding or neglecting powerful stakeholders in evaluation process can be devastating and heavily raise the anxiety- and hostility-driven attitude toward evaluators. The importance of different stakeholders can vary very much during the evaluation - some stakeholders are very important at the phase when the evaluation questions are defined, other stakeholders during the data gathering process, the third stakeholders during the phase of utilisation and advocacy of evaluation report. In author's opinion, the most important stakeholders are ones that are responsible for the advocacy of the field of evaluation and the use of the evaluation report.

The structure of the paper is as follows: In the first, introductory paragraph, the main message of the paper is conveyed. The second paragraph describes the background of evaluation capacity building in Slovenia in the context of European Cohesion Policy. Next paragraph is devoted to the definitions of evaluation capacity building and the lessons learned at individual and at organisational level. This section is derived from the author's article in European Structural Funds Journal in 3/2014 (Karlovcec, 2014) and it is stemming from the EVALSED (2013) framework of evaluation capacity. The fourth chapter is presenting the

main obstacles in evaluation capacity building in Slovenia. The fourth and fifth chapters are presenting two barriers of evaluation capacity building which are rarely represented in the national evaluation literature: Excessive evaluation anxiety and national cultural settings. The latter is based on Hofstede's cultural model. In the final chapter the author tries to lay down plausible recommendations and present the ways to overcome the identified barriers.

The methodology that is used in the paper is a literature review and reflections on past events and experiences of the author during his evaluation career.

2. Background of Evaluation Capacity in Slovenia - Institutional Framework of Evaluation of European Cohesion Policy

2.1 Pre-2007 Period

The Cohesion policy's evaluation capacity within institutional framework in Slovenia began to evolve already in the EU pre-accession period (before 2004). It was co-financed through the PHARE instruments for administrative capacity. The administration of the cohesion policy was organised in a centralistic approach, along with the management and the supportive performance activities (monitoring and evaluation). In the programming period 2004-2006 the Project Group for Evaluation of the Single Programming Document (SPD) 2004-2006 was established. The appointed members of the group were the employees of the former Government Office for Local Self -Government and Regional Policy, which was the managing authority for the 2004-2006 programming period.

In 2004-2006 programming period, five mid-term evaluation reports were elaborated. This was in line with the recommendations of the European Commission (EC) to conduct small-scale thematic evaluations. The first one refers to the effectiveness and achievements of the European Social Fund measures and the determination of equal opportunities principle mainstreamed in SPD 2004-06. The second refers to the European Regional Development Fund measures and to the relevance of the interventions. Two more refer to the European Agricultural Fund for Rural Development (EAFRD) and aim at analysis of fund allocation and the added value of the co-financed interventions. And the last evaluation report was assessing the application and project selection process for all Single Programming Document 2004-2006 priorities and measures.

The scope and purpose of each evaluation reports in the 2004-2006 is available in Annex 1 of this paper. All evaluation reports in the programming period 2004-2006 provided credible information on intervention delivery, which was stemming from the need to supplement the insufficient data in the monitoring system. These evaluation reports helped decision-makers in better understanding the rationale behind the project selection and provided credible information to efficiently allocate the funds of the Cohesion Policy. Even though the programming period was relatively short and the design of evaluation questions was predominantly descriptive and normative-based, the evaluation capacity served as learning and managerial tool in process of selecting and approving the future projects (see the purpose and scope of evaluations in Table 1). The programming period 2004-2006 represented a solid foundation for the programming period 2007-2013.

2.2 The 2007-2013 Programming Period

The number of strategic documents of Cohesion policy in Slovenia increased in the programming period 2007-2013. Instead of one, there were three Operational Programmes (OPs): Operational Programme for Human Resource Development (OP HRD), Operational Programme for Strengthening Regional Development Potentials (OP SRDP) and Operational Programme of Environmental and Transport Infrastructure Development (OP ETID). A centralised management system for evaluation and implementation of OPs was introduced, whereby, one managing authority was in charge of all three OPs within European Social Fund (ESF), European Regional Development Fund (ERDF) and Cohesion Fund (CF): The Government Office for Local Self-Government and Regional Policy. The intermediate bodies are represented through different ministries within the Government of Slovenia.

The first OP for the 2007-2013 programming period is the Operational Programme for Strengthening Regional Development Potentials (OP SRDP). It matches the general ERFD objective: To strengthen the economic and social cohesion and to offer assistance in eliminating the development imbalances of the Slovenian NUTS 3 level regions. The second OP is the Operational Programme of Environmental and Transport Infrastructure Development (OP ETID) which includes the ERDF and the Cohesion Fund priority axes. The emphasis lies on environmental projects in order to reach the objectives defined in the European Community Treaty in the framework of the Community environmental protection policy. The Cohesion fund co-finances among others projects of municipal waste management, drinking water supply, efficient energy use and renewable resources.

The third strategic programme is the Operational Programme for Human Resource Development (OP HRD) 2007-2013. It entails ESF-based interventions to tackle the challenges on the labour market, social inclusion and strengthening the administrative capacity of institutions.

An inter-ministerial steering working group on evaluation of all three Operational Programmes in the programming period 2007-2013, was established in 2008. It consisted of representatives of relevant ministries. In May 2009 the working group had its first meeting and adopted the Evaluation plan for the OP HRD and the common plan for OP ETID and OP SRDP. The evaluations were divided to strategic (covering contribution analysis to national and European strategic objectives) and thematic/operational (verifying contribution to sectorial objectives and implementation processes) reports.

From 2008 to mid-2014 nine on-going evaluations were performed, which are presented in Annex of this paper. The Table 2 reflects the learning and managerial value of the evaluation reports. Several of these reports introduced new methodical approaches, which extended the EC's guidelines on monitoring and evaluation in the programming period 2007-2013. The methodology of conducting these reports was based on the qualitative assessments with emphasis on wider national objectives, not only on traditional evaluation criteria such as relevance, efficiency, effectiveness, impact and sustainability. For the first time in the evaluation history in Slovenia, an analysis of consistency between various national policies and cross-fund synergic effects was introduced.

3. The Implication of EVALSED Capacity Building Framework for Cohesion Policy in Slovenia (Individual and Organisational Level)

Building an evaluation capacity is a long process which requires a lot of patience, networking, cooperation and resilience on a way to achieve the proper utilisation of evaluation findings and recommendations. In this overview, the elaboration of the capacity building in cohesion policy in Slovenia will be presented at individual and organisational level. According to the EVALSED (2013), the **individual evaluation capacity** consists of necessary skills and competencies of people throughout government that is reinforced and renewed by ongoing recruitments, trainings and professional developments of the individuals. The **organisational evaluation capacity** is the arrangement of structures and procedures within the organisations which enable that the evaluation is routinely undertaken and also enable that findings and recommendations and

smoothly conveyed to the organisational decision-makers and other relevant stakeholders within and outside the organisation.

3.1 Capacity Building at the Individual Level

At the individual level, the number of individuals engaged with the evaluations increased in the 2007-2013 programming period, because even more Ministries were responsible for the implementation of OPs. Almost 20 individuals from several ministries were appointed as official members of the Inter-ministerial Steering Working Group and at least 10 actively participated and made proposals at the group's meetings. Both Monitoring Committees (MC) for the 2007-2013 programming period (one for OP ESF and one for OP ERDF + OP CF/ ERDF) were continuously informed about the evaluation activities, namely plans, recommendations, and findings of evaluation report.

The Evaluation Department within the Managing Authority was established in 2008. Within this department, there were five employees responsible for the coordination of the evaluation activities in Slovenian Cohesion Policy and for the preparation of public procurements to external bidders. Unfortunately, frequent changes of institutional framework in consecutive years led to disbandment of this department in 2010.

EC's Directorate General for Regional and Urban Policy (DG REGIO) and for Employment (DG EMPL) provided regular meetings of representatives from all EC countries to increase the knowledge, skills and capacity of the evaluation training at the individual level. The methodological novelties and dissemination of various evaluation reports at the European level occurred twice a year. According to Cousins (2014), the five individuals mentioned in previous paragraph were involved in indirect evaluation capacity building initiatives, that is, they were involved in activities where participants learn by doing. They began to set-up a comprehensive framework for monitoring and evaluation of cohesion policy. They firstly established the programme indicator system and later introduced an evaluation culture (learning by doing) across all three OPs.

3.2 Capacity Building at the Organisational Level

Organisational level refers to the ministries (or intermediate bodies) within the Cohesion policy in Slovenia. It is important to stress that the organisational level of evaluation is not just a sum or aggregation of the achievements at the individual level. The process of capacity building at this level is slower than on the individual level and can easily stop at many barriers.

The first barrier is frequent replacements of organisational senior management during programme implementation. This barrier is driven by the external factors and by the high-level political decisions. For example, from 2007 to this day there were 8 different officials appointed as head of managing authority; that is essentially a new person each year. Thus it is almost impossible to advocate evaluation to new managerial staff, which slows down the capacity building process.

The second negative factor is stemming from the fact that Cohesion policy represents small part of ministries' policy field and interventions in terms of finance and scope. For example, in the Ministry of Economic Development and Technology (Akt o spremembah in dopolnitvah akta o notranji organizaciji in sistemizaciji delovnih mest v MGRT, 2015), the percentage of employees working with Cohesion Funds is approximately 20 per cent of all employees. To mainstream the evaluation across the whole ministry would mean that the author has to convince 80% of his co-workers of the importance of focusing on evaluation, rather than solving day-to-day issues.

The issue of increasing organisational evaluation capacity has drawn a lot of attention in evaluation literature in recent years. The recommendations of J. Bradley Cousins et al. (2014) in tackling these prevailing barriers can be used in Slovenia. These researchers identify two antecedents of organisational evaluation capacity building, which should be strengthened. The first antecedent is the knowledge of evaluation, which stems from_individual evaluation capacity incorporated into organisational capacity. The second antecedent is the support structure within an organisation for the acquisition of relevant and appropriate organisational knowledge and skills of employees.

To conclude, there is evidence that individual and organisational evaluation capacity in Slovenia was initially triggered by the European Cohesion policy and the requirements in its regulations. For example, the Slovenian Development Strategy for the 2005-2013 period,[2] which was an overall national strategic document in the same period as examined in this paper, did not foresee any strategic or process evaluations, merely annual reports to inform the Government of Slovenia and National Assembly. To add, the strategy did not foresee any formal or informal activities to increase either the evaluation capacity or advocacy of programme or project evaluations.

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[2] The Slovenian Development Strategy for the 2014-2020 period is not included in the paper because it is still in a preparatory phase.

There is a certain distinction between the dynamic of progress of both aforementioned evaluation capacities. The individual evaluation capacity can overcome the barriers easier than organisational because it is mainly driven by the motivation and eagerness of individuals to learn and progress in their professional careers. The barriers to the organisational evaluation capacity are harder to overcome and this level of evaluation capacity is heavily influenced by the external influences. Groselj (2014) also points out in her master thesis to certain barriers to organisational evaluation capacity that are either embedded within the organisation or influenced from the external environment. Her detailed analysis revealed that the main barriers in strengthening the organisational evaluation capacity in Slovenian Cohesion policy include, e.g. regular changes of leadership and staff, unstable environment, loss of information, retention and duplication of work and unclear division of responsibilities between authorities.

Despite the relevant requirements and guidelines that provide enough incentives within the institutional framework of Cohesion Policy in Slovenia, there are certain external and subtle barriers which are not evident in a phase of development of evaluation system but can hinder the capacity building. The best strategy is to take them into account and adapt to them step-by-step.

According to the author, the national culture settings have an important impact on supply side of evaluation. This external factor is rarely envisaged in the evaluation processes and the consequence of not taking it into account adequately can be a poor utilisation after the completion of evaluation report.

The second, more subtle barrier stems from increased interaction and necessary communication between stakeholders in the evaluation process. Where there are no proper evaluation standards or there is a lack of personal integrity, communication skills and ethics incorporated in evaluation process, the involved stakeholders either fear the evaluation or start to detest it.

In next paragraphs, I am presenting these two barriers in the Slovenian context, starting off with the latter.

4. The First Barrier to Capacity Building - Excessive Evaluation Anxiety

Unfortunately, there are no suitable guidelines or the most appropriate recommendations on how to conduct evaluation that all stakeholders will be satisfied with. For example, there is a fundamental question regarding the use of evaluation approaches, that is, whether evaluation

should be contracted out to external experts (external evaluation) or should it be conducted by the internal evaluators (internal evaluation). If the choice is to use the external evaluation, this means that the laws on public procurement have to be followed. The public policy entity (ministry, public agency etc.) has to conduct a public procurement exercise to contract out the evaluation. Think of the timeline – it usually takes on average 2-3 months to sign a contract with the external experts (if there are no complaints from the experts who did not win the contract) and then additional 12 months to finish and release the final evaluation report, if the scope of evaluation and the methodology is wide. In the meantime, the delivery of the public policy is not put on a halt. The delivery of public policy is continuing simultaneously with the preparation of evaluation report. Now, the question which emerges in this context, is obvious: are the recommendations still relevant after 15 months of implementation, which was not evaluated? We have to take into consideration that these 15 months are not examined in the evaluation report, because we are evaluating the achievements of past, not the present. In this case, is it better to steer evaluation from external to internal evaluation capacity? That is, is it more suitable that evaluation is carried out by someone within the organisation who has an understanding of the background of the projects and programmes and follows up the implementation? But what if the evaluation capacity of the organisation is not sufficiently developed to conduct the evaluation? Furthermore, what if the internal evaluator is too afraid to criticise the course of the implementation of delivery because he or she was responsible for the course of the delivery of the public policy anyway and it would actually mean self-criticism of the programme or project delivery done so far?

These questions regarding duality was, is, and will be always present in decisions about the evaluation approach, evaluation timeframe and evaluation methodology should be dealt on a case-by-case basis. Donaldson (2001: 358) wrote that "...many stakeholders view evaluation as unpleasant and often threatening requirement typically forced upon them by outside influencers (for example, funding agencies, regulatory bodies and the management). They often see evaluators as uniformed enemies, using insensitive scientific methods to unfairly challenge their achievements, and to jeopardise their future efforts to deliver and provide services to the people in need." Furthermore he wrote that "...if evaluators don't properly address the issue, it has the potential to undermine evaluation practice and the development of the profession. The main raising issues and barriers are the evaluator's credibility, evaluation costs, and undesirable consequences of the evaluation..." (Ibid., p. 358).

The evaluation methodology has changed significantly in recent years. It has become more and more interactive over the course of time. Evaluation is not consisted of paper work and desk analysis-based methodology anymore. One has to take into account the psychological aspect of evaluations which entails the behaviour and reactions of stakeholders during the evaluation process. One of the most "hidden" barriers in evaluation is excessive evaluation anxiety (XEA). XEA refers solely to disproportionate level of anxiety which is triggered by the evaluation process and can vary between different stakeholders. In the programme and project evaluation, there is always a certain rate of people who are upset by evaluation and even attack it no matter how helpful it might be to them. Signs of XEA can differ but show similar patterns. Donaldson et al. (2002) have identified five evident signs of XEA which are:

- **Conflicts** – accusing evaluators of hidden agendas,
- **Withdrawal** – avoiding or refusing to work with evaluators,
- **Resistance** – stalling, protesting, or failing to using the evaluation results,
- **Shame** – hiding the weaknesses of programme delivery,
- **Anger** – killing the messenger.

During author's evaluation career he had two important managerial tasks; the first one was an appointment of serving as an evaluation commissioner of the operational evaluation of eighteen projects from open call for project proposals financed under the Operational Programme for Human Resource Development for the 2007-2013 Programming Period, under Priority Axis: Equal Opportunities and reinforcing social inclusion, Activity Field: Increased employability of vulnerable groups in the field of culture and support of their social inclusion.

At the beginning of evaluation process, external evaluators contacted all recipients of funds in above mentioned paragraph that an interview will be conducted with their representatives. The author was very surprised when he received an e-mail from one of the representative of the eighteen projects that the collaboration between the partners has stopped and that there is a great risk of irregularities regarding the project costs. They haven't contacted the relevant public bodies or control unit, but now they had a chance to entrust it to the evaluators. He forwarded the received e-mail to his superiors and control unit and explained the situation on the project. The aforementioned superiors and controllers felt a bit uneasy with the situation on this project

which evaluation revealed. This was the first situation where author witnessed the power of evaluation. But rather than raising the anxiety of the external stakeholders, it raised the anxiety of the managerial public bodies and officials.

The second managerial task in the field of evaluation was an appointment in steering group of intermediate evaluation of 4th Priority Axis "Development of Regions" within OP SRDP. The author was not steering himself the whole process of evaluation, but instead, he received the draft versions of evaluation report and had the chance to comment upon them. He was also present at the meetings with the external evaluators to assess the progress and discuss the findings. During the last meetings, it was obvious that the external evaluators cited modern "buzz" words in the field of regional policy, both, in the section of evaluation report where the findings are and in the sections with recommendations for more effective public policy delivery. When they were confronted by the demand of steering group to explain these sections and the meaning of these expressions, it was obvious, that they did not have sufficient background. Consequently, we had to have many more meetings with the evaluators as it was scheduled in the rules of proceeding. It is obvious that not sufficiently competent external experts can significantly increase the level of XEA in delivery organisations of public policies. The danger of eruption of conflicts between stakeholders was present all the time.

Table 3 shows the detected signs of XEA by the author during the preparation two aforementioned evaluation reports.

5. The Second Barrier to Capacity Building – National Culture (By Hofstede Model)

Culture has a significant meaning in evaluation because in some countries the capacity building is more efficient and faster than in other countries or organisations. There are many models of culture but I have chosen to present the model of Dutch sociologist, Geert Hofstede.

Hofstede defines culture as the collective programming of the mind distinguishing the members of one group or category of people from others. This is the essence of his model because he explains that culture cannot be self-standing category, it is rather a method of country or organisational comparison. The six dimensions of national culture are based on extensive research done by Professor Geert Hofstede, Gert Jan Hofstede, Michael Minkov and their research teams. The cultural dimensions represent independent preferences for one state of affairs

over another that distinguish countries (rather than individuals) from each other. The country scores on the dimensions are relative and have been proven to be quite stable over time. The forces that cause cultures to shift tend to be global or continent-wide. This means that they affect many countries at the same time, so if their cultures shift, they shift together and their relative positions remain the same. Exceptions to this rule are failed states and societies in which the levels of wealth and education increase very rapidly, comparatively speaking. Yet, in such cases, the relative positions will also only change very slowly.

The country culture scores on The Hofstede dimensions correlate with other data regarding the countries concerned. Power Distance, for example, is correlated with income inequality, and individualism is correlated with national wealth. In addition, Masculinity is related negatively with the percentage of national income spent on social security. Furthermore, Uncertainty Avoidance is associated with the legal obligation in developed countries for citizens to carry identity cards, and long term orientation (LTO) is connected to school mathematics results in international comparisons.

The dimensions of Hofstede's national culture are as follows:

• Power Distance

This dimension expresses the degree to which the less powerful members of a society accept and expect that power is distributed unequally. The fundamental issue here is how a society handles inequalities among people. People in societies exhibiting a large degree of power distance accept a hierarchical order in which everybody has a place and which needs no further justification. In societies with low power distance, people strive to equalise the distribution of power and demand justification for inequalities of power.

• Individualism versus Collectivism

The high side of this dimension, called individualism, can be defined as a preference for a loosely-knit social framework in which individuals are expected to take care of only themselves and their immediate families. Its opposite, collectivism, represents a preference for a tightly-knit framework in society in which individuals can expect their relatives or members of a particular in-group to look after them in exchange for unquestioning loyalty.

• Masculinity versus Femininity

The masculinity side of this dimension represents a preference in society for achievement, heroism, assertiveness and material rewards for success. Society at large is more competitive. Its opposite, femininity, stands for a preference for cooperation, modesty, caring for the weak and quality of life. Society at large is more consensus-oriented. In the business context Masculinity versus Femininity is sometimes also related to as "tough versus gender" cultures.

• Uncertainty Avoidance

The uncertainty avoidance dimension expresses the degree to which the members of a society feel uncomfortable with uncertainty and ambiguity. The fundamental issue here is how a society deals with the fact that the future can never be known: should we try to control the future or just let it happen? Countries exhibiting strong uncertainty avoidance societies maintain rigid codes of belief and behaviour and are intolerant of unorthodox behaviour and ideas. Weak uncertainty avoidance societies maintain a more relaxed attitude in which practice counts more than principles.

• Long-term versus Short-term Orientation

Societies who score low on this dimension, for example, prefer to maintain time-honoured traditions and norms while viewing societal change with suspicion. Those with a culture which scores high, on the other hand, take a more pragmatic approach: they encourage thrift and efforts in modern education as a way to prepare for the future.

In the business context this dimension is related to as "(short term) normative versus (long term) pragmatic". In the academic environment the terminology *monumentalism* versus *flexhumility* is sometimes also used.

• Indulgence versus Restraint

Indulgence stands for a society that allows relatively free gratification of basic and natural human drives related to enjoying life and having fun. Restraint stands for a society that suppresses gratification of needs and regulates it by means of strict social norms.

Slovenia scores high on two dimensions – power distance and uncertainty avoidance. The author reflects the examples in his evaluation career where the high scores have been witnessed and evident.

Power distance and its impact on evaluation

Slovenia scores high on this dimension (score of 71 out of 100) which means that people accept a hierarchical order in which everybody has a place and which needs no further justification. Hierarchy in an organization is seen as reflecting inherent inequalities, centralization is popular, subordinates expect to be told what to do and the ideal boss is a benevolent autocrat.

The high score of power distance was also reflected in evaluation capacity building in Slovenia in the field of Cohesion Policy. There was a turning point at the end of the 2004-2006 Programming period and in the beginning of 2007-2013 Programming period. The overarching goal of Cohesion Policy in Slovenia became the 100% absorption of allocated Structural Funds, which still remains the overall objective to date. This goal was decided upon and set by the highest level of executive and legislative branch of Slovenian authorities, namely, the Government of Slovenia and Slovenian National Assembly.

The most important decision-making position has been thus promoted to the highest political level (ministers, members of parliament) and therefore distanced itself significantly from evaluation. As a consequence, the whole implementation system of Cohesion policy was focused on elimination of bottlenecks in financial flow from European budget to Slovenian beneficiaries. The smoothly operating financial flow was the mere indicator of efficiency and effectiveness of Cohesion policy implementation system. This aim highly impacted the mission of evaluation. As of 2007 onward, the evaluation was considered as an administrative necessity rather than being an internal strategic support to decision-makers.

When the inter-ministerial steering working group on evaluation was set-up, the appointed representatives of ministries in the evaluation steering group were not positioned highly enough in the organisational hierarchy of relevant ministries, so the enthusiasm at the beginning of 2008 regarding the evaluation soon faded away. Also, there was a heavy fluctuation of managerial stuff which negatively affected the affirmation of evaluation. When the newly appointed managerial staff started to get engaged with the daily problems regarding the implementation, there was never time nor courage to explain the importance underpinning activities of delivery like evaluation to them. Also, the constantly changing framework of Cohesion policy institutions, which diminished the ability of the institutional framework to adapt to the medium- or long-term changes, put down the efforts to strengthen evaluation.

Uncertainty Avoidance and Evaluation Design

Slovenia scores also very high in uncertainty avoidance (88 out of 100) and thus has a very high preference for avoiding uncertainty which means that the decision-makers are very inclined toward normative and compliance-based implementation and not sufficiently taking into account the complexity of external environment. Also, there is an emotional need for rules (even if the rules never seem to work), innovation is usually resisted and the security is an important element in individual motivation.

The evidence of high score in "uncertainty avoidance" was demonstrated in the attempts of institutions of Slovenian cohesion policy to embed the evaluation in normative barriers based on very precise procedures and rules. According to the author, uncertainty avoidance was additionally triggered by the urge of EC to lay down national documents (especially Evaluation Plans) in strong alignment to the EC's evaluation guidelines, which are too punctual and leave too little space for innovation.

In author's opinion, the best strategy for evaluation is to adapt and utilise the evaluation design that is dominant when avoiding the uncertainty – normative evaluation design. Rather than trying to impose "revolutionary", big-scale actions, high uncertainty avoidance represents an opportunity for evaluation to conduct small, incremental steps toward collaboration with audit authorities, which have long tradition in assessing the public policy delivery according to accepted norms. According to many sources, the mission of audit is to assess the compliance of performance and provide answers to normative questions regarding the accountability, economy and efficiency of invested public money. But there is a certain type of audit that has a similar methodology as an evaluation and where is the greatest opportunity for collaboration between evaluation and audit – performance audit. Morra Imas and Rist (2009) state that performance audit is concerned with relevance, economy, efficiency and effectiveness of public funding. Furthermore, Rist and Morra claim that "[...] auditing and evaluation can be viewed as a continuum, providing related but different kind of information about compliance, accountability, impact and results [...]" (ibid.: 25.). Thus the performance audit represents a bridge where the information- and experience-sharing between evaluation and audit can take place during the delivery of public policy

6. Conclusions

Evaluation carries a great responsibility because it can expose the potential weaknesses of public policy delivery. Also, it hits the

decision-makers and other relevant stakeholders with the reality they are not aware of. On the other hand, the recommendations in evaluation reports have to be credible and have to stem from the findings during the evaluation process. For example, let's say that an ideal scenario of dissemination of evaluation report has happened. That is, the decision-makers have decided to fully implement the recommendations of evaluation in further delivery of public policy. But what if the delivery of public policy is consequently steered in wrong direction, who is actually to blame – the evaluators with their wrong recommendations or the decision-makers with wrong decisions, based on these recommendations? Is the mission of evaluation to take the accountability away from the decision-makers and put the responsibility of public policy delivery entirely on the evaluators? To put it differently, is it enough and justifiable to "kill the messenger" or should the killer be blamed because he acted according to the wrong messages?

In author's opinion, there are two possible actions that can gradually eliminate the two detected barriers in evaluation capacity building. The first one is <u>enhanced use of participatory evaluation approach</u>. Participatory evaluation approach involves the stakeholders of programme into the evaluation process from the evaluation design to the data collection and analysis and the reporting of the study. As it mostly excludes the external consultants in conducting the evaluation, it can significantly diminish the signs of the XEA. Furthermore, the accountability and responsibility of policy delivery can be dispersed on all stakeholders, even wider public. Although it has been never carried out in Slovenia, Better Evaluation webpage offers some good examples on how it was exercised in some countries and organisations (Better evaluation, 2015).

<u>The second proposed action is a closer collaboration between evaluators and auditors by enhancing the internal evaluation capacity.</u> According to the author, it is necessary to include auditors, in a position of relevant stakeholder, in governmental working groups on evaluation. The auditors can give recommendations on evaluation designs and methodology and also help evaluators to elaborate guidelines on ethics and standards in evaluation.

The good news is that the collaboration between the Slovenian Evaluation Society and Slovene Court of Auditors is developing already for several years. This kind of collaboration can contribute to more efficient adaptation of evaluation to national cultural settings in two dimensions in which Slovenia stands out: high power distance and high uncertainty avoidance.

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ANNEXES: Tables

Table 1: Scope and purpose of evaluations of Slovenian Single Programming Document (SPD) 2004-2006

Purpose of evaluation / Scope of evaluation	Learning purpose (what was done)	Managerial purpose (how to improve management)
European Social Fund: Labour market policy interventions and equal opportunities	YES	
European Agricultural Fund for Rural Development: Marketing of quality agriculture products: Measure 3.1. of SPD 2004-2006	YES	
European Agricultural Fund for Rural Development and European Fisheries Fund: Mid-term evaluation of Priority 3 SPD 2004-2006: Restructuring of Agriculture and Fisheries	YES	YES
European Regional Development Fund: Application and project appraisal process of SPD 2004-2006	YES	YES
European Regional Development Fund: Economic infrastructure and public services – ERDF intervention within Priority 1	YES	YES

Source: http://www.eu-skladi.si/ *, July 2015*

Table 2: Scope and purpose of the evaluations of Slovenian OPs 2007-2013

Purpose of evaluation / Scope of evaluation	Learning tool (what was done)	Managerial tool (how to improve management)	Methodology goes beyond EC's Guidelines on evaluation
Evaluation of Communication plan of all OPs – emphasising efficiency and effectiveness of its implementation	YES	YES	

Evaluation			
Evaluation of listed projects in OP CF/ERDF – focussing on their feasibility and relevance, the implementations gaps and risks	YES	YES	
Evaluation of Ministry of Labour, Family, Social Affairs and Equal Opportunities' interventions within OP ESF – identifying the consistency and synergies with national and EU policies	YES	YES	Contribution analysis – contribution to NSRF objectives
Evaluation of Ministry of Culture's interventions within OP ESF – recommending how to increase efficiency, effectiveness and sustainability of evaluated interventions	YES	YES	
OP ESF - Evaluation of educational, vocational and training system, improvement of individual's qualifications	YES	YES	Consistency with national policies;
Evaluation of non-governmental organisation empowerment related to interventions of OP ESF	YES	YES	
First Evaluation of 4th Priority Axis OP ERDF – focussing on its strengths and weaknesses and also on the elimination of expenditures for road infrastructure	YES	YES	
Evaluation of innovation policy in Slovenia for the period 2007-2013 OP ERDF	YES	YES	Cross-fund analysis of synergies; mesomatrical impact assessment
Second Evaluation of 4th Priority Axis OP ERDF	YES	YES	Consistency with national policies and other EU Funds programmes; contribution analysis

Source: http://www.eu-skladi.si/ *, July 2015*

Table 3: Signs of XEA in two evaluation exercises, presented in paragraph 4:

	Conflicts, accusing evaluators of hidden agendas	Withdrawal, avoiding or refusing to work with evaluators	Resistance, stalling, protesting, or failing to using the evaluation results	Shame, hiding the weaknesses of programme delivery	Anger, "killing the messenger"
OP ESF, under Priority Axis: Equal Opportunities and reinforcing social inclusion, Activity Field: Increased employability of vulnerable groups in the field of culture and support of their social inclusion			YES	YES	
4th Priority Axis "Development of Regions" within OP SRDP	YES		YES		

Arranged by the paper of Donaldson, I.S. and Gooler, E. L. and Scriven, M. (2002)

IMPROVING THE ENVIRONMENTAL PERFORMANCE OF DEVELOPMENT PROGRAMS – POLICY LESSONS AND NEW APPROACHES[1]

Gyöngyvér Gyene[2]

Abstract

Evaluation practice in Hungary has accumulated both good and bad lessons of trying to improve public administration systems. This experience is embedded in some of the typical features of the recently joined EU member states, including cultural, management, and knowledge sharing routines and capabilities. The paper explores how these conditions contribute to achieving development objectives. It does so by looking at a specific policy area, environmental protection. The focus of the discussion is how the objectives of this specific policy area can be reconciled with the requirements of EU Cohesion Policy, especially result orientation and the performance framework, introduced for the 2014-2020 programming period, and the post socialist routines, still widespread in public service.

The paper argues that evaluation practices can be instrumental in smoothing cooperation among these three domains. Techniques specifically applied in the 2007-2013 EU programming cycle in Hungary to this end are presented, and a shift in how evaluators define and themselves is called for: evaluators may contribute better to Improving public administrations if they step beyond the role of the Scientist and also become knowledge brokers delivering evidence and solutions to the right place at the right time.

Keywords: *development program, environmental performance, evaluation efficacy, net social benefit, unintended impact*

1. Introduction and Methodology

The implementation of EU funded development programs takes place in a political and social space whose dimensions are defined by very

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dynamic EU and national legislative and institutional routines, as well as various forms of networks, alliances and advocacy groups moving across the boundaries of EU and national levels. EU administration, in short, could be described as a negotiation culture, in both senses of the word, navigate, and forge agreement.

Both the EU and the Hungarian national administration commit, at strategic levels, to fulfilling environmental objectives. While there are obvious results, environmental issues continue to present a major challenge. Evaluations of the past programming periods, conducted by the Evaluation Unit based in the Hungarian body responsible for administering EU funds,[3] show that achieving environmental objectives have been particularly challenging: for example, investments resulted in unaffordable service prices, or efforts to mitigate environmental impact of road constructions had controversial results.

The context addressed is thus defined by a triple set of challenges: the specific features inherent in implementing environmental objectives, the characteristics of implementing EU development policy, and the functioning of post-socialist societies.

The paper concludes that the evaluation process could be a useful asset not only in pointing out benefits and areas to improve but also in facilitating systemic change based on the findings and recommendations of these evaluations. To achieve this, the paper argues that evaluation practice itself needs to reconsider the role it plays in specific circumstances at national and EU contexts.

The paper is a reflection on the experience accumulated through a decade of implementing and evaluating cohesion policy interventions following Hungary's accession to the EU. The method employed in constructing this article is desk research reviewing experience with operating an evaluation practice, as captured in internal meeting notes accumulated while carrying out these evaluation projects, as well as findings and recommendations published in evaluation reports of the Hungarian evaluation practice. The methodologies used in Hungarian evaluation work range from desk analysis of documents and databases, to blind shopping, beneficiary surveys, interviews, focus groups, special workshops, review meetings and other events conducted with implementation and policy staff in order to formulate evaluation questions and share evaluation findings and recommendations, as well as synthesis reports designed to highlight specific issues to policy makers. Reports on these evaluations are available online at

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[3] Formerly, the National Development Agency in Hungary, now integrated within the State Secretariat for EU Funds in the Hungarian Prime Minister's Office.

the following site: http://palyazat.gov.hu/ertekeles. While most of the full reports are in Hungarian, English summaries have been made available for some of the evaluations at the website http://palyazat.gov.hu/events_evaluation.

2. Discussion

The Discussion will address present the challenges posed by the interaction of the three differing features of the three domains discussed in this paper:

2.1. The specific features of achieving environmental objectives

2.2. Cohesion Policy

2.3. Post–socialist administration

2.1 The Specific Features of Achieving Environmental Objectives: Defining Direct Investments and Horizontal Principles

In EU Cohesion Policy, environmental objectives are served in two distinct ways. On the one hand, ***direct investments*** are made to clean up environmental damage caused by industry or agriculture. Such direct investments may include sewage treatment plants, water purification, habitat restoration or replacement of polluted top soil. Direct investment aimed at preventing or ameliorating damage caused by the forces of Nature, such as dams to prevent flooding, are also often classified as direct investment into the environment, although these are aimed as much at protecting people as the environment. Energy related investment may also be treated as direct environmental investment because it supports a form of energy use that is believed to conserve the resources required to enhance economic development.[4] An important feature of most direct environmental investments is that they are most of the time *single-objective interventions* in much the same way as transport investments or economic development investments are. As explained in the next section, these single-objective environmental investments should also be carried out observing the horizontal principles and policies. In practice, this is often overridden by other considerations. For example, long distance sewage collection pipes

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[4]Compare with the three priority objectives of the 7th Environmental Action Program (7th EAP, 2013): 1. *Protect, conserve and enhance the Union's natural capital; 2. Turn the Union into a resource-efficient, green, and competitive low-carbon economy; 3. Safeguard the Union's citizens from environment-related pressures and risks to health and wellbeing*

may be set up to serve large agglomerations with one treatment facility. This accommodates economy of scale but ignores resource efficiency considerations, as pointed out by the evaluation of the Hungarian Environment and Energy Operational Program.

On the other hand, all investments in Cohesion Policy are expected to be compliant with applicable EU and national law, promote equality between men and women, and preserve, protect and improve the quality of the environment.[5] These, in Cohesion Policy, are called "**horizontal principles and policies**", and they are sometimes referred to as "crosscutting issues" in other contexts. These principles and policies are called *horizontal*, because they are to be pursued across all programs, as opposed to the objectives which direct investments are aimed at, that are pursued in the frame of a specific program. This article is concerned with the implementation of horizontal principles in the environmental domain.

The policy tool of horizontal principles and policies is a reflection of a long present United Nations initiative that *environmental objectives are to be achieved by integrating them* into all other sectors, policies and measures. The integration principle, originally proposed at the Stockholm UN Conference (UNEP, 1972), enacted in the EU by the Amsterdam Treaty, and later reinforced by the 1998 European Council decision held in 1998 in Cardiff,[6] was reiterated most recently in the 7th Environmental Action Program[7] laying down environmental objectives for current EU environmental policy.

By transforming single-objective development interventions designed to deliver a single strategic objective, into multi-objective interventions, the horizontal/integration/cross-cutting approach presents a considerable challenge in Cohesion Policy. This challenge is explained in the section below.

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[5] (EU CPR, 1303/2013: Art. 6 & 7 & 8).

[6] *"A healthy environment is central to the quality of life. Our economies must combine prosperity with protection of the environment. That is why the Amsterdam Treaty emphasises the integration of environmental protection into Community policies, in order to achieve sustainable development. The European Council welcomes the Commission's submission of a draft strategy and commits itself to consider it rapidly in view of the implementation of the new Treaty provisions. It invites the Commission to report to future European Councils on the Community's progress in meeting this Treaty requirement and welcomes the commitment of the Austrian, German and Finnish Presidencies to achieve further practical progress."* (European Council, 1998).

[7] *"Environmental integration in all relevant policy areas is essential in order to reduce pressures on the environment resulting from the policies and activities of other sectors and to meet environmental and climate-related targets."* (7th EAP, 2013)

The integration challenge in Cohesion Policy implementation.
To achieve both the main objective and the horizontal objectives, interventions would either 1) have to become *multi-objective* or 2) Remain their *single objective* but then not get funded if they do not improve the quality of the environment. Option 2 narrows down the range of interventions to those that explicitly improve, or at least minimise harmful impact on environmental and sustainability characteristics.

Considering the absorption pressure on implementation institutions in member states where a significant portion of the development funding comes from EU Cohesion Policy, option 2 is not an option. Multi-objective interventions, on the other hand, are even less of an option. Two principles make multi-objective interventions unattractive for the institution implementing EU-funded programs: *the prohibition of double financing,* presently called *the principle of non-cumulative award* stating that "*in no circumstances shall the same costs be financed twice by the budget"* (EU, EURATOM 966/2012: Art. 129) and *result orientation (discussed in section 2.2.).*

The principle of non-cumulative award: Although the financial regulation defines this at *action level*, it may be interpreted as a prohibition to finance actions to achieve horizontal objectives *as part of a call* to perform actions to achieve thematic objectives of Cohesion Policy (EU CPR, 2013: Art. 9), because at *strategic level* several horizontal objectives aimed at sustainable development overlap with thematic objectives aimed at contributing to the Union strategy for smart, sustainable and inclusive growth, as shown in Table 1.

Table 1: Comparing thematic and horizontal objectives of the Regulation 1303/2013 (EU CPR, 2013)

Horizontal objective of sustainable development (Article 8 of Regulation 1303/2013) *"preserving, protecting and improving the quality of the environment, as set out in Article 11 and Article 191(1) TFEU, taking into account the polluter pays principle"*	Corresponding thematic objectives (Article 9 of Regulation 1303/2013) *"to contribute to the Union strategy for smart, sustainable and inclusive growth as well as the Fund-specific missions pursuant to their Treaty-based objectives, including economic, social and territorial cohesion"*
To be promoted in the preparation and implementation of Partnership Agreements and programmes:	Each ESI Fund shall support the following thematic objectives (TOs):

– environmental protection requirements (also covered by the requirement under Art 6. on compliance with Union and national law of 1303/2013)	(TO6) preserving and protecting the environment and promoting resource efficiency;
– resource efficiency	(TO4) supporting the shift towards a low-carbon economy in all sectors; and (TO6) preserving and protecting the environment and promoting resource efficiency;
– climate change mitigation and adaptation	(TO5) promoting climate change adaptation, risk prevention and management;
– biodiversity	(TO6) preserving and protecting the environment and promoting resource efficiency;
– disaster resilience	(TO5) promoting climate change adaptation, risk prevention and management;
– risk prevention and management	(TO5) promoting climate change adaptation, risk prevention and management;

In addition, the first halves of (TO7) *promoting sustainable transport* and removing bottlenecks in key network infrastructures, as well as (TO8) *promoting sustainable and quality employment* and supporting labour mobility could also be considered as serving the sustainable development objective of Article 8 in 1303/2013.

In addition to the issue of single or multiple objective interventions, there is uncertainty in the regulations regarding the policy level at which horizontal requirements are to be implemented. The Common Provisions Regulation require that sustainable development is to be promoted in the *preparation and implementation of Partnership Agreements and programmes*. It does not specify *whether all or only a few of these* are to be promoted. It also does not specify whether this *promotion is to be done at program level*, in which case providing funding for thematic objectives serving sustainable development purposes. This means that, providing funding for actions aimed at achieving TO4, TO5 and TO6 may satisfy the horizontal sustainability requirement at the Partnership Agreement level. At the other extreme, horizontal principles may also *be promoted at project level,* in which case each project would have to be designed and implemented in a way that it improves, or at least does not deteriorate, the state of the environment.

It would be easy to conclude that sustainable development objectives are promoted by financing the thematic objectives that correspond to objectives listed under Article 8 of the Common Provisions Regulation (EU CPR, 2013). Why this is not so can be argued by reviewing EU documents covering horizontal issues.

One of the few definitions available in EU discourse on what is meant by a horizontal requirement can be found on the state aid website:

> *„Based on Article 87(3) (a) and (c), horizontal rules which apply across all industries set out the Commission's position on particular categories of aid. It is apparent that the categories are aimed at solving problems that may arise in any industry and country."* (State Aid control)[8]

The following definition is provided in a Handbook for implementing environmental legislation, available in EU archives:

> *„The horizontal sector is concerned with environmental legislation on various matters which cut across different environmental subject areas… covering environmental impact assessment (EIA) of proposed development projects; strategic environmental assessment of proposed plans and programmes; public access to environmental information; reporting requirements; the European Pollutant Release and Transfer Register; infrastructure for spatial information (INSPIRE Directive); the establishment of a European Environment Agency (EEA) and participation therein; minimum requirements for environmental inspections; environmental liability; and the LIFE+ (L'Instrument Financier pour l'Environnement) programme to fund certain environmental improvement projects."* REC et al*. (2007)*

Common to these definitions is the notion that a horizontal approach implies applicability across all sectors. Considering this together with Article 6 of the Common Provisions Regulation (EU CPR, 2013), requiring compliance with all relevant EU and national law, and the general requirement of strategic coherence in Cohesion policy implementation, there seems to be a strong argument in favour of requiring each project funded under Cohesion Policy to be sound in terms of environmental, sustainability and anti-discrimination objectives. This is also confirmed by personal communication by DG Environment Commission staff, although this is not transparent from the text of the regulations.

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[8] Not yet implemented.

Participation and partnership. Throughout the history of environmental protection, stakeholders of development interventions have been regarded as the safeguards of identifying and preventing harmful unintended impact, and maintaining some level of pressure to force implementation to take notice of these.

The participation principle articulated in the Aarhus Convention, adopted in 1998 by the UNECE and in 2005 by the EU, guarantees access to environmental information, the right to participate in environmental decisions, and access to justice if these two are violated, is built on one of the fundamental values of democracy, i.e. that the voice of each individual, recognised as having a stake in public matters, is significant in making decisions. The public, fitted with such legislative empowerment and enjoying and valuing the services and benefits the natural environment provides, would speak up in the interest of the natural environment when the integrity of this resource is threatened. In short, this piece of legislation is based on the assumption that democracy will protect the environment.

Despite the significant role of green movements in bringing about the political changes in 1989[9], Hungary today is characterized by a *weak environmentalism,* with many former environmental activists now working for EU institutions, or in the private sector as environmental consultants. There are protest movements but they seldom address environmental issues. Environmental concerns are articulated by a limited number of non-governmental organisations and some business associations, without significant membership or visible support from a broad electorate. They may be in a position to articulate harmful environmental impact in the process of implementation but they are not in a position to exert much pressure.

EU legislative pressure, on the other hand, for involving partners in planning and implementation in development policy is stronger in the current programming period as compared to 2007-2013, but still not seamless. The Common Provisions Regulation (CPR, 2013) that relevant partners *must be involved* in the preparation, implementation, monitoring and evaluation of Partnership Agreements and programmes in a consistent manner. Participation is further defined in the Commission Delegated Regulation (EU) 240/2014 on the European Code of Conduct on Partnership. The expression used in legislation covering the 2007-2013 programming period is the partner's contributions must be *taken*

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[9] For a summary of the role of the Hungarian green movements in the democratic changes of 1989, see my article on *"Sustainabilty discourse in Hungary"*, published in the journal L'Europe en formation, June 2009.

into account. While the 2014-2020 wording, especially with 240/2014 legislation providing details on implementation, is more explicit than its 2007-2013 counterpart, neither of them define exactly _how_ partners should be involved in decision making, or *how* their contributions should be taken into account. In countries where the value of citizen contribution to governance is not appreciated, partnership will be, at most, limited to gathering viewpoints and comments, and then making the decision of which of those are to be incorporated and implemented, at the administrative level.

In Hungary, comments and recommendations received from the public were circulated to planners, who in turn wrote responses to each of the comments and these responses were sent to the persons or organisations making the comment. While this is a very kind gesture, it does not guarantee any influence on the actual content of the plan to partners, while Commission staff interpretation of "taking into account" would imply a more active uptake of partner's views.

A conceptual framework for moving beyond using partners as mere sources of additional information is proposed by the Hungarian regional development expert, László Faragó, who argues for abandoning the *empirical-analytical* approach to planning where experts in administrations create and implement plans for citizens who are the subjects and implementers of this work, in favour of *concept driven planning*, rooted in post-positivism, spatial-cultural relativism, criticism, and communicative ethics as philosophical foundations, with citizens actively participating in the development, implementation, monitoring of the plan (Faragó, 2004: 10). Elsewhere (Faragó, 2010: 464), he points out that „*Planning must be made an iterative, mutual learning process where the output is not only a plan document but a new level of knowledge for all key participants.*"

2.2 Specific Challenges of Implementing EU Funded Development Programs

Cooperating with, or being a partner for, the EU would require a sufficient number of smart, responsible, skilled and fair staff operating in a policy environment in which needs and objectives are clear, decisions are made fast on the basis of sufficiently thorough, reliable and up-to-date datasets and recommendations to the satisfaction of all partners. For most post-socialist societies, however, such an administrative environment is yet to emerge. At the same time, some of the features stemming from the way the EU is composed and the routines it developed are particularly challenging for countries with a short history in democracy and economic prosperity.

One of the most controversial issue is the *EU approach to development funding*: despite the call for a full life cycle approach (EU CPR, 2013: App 1. point 5), EU funding will only support the development phase of a project but never the maintenance phase, while many post socialist societies struggle to keep infrastructure running and lack access to maintenance and operation costs. At the same time there is strong political pressure to avoid becoming a net payer of the EU budget, resulting in investments that render the improved public services unaffordable to the target group. In countries with serious budget constraints, a horizontal split of the project costs, with both EU and local funds taking a share of financing the investment as well as the operational costs, thereby sharing responsibility for the full project cycle, would work towards limiting investment decisions to maintainable, sustainable interventions, and shared management in the true sense.

The existing practice of *shared management* of responsibility between EU and member states leaves several issues unaddressed, as discussed in the previous section, for example, regarding framework for implementing horizontal objectives, and treatment of multiple sets of objectives. This is coupled with the EU approach to quality assurance being focused more on control and audit and paperwork, and less effort and resources on facilitating good solutions and building capacity, which are treated as member state capacity.

In addition, with the EU Commission made up of independent and member state delegated experts, the Councils comprised of ministers and heads of state, and the Parliament consisting of party delegates, it would be very hard to draw a chart showing a *clear line of command for EU administration*. Member states can be said to be subordinate to EU administrations just as much as you could consider them superior in this power balance. This intricate web of loyalties and interdependencies between the different administrative levels in member states and in EU bodies, further complicated by national and global sectorial advocacies, means that influencing and negotiation gain much more prominence compared to what administrations and public service officials earlier operating in less intricate power structures had been used to.

Further, the *EU budget cycles do not match member state election cycles*. This often results in situations where intensive member state involvement and decisions would be required of administrations waiting for elections or recovering from a change in government. Considering the timeframe for developing the new Multiannual Financial Framework and the cohesion regulations, the approach

likely to reap the most benefits for a member state would be to have national priorities selected carefully, based on a thorough analysis of the situation well before the EU releases its first drafts. At the same time, at EU level, member state experts or representatives would have had to access the working groups drafting and commenting these first drafts in order to make sure that funding will be available for precisely those priorities that their country needs, and then rework national expectations and plans according to how negotiations and preferred funding areas evolve. In a less rewarding approach, typically followed by most post-socialist member states, planning stand still, ready to jump, until Commission drafts are released. National priorities for funding remain undefined until after the EU funding preferences are published. This latter approach leaves very little time for proper analysis and planning, and hardly any scope for involving partners in a meaningful way.

Result orientation and the EU evaluation approach. However well-supported the argument may appear against the double financing principle discussed in Section 2.1, horizontal objectives still do not have a strong case in Cohesion Policy implementation, and this is because of another administrative innovation of the 2014-2020 programming period, *result orientation*, one of the greatest challenges of the 2014-2020 programming period. Result orientation means that an intervention is planned with a clear idea of the *intended change*, and this intended change is captured by a result indicator which has a baseline and target (qualitative or quantitative), with output indicators reflecting the direct activities, and resources are allocated to achieve the intended result. Further, the regulation requires that the information and data needed to feed the result indicator is defined at the planning phase (EU CPR, 2013). Even if the fear of potential double finance and subsequent irregularity procedure can be shown to be false, managing authorities are first of all motivated to maximise funding for thematic objectives because of the Common Provisions Regulation requirement that target values are set and achieved for indicators on thematic objectives, because underperforming on target values are penalised by revoking part of the funding from the program.

No such target requirements and sanctions exist for horizontal objectives. If implementation decisions on horizontal objectives are left entirely to member states, there seems to be very little pressure to implement them, against rather significant pressures to ignore them.

This attitude may even be reinforced by the Evaluation Guidance document that focuses on the results and impact of the primary funding goals, and pays very little attention to the broader picture, including the

assessment of unintended harmful impact or the evaluation of program performance on horizontal objectives. Environmental objectives are _implicit_ in the desired results, and appear only in a footnote in the guidance: *"The notion of change also comprises changes in behaviour, social practices, institutions etc. Desired results include changes to be achieved via a „horizontal" approach (e.g., environmental objectives) because the question remains the same: What should be changed by the public intervention?"* (ERDF Guidance, 2014)

At the same time, it is explicitly declared in the Evaluation Guidance for the 2014-2020 programming period, that task for impact evaluation is "*to disentangle the effects of the intervention from the contribution of other factors and to understand the functioning of a programme*" (ERDF Guidance, 2014). Coupled with the fact that implementation planning is not defined closely by EU level legislation, this may lead to a perception that results will be uncovered and demonstrated by evaluators, while implementation can carry on reducing administrative burden and absolving beneficiaries from the tedious task of reporting data on their activities.

2.3 A Layperson's Notes on the Functioning of a Post-Socialist Society

In its early stages, the transition from socialism to capitalism of non-Soviet post socialist societies followed a neo-liberal pathway, implying (i) a market-consistent privatization of the corporate sector, (ii) far reaching deregulation of all aspects of economic life, (iii) the dismantling of the prematurely born welfare state and a (iv) western style, multi-party, competitive political system (Szelényi, 2014).

During these years, global organisations, such as the World Bank, offered in-depth courses in Hungary to prepare potential future leaders and trainers for a new management style, reflecting the then current business approaches of planning and management, and established institutions promoting a democratic values and contemporary approaches to social action, such as the Open Society Institute, the Central European University, or the Regional Environmental Centre were. Universities began to offer English-medium MBA courses, often in cooperation with Western universities. Multinational companies, including the major accounting firms, moved in and employed fresh graduates who spoke their language. All of these facilitated a development of western style management culture, complete with strategic planning, performance evaluation, efficiency, lean management, etc. This management culture interacted with public service in a number of ways: there were business executives who

assumed top positions in public service, consultants were contracted to deliver reports that public service did not have the capacity or the ability to produce, and some of the operational functions were at times also outsourced to professional companies, and training programs using contemporary management approaches were sometimes offered to public service staff.

These initiatives contributed to the uptake of management culture at the *individual* level, including for people working in public service, but public *institutions* retained much of the very hierarchic, bureaucratic operation rooted in both Prussian and socialist styles of operations at both strategic and operational level.

While Hungary's public service was subject to several reforms, these reforms changed the organisational structures, but seldom addressed procedural or operational issues, and never conducted a thorough and all-encompassing exercise of reviewing the usefulness, necessity and functionality of all the tasks performed by the public service. There is a great scope for learning in public strategic planning and implementation. Despite initiatives to harmonise and standardise the production and follow up of strategies, there are a large number of strategies and programs of varying quality are in effect, with very little coordination among them. Systematic evaluation of program effectiveness and program efficacy is only regular practice in a very few organisations. Chronic underfinancing in some areas prevent functional departments to buy the necessary expertise, data, and other evidence that could support their policy making, monitoring and revision efforts.

Work in public service remains unpredictable. Although there were some initiatives in the form of government decrees to require ministers to publish their work programs at the beginning of their term, this has not become practice. Annual or longer term work plans are not part of the normal routine. Tasks are delegated as they arise, with deadlines set according to user needs, regardless of already existing workload. There is very little scope for rewarding performance or innovation. Individual performance assessments and training plans are only very loosely related to actual job requirements. The culture of public servants being paid for being present, rather than being paid for performance, is still wide-spread. Management skills and expertise has not become widespread in public service neither through recruitment, nor through systemic training.

2.4 Evaluations Contributing to the Improvement of Public Administration

The purpose of evaluation is help the organisation learn from its own achievements and mistakes by identifying what worked and what did not work and why. The dilemma faced by evaluators is whether the evaluation practice should follow the dominant result orientation paradigm, or it should address broader issues of the impact of development policy, such as unintended impact, and convergence with national objectives.

First and foremost, evaluators must be credible, punctual and reliable by producing credible, timely and reliable information about the results of the program. The prerequisite for this is that the evaluator has access to quality data on program performance and factors influencing that program performance. Without specific motivation, program implementation staff will not be interested in engaging in a laborious process of producing this data, nor are they interested in subjecting beneficiaries to such an exercise because such measures may hinder development fund uptake. They only become temporarily interested in the results achieved by their program, at times of reports, which in turn can only be produced if data in periods between reports were collected. Evaluators therefore must make an effort to explain why continuous collection of data about program delivery is necessary, even beyond the compulsory set of common output indicators. This requires not only active exchange with managing authority and line ministry staff, as well as beneficiaries, but also the development of a framework in which these players can become interested and motivated to participate in preparing for and performing evaluations. In our experience, having prepared a good evaluation report with excellent, to-the-point recommendations very seldom produced meaningful learning, unless it was supplemented by one or more of the following techniques:

Involving the target organisation in the full process of the evaluation. This means that the (management of) organisation responsible for managing the program and publishing new calls for funding applications participates in defining the scope, formulating the evaluation questions, identifying the methodologies for the inquiry, facilitates access to information and data, and takes and active part in formulating conclusions and defining follow-up action in response to these findings and recommendations. There are at least the following conditions for this approach to work, the evaluation practice has to be known and respected by the target organisation; it has to maintain regular contact with the target organisation so that the evaluator is

aware of the problem, and is able to offer its services in time; it has have the capacity and expertise available to deliver on this offer *in time.* This technique may be extended to the full process of the funding cycle when evaluators are invited to participate in the formulation of success criteria, monitoring and data collection routines for a call. Ideally, the evaluator operates in close cooperation with the organisation managing the organisation, but it is independent in its fact finding. An even better scenario is when evaluators are involved in developing intervention logic, identifying success criteria, indicators and datasets for feeding those indicators. The ex-ante evaluations for the 2014-2020 operational programs were in some cases able to contribute to the programs this way.

Several versions of final reports. This means that sufficient time is left after the first draft of findings and recommendations are completed by the evaluators for the target organisation to review and make adjustments either to the evaluation report, or to their own practice, or both.

Closing workshops and other publicity: these help articulate observations and recommendations in a relatively risk free environment where the issue is discussed by the participants from many different angles, and conclusions can be priorities at a later stage. This allows the implementing bodies to develop approaches that facilitate constructive discussions and solutions rather than name and blame situations.

Follow-up project 6-12 month after the completion of the evaluation report. This technique is among the most successful efforts to influence program management. The follow up project builds on the evaluation recommendations and identifies and highlights successful program adjustments, facilitating a positive attitude to change in the program organisation.

EU-wide assessment of horizontal performance: This is project initiated by DG Environment in which a workgroup composed of experts participating in the ENEA MA network reviews Member State performance on integrating environmental objectives. This prompts managing authorities to provide a thorough account of their activities to promote environmental integration, including design, implementation and evaluation aspects. The results of this work will be available at the end of 2015.

3. Conclusions - Towards an Integrated Framework for Program Performance

The paper considered the chances of successfully achieving environmental objectives within the Cohesion policy framework as implemented by post-socialist administrations. It discussed at length that the "integration approach" developed for implementing environmental objectives, i.e. that environmental objectives are best achieved by integrating them in sectorial policies, is a difficult endeavour in itself. It was also shown that it becomes an even more difficult exercise when it is confronted with the single-objective, result oriented implementation principles of EU Cohesion Policy. Further, it was shown that post-socialist, highly hierarchic administrations are not particularly well equipped to deal with EU administrations, characterised by lateral networks and decision making based on extensive negotiations. It was then proposed that evaluation are well positioned to serve as facilitators of learning and improving exchange among these domains, if they begin to define themselves as (knowledgeable) knowledge brokers rather than scientists, and thus contribute to improving public administration. Examples of actions to achieve such a role were described.

The approach proposed in this paper is not significantly different from the logical framework governed by result orientation put forward in the ERDF Guidance Document for Monitoring and Evaluation (ERDF, 2014). The difference is that this paper proposes to devote similar levels of attention and resource to horizontal objectives and unintended impacts as is done to primary, program specific objectives, throughout program design and implementation phases. Results on horizontal objectives and unintended impacts need to be just as a visible, measurable and possibly attractive, as results on thematic objectives. This can only be done if horizontal objectives and likely unintended impacts are accounted for already at the program design phase, indicators and target values are clearly defined for each of them, and supporting data collection regimes that would make integrated assessments possible are establish. This would facilitate evaluations to not only assess how well the program contributed to the specific objective or the strategic target, but to also asses this performance against the social and environmental benefits and costs it incurred, especially addressing the combined, interrelated impacts from several programs on targeted communities. Finally, development programs need also to be evaluated regularly against the changing context in which they operate to see whether the objectives and targets selected at the beginning of the program are still appropriate and proportionate.

Horizontal principles and policies, as well as unintended impacts have as much important influence on how beneficial the interventions ultimately are for society or communities, as do the selected program specific objectives. Treated well, they could greatly improve program performance, while ignoring them may create long lasting "side-effects" that may act to destroy program benefit. The effort needed to integrate environmental and sustainability considerations into program design and evaluation does pay off at the level of communities and society. After all, a fraction of the money, not wasted on cleaning up the problems created by projects financed from another development envelope, is sufficient to prevent those problems. The challenge is to design a development framework in which all those who must make efforts to integrate environmental and sustainability considerations, and thus prevent problems, could also reap the benefits of this integration, including not only project beneficiaries but also program administrators.

Evaluators are in special position to facilitate this shift in focus because it is part of their job description to understand how the interventions and the institutions managing these interventions work, and they move among most of the key stakeholders of development policy. In Hungary, the first steps were taken in this direction by completing project that evaluated the environmental performance of programs, and by devoting time and effort to sharing and promoting findings and recommendations from these evaluations. However, there is plenty of room for further work in this domain.

Future tasks include support and motivation to managing authorities in designing constructs in a way that integrate all three aspects of program performance, i.e. serving the program specific objective as well as the horizontal objective, and managing unintended impact throughout program implementation. Further, capacity built within or outside the managing authorities to support beneficiaries in contributing to this process is also necessary, and all walks of public service could benefit from building capacity to articulate, share, cooperate, negotiate and build alliances and repositories of culture and knowledge.

Acknowledgements

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FROM TRADITIONAL MODELS OF ACCOUNTABILITY TO ACCOUNTABILITY FOR PERFORMANCE: INTER-SECTOR COMPARISON IN CROATIAN PUBLIC ADMINISTRATION[*]

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Abstract

Croatia's public administration is exposed simultaneously to various forms of accountability based on politico-democratic, legal, bureaucratic and professional criteria. In addition, as a novelty, managerial instruments that can stimulate performance measurement, such as strategic planning, were recently introduced. Public administration is starting to measure performance and to be accountable for the results of its actions, but the adoption to this new reality is slow. Also, it is a question whether the same type of instruments of accountability and, specifically, accountability for performance exist in different parts of Croatian public administration.

The paper analyses accountability mechanisms and instruments of Croatian public administration - state administration, public services and local self-government, on the example of the selected organisations (one ministry, one public institution and one town). Empirical research was conducted by using the data content analysis (strategic documents, legal regulations, and soft law documents). The results show that there are differences between the three sectors and that the accountability for performance is most developed in public services sector.

The first part of the paper summarises different models of accountability of public administration. The second part sketches the accountability mechanisms in Croatian public administration. The third part presents the analyses of accountability for performance in Croatian state administration, public services and local self-government. The final part of the paper offers a general conclusion.

Key words: *accountability, Croatia, performance, public administration*

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1. Introduction

There are numerous legitimate sources of expectations for public servants and managers. Such sources include immediate supervisors, elected officials, colleagues, professional associations, and citizens (Romzek and Dubnick 1987: 227). With these multiple stakeholders, public organisations struggle to meet and fulfil their often competing obligations. For example, a public servant might simultaneously be held accountable for his decision or action to professional measures ("Did you use your best judgement?"), to bureaucratic standards ("Did you follow procedures?"), to legal norms ("Is your action or decision in accordance with the law?") and to his or her constituents ("Is your action or decision in accordance with the political will?").

In addition to these traditional accountability systems, under the notion of managerial reforms of the public sector, a new approach to accountability has evolved. Accountability for performance is "a results orientation that demonstrates how the outcomes of […] specific programs and activities contribute to the overall, higher-level outcomes that people expect" (Callahan, 2006: 133). Accountability for performance assumes that when individuals and organisations are held to account for their behaviour and the consequences of their behaviour, their performance will improve. However, this conclusion is doubtful in many ways (Dubnick, 2002).

The paper seeks to explore how accountability has been conceptualized in post-communist, transition and EU accession countries. This question is important for at least two reasons. First, the literature on the topic is still scarce (Vesely, 2013: 311), and second, those countries have gone through substantive public administration reforms from late 1980s, motivated, among others, by new public management notion. Both accountability and efficiency in the performance of public administration are considered to be building blocks of good governance (OECD, 1999) therefore it is interesting to research how this concepts, especially accountability for performance as a rather new concept, are implemented in public administration of Central and East European countries (CEE).[4] As some researches have shown "public bodies in the CEE region still do not feel really accountable for their performance" (Nemec et al. 2008: 682).

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[4] Based on analysing accountability in 10 new EU member states from Central Europe, Vesely (2013) has drown several conclusions: the concept of accountability is laden with different connotations specific to a given cultural context; accountability is a relative concept; different types of accountability do not work independently; accountability relations are subject to constant flux and it is important to distinguish between accountability *de facto* and *de jure*.

The paper analyses accountability mechanisms and instruments of Croatian public administration – state administration, public services and local self-government, on the example of the selected organisation (one ministry, one public institution and one town). In the paper accountability for performance is understood as accountability of organisations and individuals for results of their actions, and not narrowly as accountability for expenditures of a particular programme or administrative action.

The first part of the paper summarise different models of accountability of public administration (PA). The second part sketches the accountability mechanisms in Croatia with regard to state administration, local self-government and public service. The final part of the paper offers a general conclusion.

2. Traditional Models of Accountability and Accountability for Performance: Understanding the Concepts

In public administration there are multiple types of accountability systems. Traditional ones are mainly focused on compliance and answerability to a higher authority, centred on the enforcement of rules and regulations that limit bureaucratic discretion. However, it is widely recognised that public organisations and their employees face multiple and competing expectations on a regular basis.

Combining the source of control (internal or external) and the degree of control that the source of control is given over the organisation (a high degree of control and careful observation, or a low degree of control and minimal observation), Romzek and Dubnick (1987) developed four alternative systems of accountability – bureaucratic, legal, professional, and political. Bureaucratic accountability reflects the obligations and responsibilities individuals have to the organisation, and it emphasises compliance with rules, regulations, and organisational directives. Under legal accountability, organisations are subject to external oversight by the party who is in a position to impose legal sanctions, such as a legislative body or court. Professional accountability is characterised by deference to expertise within the organisation – professionals are evaluated, or held accountable to accepted professional practice. Political accountability is the responsiveness of public administrators to the constituents they serve – external stakeholders, such as elected officials, citizens, heads of agencies, or special-interest groups.

In addition to these forms of accountability, a concept of accountability for performance has recently been developing in public administration.[5] This is the result of the new orientation of public management towards outputs and outcomes of administrative action and towards citizens perceived as buyers of that action. Accountability for performance means holding government responsible not only for its expenditures, the quantity of services provided, and the fulfilment of reporting requirements, but also for the results of its actions in the wider organisational and social context. It is associated with public policy objectives defined through political programmes, strategic documents and legal regulations. Therefore, the obligations include accounting for the performance of a particular programme or service and the willingness to accept sanctions or redirection when performance is deemed unacceptable (Callahan, 2006: 120). Information about administration performance should be used to evaluate administrative action and to improve procedures. This is accountability of the political or managerial type, depending on which organisations are in question (Koprić et al. 2014: 72).

In this paper accountability for performance is understood as accountability of organisations and individuals for outputs and outcomes of their actions, and not narrowly as accountability for expenditures of a particular programme or administrative action.

Although this new approach to accountability does not replace traditional accountability mechanisms but rather adds to them, many researchers agree that the shift to accountability for performance raises some serious concerns. For example, Dubnick concludes that the core concept of accountability is at great risk as a result of preoccupation with managerial reforms and the role of accountability in realising those reforms (Dubnick, 2002). In addition, since a huge amount of resources are spent on documenting performance, "a growing concern among

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[5] Byrkjeflot et al. (2012) do not explicitly mention accountability for performance, but instead consider monitoring output and results to be managerial accountability, as a part of administrative accountability. Cf. Bogdanor 2010.

Bovens (2007) adds social accountability to traditional types of accountability as a new type of accountability which arises out of a lack of trust in government. As a result, agencies or individual public managers should feel obliged to account for their performance to the public at large, civil interest groups, charities and associations of clients, through public reporting and public panels.

Behn (2001) distinguishes four types of accountability: accountability for finances, accountability for fairness, accountability for the use (or abuse) of power and accountability for performance. 'While the accountability for fairness and finances reflect concern on how government does what it does (...), accountability for performance is concerned with what government does and what actually accomplishes.'

many academics and practitioners is that the accountability burden may actually undermine performance" (Callahan, 2006: 140-141).[6]

The main question of accountability for performance is how to monitor whether the intended results were achieved, as this is not necessarily monitored through a formal chain of command or specific rules and procedures (Callahan, 2006: 118).[7] It requires citizen participation because citizen expectations play a critical role in shaping criteria for "success" that will be used in meeting the planned goals (Heikkila and Roussin Isett, 2007: 239).[8] Apart from citizens' participation, accountability for performance can be effective only when public authorities routinely generate performance information[9] and – after debate with accountability forums – act upon external feedback about their own performance (Deutsch 1963; Luhmann 1966; Behn 2001, in Bovens et al. 2008: 232). Only through careful monitoring and evaluation can decision-makers detect problems and take steps to improve the functioning of PA and the implementation of policies.

3. Researching the Models of Croatia's Public Administration Accountability and instruments of Control

3.1 Methodology

The main purpose of the paper is to analyse accountability mechanisms and instruments of Croatian public administration (state administration, public services and local self-government) with a special notion on the accountability for performance and to establish whether there are differences between the three sectors.

The methodological approach is twofold. First, the analysis of legal text is being conducted in order to establish the basis for various sorts of accountability in each of the three sectors. Second, three cases

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[6] See the discussion on "accountability overloads" in Bovens et al. (2008).

[7] As a result, according to Light (1993:12), accountability to written rules and regulations is much easier to implement than it is to build accountability capacity or to hold someone accountable for performance. The same is emphasized by Behn (2001: 13) who states that accountability holders concentrate on finance and fairness which are easier to establish.

[8] The successful implementation of performance management systems has been associated with external support, not only from top management and elected officials but from citizens as well (Berman and Wang, 2000).

[9] This is why performance measurement and the submission of regular performance reports is an essential component of accountability for performance. The use of performance information for accountability purposes is one of the most frequent and oldest uses (Hatry, 2006: 194), but today it is clear that performance information should be used also for other purposes (s. Van Dooren et al. 2010).

have been analysed. The data content analysis of the legal documents (strategic documents, legal regulations, and soft law documents) concerning the Ministry of the Interior (MI), the town of Pula and the Clinical Hospital Centre of Zagreb (CHC Zagreb) has been conducted in order to examine the existing forms of accountability for performance.

The three cases have been chosen based on their representativeness. Namely, the researches point to the fact that bigger organizations implement performance measurement in a greater extent (s. Van Dooren 2005; Berman and Wang 2000), which could indicate a higher level of accountability for performance. MI is one of the biggest ministries, Pula is the biggest town in Croatian most developed county and CHC Zagreb is the biggest hospital centre in Croatia. Because the level of performance measurement in Croatia is still rather low (s. Manojlović, 2015) three big organisations in which the possibility for accountability for performance development is high, have been chosen.

3.2 Traditional Models of Accountability

Croatia's PA is exposed simultaneously to various forms of accountability based on politico-democratic, legal, bureaucratic and professional criteria.

The basic form of *politico-democratic accountability* of PA and the executive branch relates to control by the representative body – the Croatian Parliament. The Parliament has at its disposal various instruments of control to use over the PA relating to ex-post political control, including questions posed by representatives, interpellation, raising questions of confidence in government members, establishing research commissions, polls and the institution of the Ombudsman and other independent institutions (special ombudspersons, commissions and commissioners for specific issues). However, in Croatia, just as in parliamentary systems in general, the most important way in which a body of representatives controls PA is political accountability of the government.

Croatia espouses the principle of individual ministerial accountability whereby the minister is accountable to the parliament for work of his/her ministry and the subordinate organizational levels and units. The Minister of the Interior must submit a written report on the work of police to the Croatian Parliament at least once a year, and to the Croatian Parliament Domestic Policy and National Security Committee even more frequently, if requested in specific cases. The ultimate mechanism for the deployment of politico-democratic accountability of the minister is the possibility of notion of distrust passed by the Parliament.

At the local level, the situation is somewhat different. Each local unit has its representative body (municipality, town or county assembly) but since 2009 the mayor and county governors are being directly elected. The mayors and county governors need to submit half-yearly reports on their work and the members of the assembly are entitled to pose questions and require special reports. This is done regularly by the mayor of Pula. However, the representative body has no power of removing the mayor or county governor from their office since this can be done only on the referendum which can be initiated only on the request of at least 20 per cent of local units' inhabitants or by the Government in case the budget has not been accepted by the representative body (contemporary dissolution of the representative body and removal of the mayor). This reduces the degree of the mayors and county governors' accountability towards the representative body.

According to the nature of the services they provide, public health institutions (including hospitals) are not directly political accountable, but this is achieved through political accountability of the minister in charge and the Government. However, as public bodies they are like state administration and local self-government bodies under control of the Ombudsman and research commissions formed in order to investigate specific cases.

As part of its control powers, the Croatian Government harmonises and controls the work of the state administration as well as self-government and public service providers when executing transferred state administration activities. In the implementation of such control, the Government may use various mechanisms including the repeal of regulations adopted by a state administrative body and submission of the request to the Constitutional Court to review the legality of the regulations adopted by public service providers, establishment of the measures a state administrative body is obligated to take, and to relieve of duty or propose the relief of duty of its head.

At the local level, the mayor and the county governor are the one harmonizing the work of local administration. However, no precise control mechanisms are provided by the legal regulation on local and regional self-government.

The politico-democratic accountability of Croatia's state administration is also implemented through various forms of participation of citizens, either through their inclusion in the work of administrative organisations or through various externally-driven instruments of control of citizens on the work of the administration. Citizens are involved in the work of

the MI through participation in the MI Complaints Review Commission[10] that reviews and resolves complaints filed by natural and legal persons who hold that someone's rights or the law were violated as the result of an action or omission made by a police official. If a person is dissatisfied with the response and the inquiry procedure conducted further to the complaint by an organisational unit of the MI, it may address the Commission.

At the local level the most important form of citizens' participation is the sub municipal self-government as well as the various externally-driven instruments of control. Local referenda and citizen initiatives are becoming more popular control mechanisms recently. In addition, Pula is one of rare towns in Croatia taking big steps in political control executed by the citizens themselves through their participation in budgetary procedure (s. Džinić 2015).

Citizens, especially users, supervise the provision of public services within specific bodies established for that purpose. In the sphere of health public services, the supervision is conducted by the commission on patients' rights protection and promotion of the Ministry of Health (MH) and special commissions established within the regional self-government units. The latter consist of five members, namely the representatives of patients, civil society and experts from the field of patients' rights protection.

The externally-driven instruments of control of citizens of the work of Croatia's state and local administration as well as public services in a wider sense are the following: (a) civil society organisations, which exercise their influence through the media, complaints, etc.; (b) the obligation to conduct a counselling procedure with stakeholders, as well as the procedure of assessing the impact of regulations at the time of adopting regulations or strategic documents; (c) the impact of public opinion and the media on administrative decision-making and action.

Legal accountability of state administration, local administration and public services is included in the obligation to respect certain objective criteria, which are worded into formalised material and procedural rules governing administrative action, including legislation, which is adopted by the legislator, and subordinate legislation, which is adopted by the Government, other competent authorities and the administration itself (Koprić et al. 2014: 71). Control of legality is executed within

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[10] The Commission consists of three members: a police official from the MI and two representatives of the public appointed by the Croatian Parliament Committee on Human and National Minority Rights on a proposal of civil society organisations, organisations of the professional public, and non-governmental organisations. It was established in late 2012.

various inspections, depending on the type of activities supervised body is authorized for or the type of the act or activity supervised. Accordingly, the health inspection over the hospitals is conducted by the internal inspection unit of the MH. Court review of state and local administration accountability which includes an assessment of whether state administrative bodies act in accordance with legal standards is regulated by a special law[11] and is performed by the administrative courts. The purpose is to ensure court protection of the rights and legal interests of natural and legal persons and other parties whose rights were harmed by a particular decision or action of an administrative body. In general, judicial control of the legality of the public service provider is conducted by the regular courts.

Bureaucratic accountability within the state administration is vertical, meaning that higher levels control the lawfulness and purposefulness of work of hierarchically lower levels. The instruments of control include two-tier decision-making, which enables the submission of an appeal against a decision of a hierarchically lower body to a higher body; administrative control that higher bodies perform over lower bodies; state administration material accountability as accountability for damages caused to a citizen as the result of an unlawful action or decision of the administration; disciplinary accountability of an official in the case of infringements of duties arising from employment; financial accountability. The MI, including its seat (the central directorate), police administrations and police stations, is a consolidated hierarchically-structured organisation having a pronounced subordination of lower structural units to higher ones, and a centralised structure. The territorial structure of the MI is based on the model of the so-called divergent structure, where structural units cover a specific area, and together they cover the territory of Croatia. The MI, and the general police directorate as a structural unit in particular, is characterised by a closely specialised division of tasks by and between specific structural units and by secrecy. Decisions are made in a centralised manner, at the highest positions (or outside the organisation itself, so transmission is made through the head of the organisation) down to the working level through instructions that police officers must follow. Police officials work according to the principle of subordination, i.e. they must follow internal instructions and guidelines without questioning the content. Strict implementation of the principle of regular channels is also something that the police insist on.

Central state cannot interfere into the way local units execute their own tasks, except for the legality supervision. Each local unit organizes its

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[11] Act on Administrative Disputes, *Official Gazette* 20/10, 143/12, 152/14.

own administration, but they are no first and second level organization inside the local unit itself. The appeal against the act issued by local administration can be submitted to the county administration which acts as second level instance. However, local governments function as hierarchical organization with the mayor on the top. Material, disciplinary and financial accountability is regulated in the same way as in central state administration.

Internal supervision over the activities of internal units and health employees is executed by the health service providers in accordance with the internal regulations and annual plan of internal supervision. Accordingly, CHC Zagreb formed the Commission for Internal Supervision and adopted the Regulation on Internal Supervision. The Commission is obliged to submit the report on conducted supervisions to the MH. Material, disciplinary and financial accountability is regulated in the same way as in central state administration and local self-government.

Professional accountability is based on a group of rules and standards of a technical and ethical nature governing the conduct and activity of the members of a specific profession. Members of a profession internalise such rules as their rules of conduct and activity during their education for the performance of professional activity and later in practice by perfecting and developing professional standards (Koprić et al. 2014: 71).

The police segment of the MI, just like other police services, is characterised by a special professional culture, i.e. the way in which police officers react to the pressures and conflicts that form part of their job, and which are marked by social isolation, conservatism, suspiciousness and pronounced internal solidarity. Considering that in practice the police is guided by particularly strong discretionary decision-making of police officials, which is the way in which they predominantly work, the culture that prevails in the police force greatly determines the activity of officials. Police officers mostly have basic education for the profession of police officer, or college and higher education for the profession of criminologist. However, infringement of specific ethical norms results in disciplinary accountability of the police officers.

Local units are multi-purpose organizations, so there is no single profession and by the consequence there is no single special professional culture. However, each profession inside local units has to adhere to that profession's specific standards and local civil servants are disciplinary accountable for the breach of determined ethical norms.

Professional supervision over the health public service providers in the provision of direct health protection to the citizens is conducted by the responsible chambers (Croatian Medical Chamber, Croatian Nursing Chamber, etc.).

3.3 Accountability for Performance

Accountability for performance of the Croatian state and local administration is not explicitly set, since there is no comprehensive system of indicators that could make it possible to measure the effectiveness of administrative action. More precisely, there are no performance indicators that would enable monitoring of the results achieved (Budak, 2011). However, some policy documents and laws refer to the obligation of performance monitoring, with emphasis given to the monitoring of spending public funds. This rather new tendency is a result of reforms of the Croatian public sector under the managerial notion. It is important to notice that the *Strategy for the Development of Public Administration 2015-2020 (Official Gazette* 70/15) states that one of the basic defects of the entire system of Croatian PA is the lack of supervision over its functions. Very often, plans are brought only to satisfy the form, there are no performance indicators and there is no monitoring of their execution. Since there is no system of performance indicators it is impossible to track the results obtained both by central state administration, as well as by local units.

The basis for the continuous monitoring of the results and improvement in public health system is established by the *Act on Quality of Health Protection and Social Care (Official Gazette* 124/11). The unique system of the quality standards, and the methodology for their implementation with 44 indicators of clinical effectiveness and 11 indicators of patients' safety have been established.[12] The Commission for the internal control or quality improvement of the health service provider (hospital) is obliged to submit the report on the implementation of the activities for the improvement of health protection quality to the Agency for Quality and Accreditation in Health Care and Social Welfare every six months.[13]

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[12] Plan and Program of the Measures for the Improvement and Monitoring of the Health Protection Quality, *Official Gazette* 114/10; Regulation on the Standards of Health Protection Quality and their Implementation, *Official Gazette* 79/11; Agency for Quality and Accreditation in Health Care and Social Welfare (2011) Manual on the Standards of Health Protection Quality and their Implementation.
[13] Some of the indicators of clinical effectiveness and patients' safety are the following: waiting time for various medical tests, hospitalization length, early diagnosis of cancer, pregnancy complications, hospital mortality, post-surgery pulmonary embolism, etc. Each indicator is specified in details, with determined benchmarks and the source which has to be used as a basis for the measurement (such as medical documentation).

However, the *National Health Development Strategy for the period 2012-2020 (Official Gazette* 116/12) emphasizes the limitations of the current control system in the suppression of ineffectiveness and inefficiency which is often the consequence of inadequate system of data collection (pp. 144). The latter was indicated as a main problem in comparison among the hospitals made in 2014 by the Croatian Health Insurance Fund on the basis of five indicators: number of patients per bed, number of medical examinations per doctor, general mortality rate, percentage of medical treatments in day hospital and one-day surgery of cataract. Although the intention was to publicly disclose the scores of hospitals, the data available are consistent neither in relation to indicators used nor in regularity of disclosure. In addition, the ranking of the hospitals is not based on the detailed list of aforementioned quality standards and indicators which decreases the accountability for performance in the hospitals.

According to the *Budget Act* (*Official Gazette* 87/08, 136/12, 15/15) ministries and other state bodies have to prepare strategic plans for a three-year period (on the basis of sectoral policy documents and programme documents intended for the use of EU funds) in accordance with the instruction for the development of strategic plans prepared by the Ministry of Finance (MF).

The MI prepared its Strategic Plan for the period 2014-2016, the Annual Work Plan for 2014, and the Financial Plan for 2014 and projections for 2015 and 2016. Since these documents are prepared according to the instruction issued annually by the MF, they contain all the necessary parts, as well as indicators for the control of its execution and evaluation. However, the reports on its execution are not publicly available on the MI webpage.

The Budget Act does not require local units to enact strategic plan, but the three years development plans. These plans are not comprehensive strategic plans, however, they require local units to set their basic development goals. Pula has enacted its Strategy for the development of town of Pula 2009-2015. There is no general guidance for local units' strategic plan, so Pula has prepared a rather detailed document. Although the document contains indicators, reports on its executions are not available on webpage. Apart from the general strategy, Pula has prepared the Strategy for Culture, the Strategy of Economic Development and the one for tourism is under preparation.

Public institutions financed from the public budget are required annually to prepare the proposal of three years financial plan with indication of the goals, strategy and programs adjusted to long-term development documents, and the report on the goals and results

achieved in previous year. CHC Zagreb has prepared the financial plan for 2015 and the financial reports have been issued on annual, semi-annual, quarter and month basis.

The *Public Internal Financial Control Act (Official Gazette* 141/06) is directed both at state and local budget users. It states that the purpose of introducing financial management and control is to improve financial management and decision-making in order, among other goals, to strengthen responsibility for the successful fulfilment of tasks. The head of the organisation is accountable for the establishment, development and implementation of the internal financial controls system, including strengthening responsibility for the successful fulfilment of tasks. Both MI and Pula have established the internal audit departments. CHC Zagreb has formed the internal financial control system, but not within the special internal audit unit. According to the MF there are still many pitfalls in the financial management system, one of the most important being the fact that the system of managerial responsibility is still not functioning, financial control is mostly input oriented and the settled goals are undefined and difficult to measure (Ministry of Finance 2012: 8-11).

According to the *Fiscal Responsibility Act* (*Official Gazette* 139/10, 19/14), the head of any public organisation is obliged to produce a Fiscal Responsibility Statement in which he or she confirms the legal, earmarked and purposeful spending of resources, as well as the efficient and effective functioning of the financial management and control system within the framework of funds defined by the budget or the financial plan.

According to the *Law on State Audit Office* (*Official Gazette* 80/11) the State Audit Office is responsible for examining all the financial reports issued by state administration, local units and legal persons established by state or local organization (such as hospitals). Apart from financial audit, the State Audit Office is in charge of conducting the performance audit. However, although the number of performance audits has increased since 2013, the simple financial audit is still predominant.

Pursuant to the *Regulation on the principles for the internal organisation of the state administration* (*Official Gazette* 154/11, 17/12), state administration organisations have to determine their annual work plans which should contain information on the achievement of objectives that are related to the general and specific objectives of the strategic plans for the three-year period pursuant to the Budget Act, and information on the most significant risks that may affect the realisation of the objectives. MI has prepared its annuals plan with

concrete tasks and indicators, but only financial reports are available on MI webpage.

There is no law requiring local units to enact their annual plans, but local units can choose to do so. Pula has prepared annual working plan with concrete indicators, but looking at the annual reports it is possible to see that they are mostly concerned with financial expenditures and they do not give account on the realisation according to the stated indicators.

National Health Development Strategy states there is no clear link between the financing of the health institutions and quality of health care they provide (pp. 144), so the financing should be more linked to measurable indicators of performance (pp. 153). In order to improve the quality and effectiveness of hospital services provision as well as increase the efficiency of hospitals, the Croatian Parliament adopted the *National Plan for the Development of Clinical Hospital Centres, Clinical Hospitals, Clinics and General Hospitals in the Republic of Croatia, 2014-2016* (*Official Gazette* 26/15). For the achievement of those goals the Plan indicates key measures (for example, the increase of the capacities and number of services in day hospitals) and more specific measures expressed in percentages (for example, decrease the rate of acute hospital treatment for 10 per cent). Hospital managements are obliged to prepare the project of the implementation of the Plan with indication of detailed activities and resources for the achievement of specific measures and goals of the Plan. In addition, they are obliged to report the MH on the improvement in the implementation of the project at least once in three months. In order to monitor the results and effects of all measures and activities implemented in the health system, the National Register of Health Protection Providers will be established.

According to the *Civil Servants Act* (*Official Gazette* 92/05, 142/06, 77/07, 107/07, 27/08, 34/11, 49/11, 150/11, 34/12, 49/12, 37/13, 38/13), civil servants are evaluated on the basis of demonstrated effectiveness of work, comparing the scope, quality and deadlines for the execution of tasks with the job description of the civil servant and the work plans of the state body. In addition to other criteria, police officers' work is evaluated by their participation in the implementation of work plans and activities to achieve the organisational and strategic goals, according to the *Ordinance on the Assessment of Police Officers* (*Official Gazette* 113/12). In practise the performance evaluation system in the MI is more activity based than outcome based, since police officers are evaluated based on their activities and output and not on the outcome. There are no indicators of success in achieving organisational and

strategic goals, therefore the assessment of police officers in regard to the performance outcomes depends on the immediate superior. Although the inherent logic in this evaluating system is to use it for rewarding good performance and sanctions or redirection when performance is deemed unacceptable, this turned out to be difficult to practice.[14]

The status of local level civil servants is regulated by the *Law on Local Civil Servants* (*Official Gazette* 86/08, 61/11) which states that civil servants are evaluated on the basis of their competences showed during their tasks execution, efficiency and quality of their work and the respect of official duty. There are no provisions about senior servants' evaluation, so this is left for single local unit to decide. However, like in central state administration, individual performance evaluation is for the majority part activity based and there are no signs of real performance appraisal.

Similar situation is present in health care system where legal regulation limits the possibilities for awarding the quality work of medical employees. The performance accountability of the head of the hospitals also lacks since no special agreements on the achievement of concrete results are provided. Therefore, the managerial accountability in hospitals does not exist yet, but the reforms recently launched are oriented to its slow introduction in Croatian public health system.

4. Conclusion

In addition to traditional models of accountability, accountability for performance has recently been developing in public administration, primarily for public services, but also for state administration. This is one of the results of the managerial reforms of the public sector.

In general, reforms may change accountability arrangements – either deliberately via formal changes in designs or unintentionally, resulting in new accountability practice (s. Christensen and Lægreid, 2002). These new models, such as accountability for performance, are usually developed in parallel to the existing instruments of accountability, but, depending on the government sector, become increasingly important. In general, managerial accountability works best when there is no political element, such are public services, but works much less well in politically sensitive agencies where a mistake at what might be thought an operational level can affect the political future of the minister, or even of the government (Bogdanor, 2010).

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[14] Conclusion based on the interviews with the middle and higher level official of the MI conducted in May 2014.

The data presented in this paper show that Croatia is following this path - apart from various form of politico-democratic, bureaucratic, legal and professional accountability, accountability for performance is emerging and it is the strongest in the public service sector. Namely, the state administration has the duty to enact strategic plans, connect them with annual plans and evaluate individual civil servants' performance. However, although the plans are being enacted, their execution is not being properly monitored since there are no established performance indicators and the reports on their execution are lacking. By the consequence, without performance measurement and reporting it is impossible to develop the accountability for performance. The situation is even worst in local units, since each local unit has the freedom to independently regulate these issues and there are no general guidance on how to conduct the performance measurement process and report its results. Thus, it seems that in state and local administration the concept of holding individual public officials or the organization in its totality to account for performance remains 'wishful thinking' or 'something modern and currently in fashion' rather than an effective system, similar to other CEE countries. The reason behind this is also the general problem of measuring accountability for performance – quantifying performance outcomes and connecting them to programme outputs. But the situation is somewhat different in the health sector. Namely, the hospital are required by law to use indicator in order to measure their clinical effectiveness and patients' safety. In 2014 the first hospital ranking list was prepared and the national strategy as well as national plan for hospital development require the use of precise indicators thus developing a form of managerial accountability.

Therefore, the research confirms that there are differences between the three sectors and that the accountability for performance is most easily to be developed in the public services sector. This opens the space for further researches, most important of which is whether this new form of accountability has brought to any sort of improvement in organizational performance, which is the basic reason why this accountability is being introduced.

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Annex: Instruments of Accountability in Croatian Public Administration

Sector	Politico-democratic accountability – control by representative body	Politico-democratic accountability - Chief executive individual responsibility	Politico-democratic accountability -Forms of citizens' participation	Legal accountability
State administration body (Ministry of Interior)	1. questions posed by representatives 2. interpellation 3. raising questions of confidence in Government 4. establishing research commissions 5. the institution of the Ombudsman and other independent institutions	1. written reports 2. possibility of notion of distrust	1. Complaints Review Commission	1. control by the Government 2. inspection 3. Court review by administrative court
Local unit (City of Pula)	1. questions posed by members of representative bodies 2. establishing research commissions 3. the institution of the Ombudsman and other independent institutions	1. written reports	1. referendum on the recall of the mayor 2. participation at sub-municipal level 3. local referendum 4. citizen initiatives 5. other forms of citizens' participation (for example, participatory budgeting)	1. control by the Government in transferred state administration activities 2. inspection 3. Court review by administrative court
Public health service providers (CHC Zagreb)	1. establishing research commissions 2. the institution of the Ombudsman and other independent institutions		1. commission on patients' rights protection and promotion of the Ministry of health 2. commissions on patients' rights protection of the regional-self-government units	1. inspection 2. control by the Constitutional Court initiated by the Government in transferred state administration activities 3. Court review by regular or administrative court

Bureaucratic accountability	Professional accountability	Accountability for performance	Total/ accountability for performance
1. appeals against a decision of a hierarchically lower body to a higher body 2. administrative control that higher bodies perform over lower bodies 3. material accountability as accountability for damages caused to a citizen as the result of an unlawful action or decision of the administration 4. disciplinary accountability of an official in the case of infringements of duties arising from employment 7. financial accountability	1. disciplinary accountability for the infringement of ethical norms	1. three-year strategic plans and their reports 2. internal financial control system 3. Fiscal Responsibility Statement 4. performance audit by the State Audit Office 5. annual work plans with objectives 6. work of senior civil servants evaluated by an assessment of the implementation of strategic objectives	21/6
1. appeals against a decision issued by local unit body to county body 2. administrative control of performing transferred state administration activities 3. material accountability as accountability for damages caused to a citizen as the result of an unlawful action or decision of the administration 4. disciplinary accountability of an official in the case of infringements of duties arising from employment 7. financial accountability	1. disciplinary accountability for the infringement of ethical norms	1. three years development plan 2. internal financial controls system 3. Fiscal Responsibility Statement 4. performance audit by the State Audit Office 5. annual work plans with objectives – individual, depends on situation in ever local unit 6. work of senior civil servants is evaluated also by an assessment of the implementation of strategic objectives - individual, depends on situation in ever local unit	23/6
1. Commission for Internal Supervision 2. submission of the report on conducted supervisions to the MH 3. administrative control of performing transferred state administration activities 4. material accountability as accountability for damages caused to a citizen 5. disciplinary accountability 6. financial accountability	1. professional supervision by the respective chamber (Croatian Medical Chamber, Croatian Nursing Chamber, etc.)	1. reports on the implementation of the activities for the improvement of health protection to the agency for quality and accreditation 2. benchmarking of hospitals by the Croatian Health Insurance Fund 3. proposal of three-year financial plan 4. financial reports 5. internal financial control system 6. Fiscal Responsibility Statement 7. performance audit by the State Audit Office 8. reports on the execution of projects on implementation of national plan for the hospital development	20/8

LEADERSHIP, ORGANIZATIONAL AND CHANGE MANAGEMENT, KEY DRIVERS FOR IMPROVING PERFORMANCE IN THE PUBLIC ADMINISTRATION

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Abstract

Employee engagement is a modern concept of business management applicable in public administration and refers to the emotional response of employees to the organization they work for. Engaged employee is one who is fully involved, committed, fulfilled and enthusiastic about its work and is acting in ways that are promoting the realization of its organization's interests. Employee engagement is measured by nine motivational factors that significantly affect one's work commitment and desire for better results and contributes to success of the organization: leadership and change management; superior; team work; organizational planning; opportunities for learning and career development; conditions and workload; fair treatment and salary and benefits. This paper will address two key motivational factors for improving the employee engagement, which make up the overall index of employee engagement:

(1) Organizational Objectives, Planning and Monitoring – referring the way the policies are created and followed, and the role of employees in these processes;

(2) Leadership and Management Changes – referring the ways leaders lead institution, create a vision for the future, manage and change the way in developing and involvement of the employees in decision-making process.

Working thesis is based on the postulate that the promotion of abovementioned key factors is vital for the progress of public administration and is basic precondition for creating more effective public policies. The working methodology involves interpretation of the results from the people survey conducted in Macedonia in 2013 among 10 000 civil servants from 136 institutions of the public service and results gained from 10 focus groups with 200 people - held shortly after the survey. Based on the findings the paper will propose measures for improving employee's engagement, as precondition

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for better performance and organizational results of public administration and thus the effectiveness of public policies.

Key words: *employee engagement, public service, leadership, organisational and change management*

1. Introduction

Public administration in R. Macedonia and all over the world, and, is facing constant pressure and challenge to innovate and improve its effectiveness and efficiency, finding new ways to improve the quality of the work, including ways to create a vision for changes.

If public administration is integral process under which the Government administers its policies and transforms them into actions and services; improves the public interest and provides well-being for the citizens, issues related to modernization of public administration and institutional development are unbreakably linked. The manner of management, governance and decision making in the institutions, systems and procedures, including the manner in which the administration faces the changes and strengthens the human potential – l influence the degree of effectiveness in creation and implementation of public policies and programs.

Starting from the ascertainment - human capital is the most precious resource the administration has, it seems that the care for the employees, their development and the development of their performances, the openness and mutual respect, stimulation of the innovativeness and creativity, improvement of the mutual communication and coordination – are important factor in creating efficient and effective public services that reaches high standards in the professional work.

Employee engagement is modern concept of management applicable in public administration, represents emotional response of employees to the organization/institution and it is one of the key principles of a successful organization. Dedicated and engaged employees, with high level of energy and enthusiasm, are advantages and key influential factor of the effectiveness of the public institutions, including the policies and services they implement.

Most often, employee engagement is measured through 9 parameters or motivational factors as follows: "my job"; "organizational objectives, planning and monitoring"; "leadership and change management"; "my superior"; "my team"; "learning and promotion"; "fair treatment"; "conditions and scope of work"; "salary and benefits". In this regard, the satisfaction and dissatisfaction of the employees are measured from the perspective of: colleagues; organization; opportunities for

learning and progress; conditions and workload; fair treatment; salary and benefits - factors that significantly affect one's work commitment and desire for better results. The advancement of them is vital for the progress of the institutions.

Findings form this and similar surveys conducted globally, in the private and public sector are aiming to stimulate greater employees' engagement in order to reach effective implementation of the public policies and to make the institutions more successful in delivery of citizen's services.

This paper addresses findings form the research conducted in Republic of Macedonia on two key motivational factors for improving the employee engagement, including:

(1) Organizational Objectives, Planning and Monitoring – referring the way public policies are designed and implemented, and the role of employees in these processes;

(2) Leadership and Management Changes – referring the ways leaders are leading institution, creating a vision for the future, managing change and engaging employees in decision-making process.

Paper argues that, although not exclusively, improvement of these two motivational factors is vital for improvement of the administration and it is basic requirement for effective public policies.

2. Theoretical Approach

The debates regarding implementation of effective public policies are undoubtedly related to the issues of public administration modernization i.e. the administrative reforms. The pressure in situation of various economic crisis forces the administration to be more transparent in the decision making when it comes to particular strategies or programs and to think more on the implication of those polices with regards to costs and benefits for its citizens. Public sector also contributes towards the social cohesion in the society by redistributing the income and expenditures; hence the pressure is direct and constant. On the other hand, the pressure for better utilization of the resources is directly related to the quality effectiveness and efficiency of the implementation of the public policies and programs.

The effectiveness of the public policies is inevitably related to the management and governance, which can be assessed through several key aspects: the way policies are designed, implemented and evaluated, management with people, information management, management with the relevant stakeholders and factors that influence

the implementation of the public programs and the ethical principles. According to Grasso and Epstein (Patti et al. 1988), the improvement of the operational efficiency should be seen from the aspect of strengthening of the systems for monitoring and assessment because this ensures control over the processes. Furthermore, the moral, the satisfaction from the work and the dedication of the employees are also necessary for improved effectiveness of the administration and improved effectiveness of the public policies in general.

In parallel with these processes, the people not only in the Republic of Macedonia but beyond have greater expectations for improved performance of public administration and from the legitimacy of the bureaucratic decisions and actions it adopts. The private sector deems that the administration should deliver more effective programs with less resources and citizens demand from the public sector to deliver greater number of more quality and more diverse services. On the other hand, in order to reduce the permanent pressures from the financial crisis, the politicians and other decision makers force the administration to implement programs with minimum financial means. In such situation the public administration is facing "legitimacy crisis" (Pierre, 1995).

The legitimacy of the administration in the countries of South-Eastern Europe is even more complex paradigm. The research carried out by the Network of Public Administration Institutes and Schools in Central and Eastern Europe in 2005 show that the weakest key in the administration is the policy implementation processes. The issue of policy effectiveness is limited to the degree of its adoption in specific legal frameworks, without paying attention to the practices related to overall management of that process. The lack of these practices, including the lack of systems for policy monitoring and evaluation limited the possibilities to understand whether they have been implemented in effective manner i.e. whether they have met the objectives and purpose for which they have been created? (Dunn et al., 2006)

The greater society fragmentation imposes the need to change the manner in which the institutions and the individuals in those institutions function. Namely, concerns, problems and needs of the citizens are becoming more diverse, more complex and require multilateral interventions. From the employees in administration is expected to be able to recognize those various problems and needs of the citizens and to offer better solutions, does increasing the effectiveness and efficiency in its operation and implementation of the public policies. Consequently, the ways institutions are managed and

decisions are made; manners by which challenges are faced and people lead; new and modern systems and procedures through innovations and technology; investments in development of the institutions capacity and human potential are becoming issues of great importance.

Recently, debates of the new public management are focused towards increasing of the employee engagement which should result in increased effectiveness and efficiency of the organizations, their instruments and programs, including delivery of higher quality services.

2.1 The Employee Engagement Concept

The employment engagement is relatively new concept of management that has been studied in the last decade. The essence of this concept is the degree up to which the employees are engaged and dedicated to the organization and its values.

The "personal dedication/engagement" concept was introduced for the first time by Kahn, defining it as investment of a person's - part of a particular organization in their job roles (Kahn, 1990: 694). According to Kahn, the person and its job role are in dynamic and self-complementing relation: the person who is more dedicated to his/ her role introduces personal energy in the implementation of the working tasks i.e. he/she invests his/ her personality in the job role (self-expression); contrary to that, the individual that separates him/herself from the working role provides small contribution with regards to the work achievements and withdraws from the job obligations. Kahn deems there are three psychological factors related to the dedication, or lack of it, to the job position, and these are: the sense or the appropriateness of the work, the security and availability. The employees are more dedicated in situations when they see a sense in their work or when they feel psychologically secure. These situations also make them psychologically available. When examining the parameters that influence these three factors, Kahn and his associates concluded that the continuous enriching and diversity of work, and the ways how employees are competent and appropriate for that particular job role, are the conditions for achieving full satisfaction and commitment in the workplace. The support from the superior manager as well as pleasant, satisfied colleagues are the prerequisites for building a sense of security, while the availability of resources in order for the job to be done successfully, makes the employees psychologically available.

For other theoreticians employee engagement is clearly linked with behaviour, and the behaviour is the one that produces results in the organizations. Therefore, in order to improve public policy efficiency and effectiveness it is important to for us to understand how a dedicated

labour force looks like. Williame Macey makes an effort to describe the behaviour of such dedicated labour force. According to him the dedicated employees think and work proactively. They are using the opportunities to contribute towards achieving organizational goals; they are not sticking solely to the job descriptions, but they do what's necessary, without thinking whether that is part of the job description or not. Dedicated employees are actively looking for ways to improve their knowledge and skills for the responsibilities they have. They see the personal development as an opportunity to assist the organization meet its mission and be more effective. In this sense, the employee engagement does not only mean "what can I get from the organization" but also "what can I offer to the organization". However Macey argues that confidence either grows or decreases depending on the attitude of the management. The managers are those creating dedicated labour force structure in the organization (Macey et al, 2009)

Having this in mind, in a world of fast changes, globalization, mobility and diversity of labour force, dedicated and engaged employees are one of the key factors that lead towards better competitiveness and greater success of an organization.

According to research carried out on 656 directors from various institutions in America, Europe, Japan and other countries, the employee dedication/engagement is one of the five most important challenges in management.[3]

2.2 Motivational Factors of the Employee Engagement

In order to achieve organizational culture in which employees will be engaged and devoted one of the key challenges is how to create measures and policies that will encourage proactivity, but also will nurturing talents and investing in employees competence development. The research's, with this scope firstly done in administration of RM, was exploring situational factors as motivational factors for improving employee engagement and along with that efficiency and effectiveness of the work. Although employment engagement index is comprised of 9 parameters or motivational factors: (1) my job; (2) organizational objectives, planning and monitoring; (3) leadership and change management; (4) my superior; (5) my team; (6) learning and career development; (7) fair treatment; (8) conditions and scope of work; (9) salary. This policy paper will cover two of them: *Organizational objectives, planning and monitoring* and *Leadership and change management.*

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[3] Importance of Employee Engagement in Business Environment, Arhaus School of Business and Social Science, Aarhus University, 2012.

2.2.1 Organizational Objectives, Planning and Monitoring

This motivational factor is referring to the processes of strategic planning, understanding the objectives and results that should be achieved; the role of each employee in the realization of those objectives, and establishment of mechanisms for their monitoring and evaluation.

In the not very distant past the management of these processes was interpreted by the institutions solely as a manner to improve the efficiency of the systems and procedures, monitoring of the budgets and securing coherency in the activities. Very little attention was paid on monitoring of the outputs and the outcomes that results had in a specific environment. More recently, the planning, monitoring and evaluation of the effects and influence of public policies is arousing greater interest.

Namely monitoring and evaluation of public policies in the social and economic development are becoming powerful instrument for improvement of the public policies and in promotion of principles of evidence based policy. This approach identifies the effects and influence of particular decisions, and not only the operational results. In this manner the institutions learn how to improve the approach, methods and techniques for gaining more effective results.[4]

This approach opens a debate on what makes the evidences/proofs for more effective public policies and programs we can rely on, what are the best methods and techniques for their assessment and how can we verify the obtained results? Although this is an ongoing discussion, there is mutual consent among the theoreticians and practitioners that, for a start, it is sufficient to have institutional mechanisms that monitor and assess the policies because the absence of these mechanisms will result in poorly developed programs that cause very little, or do not cause at all, social changes or development.

2.2.2 Leadership and Change Management

This motivational factor is one of the most influential factors of the employee engagement and explains the manner in which the leaders manage the institutions, create and communicate the vision for the future, as well as the manner in which they develop and involve the

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[4] Essentially, this approach starts with the premise that millions of euros and dollars are spent throughout the world every year for development policies and programs, but very little is known about the evidences that explain the true impact of these policies on the life of various people in the community in which they realize themselves.

employees in the decision making process. In the same time, this factor speaks about the manner in which changes are managed.

The leadership concept is considered as one of the most challenging areas in the management theories and one of the key factors that influence the organizational culture, organizational performances i.e. effectiveness in the operation and employee engagement.

The leadership concept is also related to change management as changes are necessary and expected part for each organization as a result of the external factors. The continuous changes in the environment, the economic uncertainty and especially the demands raised by various categories of citizens – all have to be accompanied with relevant reactions by the institutions that must continuously improve their systems, procedures, management in order to offer new and better quality services. The leader plays the key role in this process of building vision for the changes, in the process management, in communicating with the staff and in the support and persistence to push for the changes that are implemented.

Regardless of all theories of leadership, one of the fundamental characteristics of each leader is his function in establishing a working atmosphere which will ensure that the organization objectives are met and in the same time will retain the moral of the employees.[5] Those leaders stimulate the sense of inclusion, dedication, potential and performances (Shamir et al, 1993, quoted by Arhaus).

3. Research Methodology

3.1 The Objectives of the Research

This policy paper is based on the research of the employee engagement as a part of a larger program for reform of the public administration that has been implemented for a number of years in various state institutions in the Republic of Macedonia.[6]

The purpose of the research was to explore key motivational factors that influence employee engagement in the administration of the Republic

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[5] The National School of Great Britain in one of its research asked the leaders about their role in the increase of the work dedication. Four key roles were emphasized in stimulating the employee dedication: motivation of the employees and teams, communication, creation of organisational culture and climate in the institution and responsibilities related to human resource management and development of the staff, Leading for Engagement: How Senior Leaders Engage Their People, National School of Government.

[6] This was part of the programs for *Support to the Public Administration Reform* Processes that were implemented by the Center for Change Management, during 2011-2015, with support of the British Embassy in Skopje .

of Macedonia; to determine critical areas in the administration and to use them as basis for development of plan for improvement, does contributing towards developed, highly-professional and accountable civil service that will produce better business results and improved public policies.

The special hypothesis of the research is assumption that the improvement of the situation with regards to the key motivational factors will increase total engagement index and will lead towards improvement of public policies. By improving motivational factors, the organizations will be able to effectively manage the levels of inclusion and satisfaction of their employees

The Research was exploring 9 motivational factors, (1) my job; (2) organizational objectives, planning and monitoring; (3) leadership and change management; (4) my superior; (5) my team; (6) learning and career development; (7) fair treatment; (8) conditions and scope of work; (9) salary that are key factors for employee engagement. However, this policy paper we shall be focusing on two of them**: *Organizational objectives, planning and monitoring; Leadership and change management.***

3.2 Scope, Methods and Techniques

The research was carried out using the "Say Stay Strive" methodology which examines the degree of influence of each motivational factor on the employee engagement and degree in which they contribute towards the organizational efficiency and productivity.

Research was implemented using an anonymous survey questionnaire distributed in 136 state institution with around 10.000 respondents, civil servants with a response rate of 61,5%.

For this purpose, employees in the HR sectors/ departments were trained to carry out the process. In addition to the survey, focus groups were created on random base (8 focus groups with 20 participants) each of them have been discussing the results and problems they face in the course of their work.

The research was carried out during January – May 2013.

4. Analysis of the Research Results

If the administrations in the countries with prominent democratic tradition are facing "legitimacy crisis", the administration in the Republic of Macedonia is facing even deeper crisis. In other words, the EU accession process requires certain standards to be met,

including qualities in the work of the administration, and these are subject to increased monitoring. The critics included in the *Progress reports of the country developed by the European Union bodies*[7] are about the transparency, professionalism and independence of the administration. According to them, the principles of recruitment and promotion that should be clearly based on merits are under serious threat. The EU reports also point out to a lack of clear and transparent criteria for recruitment, awarding and career development, including inefficient systems for HR management. The reports further point out to lack of capacity of the institutions for strategic planning and performance monitoring, lack of feedback by the citizens, and also the lack of effective dialogue between the Government and the public sector trade unions. The inconsistency in the implementation of the equitable representation impacts the legitimacy of the public sector and in general, there is the administration "fatigue" syndrome.

In this situation the question is what is the employee engagement of those working in the administration of the Republic of Macedonia?

The total employee engagement Index for the civil servants in the state administration bodies in the Republic of Macedonia in 2013 is 70%. This is a quite high index compared to international averages (the Index in UK, New Zealand, Australia is around 56%) and, according to the focus group participants, it is far from real picture i.e. it doesn't reflect the real level of employee engagement/ satisfaction in the state administration in the Republic of Macedonia. The reasons for the discrepancy between the obtained results and what is considered to be realistic picture according to the respondents could be due to the following reasons:

- This is the first research of this kind in Macedonia;
- Fear from eventual violation of the anonymity principle;
- Lack of other possibilities at the labour market;
- Secure job and salaries which are above average salary in Macedonia;
- Other subjective factors that influenced and that is are necessary to be additionally determined and analysed.

Contrary to this high index obtained by processing the data from the questionnaires, the focus group participants filled a new questionnaire (individually and anonymously) in which they put their opinion on

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[7] For more see European Commission Progress reports on the Republic of Macedonia 2008 - 2014, available at http://www.sep.gov.mk/en/content/?id=96#. Vd8KAfmqqko.

what they consider to be a realistic index of satisfaction/ engagement of the employees in the state administration. The total index obtained from the respondents – participants in the focus groups is 65%.

Yet, results shows that 30% of the employed in the Macedonian administration are not motivated to perform their tasks which transferring into monetary terms mean great loss of financial resources annually.

This document reflects on the situation in the administration in the Republic of Macedonia by looking at two key factors that have their influence on the employee engagement, as a prerequisite for improvement of the public policies, as follows: *Organizational objectives, planning and monitoring* and *Leadership and change management*

4.1 Organizational Objectives, Planning and Monitoring

The process of strategic planning and policy making[8] has been carried out in the administration in the Republic of Macedonia in the past ten years. However, it is general ascertainment that in the reality plans are not entirely realistic, they do not reflect the priorities of the institution and the users, are not always accompanied by budget funds and their implementation is not followed seriously.

According to the research results, when it comes to the planning of the objectives of each organizational unit, only 65% of the respondents replied positively. Similar answers were received with regards to results planning of the institution as a whole, where only 63% of the respondents agree that the institution is planning the working results.

The survey results speak about two possibilities: the employees are no sufficiently informed about the processes of planning and budget monitoring; and/ or the employees are not involved in the processes of planning and monitoring of the public policies.

What is surprising, and in the same time worrying, is that the management structures of the institutions think that the process of policy planning, monitoring and evaluation is inappropriate or is not

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[8] According to the Methodology on Strategic Planning (www.vlada.gov.mk), as soon as the Decision on Strategic Priorities and the fiscal strategy are adopted, the Ministries and other state administration bodies start the development of draft strategic plans. These strategic plans are developed during the current year (May-August) and cover the following three years. They include the objectives and tasks of the organisational units and of the budget user in general, the activities for achievement of those goals and their effects and results. Developed in accordance with the strategic priorities of the Government of the Republic of Macedonia, and from the aspect of the integrated system of planning and budgeting, the Strategic Plan is accompanying document of the budget requests.

used at all. This was verified by the discussion of the focus group where, according to the group participants, the institutions are lacking adequate planning of the objectives, there are no mechanisms for assessing plans with the results, quality assessment is completely missing nor there is institutional mechanism that stimulates feedback and sharing of the lessons learned from this process. According to almost 50% of respondents, evaluation of the public policy influence in the administration, practically, does not exist at all. The respondents also emphasize the need of greater multi sectoral and intra institutional communication and coordination predominantly in planning of the results and enhancing system for monitoring and evaluation of public policies.

Table 1: Positive responses regarding the "organizational objectives, planning and monitoring" factor

ORGANIZATIONAL OBJECTIVES, PLANNING AND MONITORING

I understand the objectives and intentions of my institution (organization) — 84%
I understand the objectives and intentions of my organizational unit — 86%
I understand how my work contributes towards the realization of the organization's objectives — 88%
There is adequate planning of the objectives of each organizational unit in my institution — 65%
There is adequate planning of the expected results in my institution — 63%
There is adequate planning of the objectives of each organizational unit in my institution — 62%
In my institution there are mechanisms for monitoring of the operational results of each… — 62%
In my institution there are mechanisms for monitoring and assessment of the policy impacts — 52%

0% 10% 20% 30% 40% 50% 60% 70% 80% 90% 100%

■ % of positive answers

4.2 Leadership and Change Management

This motivational factor is among the most important ones and has the *greatest influence* in the overall employee engagement index. The leadership is essential for optimizing the employee dedication and engagement at workplace. In this research the leadership is reviewed through the employee perception of the way leaders lead the institution, how they create and communicate the vision and strategy in the administration, how they stimulate the employees to get involved in the decision making and how they manage the changes.

According to the answers in the questionnaire, almost half of the respondents (46%) think they cannot contribute with their standpoints before decisions are made and they are not informed about the things that concern them (41%). These have been confirmed in the focus group pointing out the lack of regular inter-sectoral coordination and communication, including communication with the senior managers of the institution. These situations impact the quality of the work.

Table 2: Positive response regarding the "Leadership and change management" factor

Leadership and Change Management

	% positive answers
Overall, I think the institution is well managed	67%
The institution regularly informs us about the issues that concern us	59%
I believe the management team of the institution has clear vision about the future	65%
I have opportunities to contribute with my standpoints before decisions are made that concern me	54%
My superior stimulates me to be creative in my work	66%
I think the changes in my organization are well managed and dealt	60%
When changes are introduced they are usually for the better	61%
I think there won't be problems if the manner in which the things are done in my organization is reconsidered	72%
The management communicates well with other parts of the organization	63%

■ % positive answers

Other important issue emphasized during the focus group discussion was the management of the institutions. In other words, the respondents deemed that the professional system of valorisation should be clearly specified to introduce objective criteria for recruitment, awarding and sanctions in the course of the work. The performance based management done by evaluating the work achievements, is not realistic and deviates from the essence of the entire system. The performance based awarding criteria are unclear and non-transparency. This situation influences the employee perception about the concept of organizational justice and highly decrees their motivation and the moral.

The change management is also one of the critical points. Only 61% of the respondents think that, when changes are made, they are usually for better. Others do not agree with this. Similar situation exists in regards to the manner in which the changes are managed and dealt

with. Only 60% of the respondents replied positively in this aspect and the remaining 40% think the changes are not well dealt. The reason for this is mainly due to the weak communication in the institutions, the weak involvement of the management and employees in the change process, the tight deadlines and huge pressure in the implementation of the working tasks. This, on the other hand, leads towards low level of operational support in their implementation, short life of the changes and lack of continuity.

The research and discussions in the focus group refer to a number of challenges in this segment, starting with the issues related to communication and coordination on a level of employee/ manager, lack of management competencies – especially among the middle management, organizational culture that does not stimulate innovation and creativity and excludes employees from the policy making and monitoring processes. All of this is supplemented by inequality and unfair treatment when dealing with the employees and preferential treatment towards some employees which disrupts the principles of professionalism and ethics.

5. Conclusions

The public administration is the main administrative space where the key issues in the development and implementation of public policy are resolved. Therefore, effective management in the administration becomes a fundamental principle for efficiency of the public policies and employee engagement is essential component that impacts the quality and effectiveness of the public policies.

Presuming that institutions are the one who shape the public policies, their potential for leadership, management, fair treatment and communication, will stimulate or inhibit employee engagement. Dedicated, enthusiastic and engaged employees, in organization which the strategy is guided by inspirational leadership, with strongly built system of values based on freedom, self-respect, equality and fair treatment as a starting point for fostering more effective public policies in the Macedonian administration.

Improvement of strategy planning processes and monitoring of the public policies leads towards more credible and more inclusive decision making process, hence to more effective public policies. The administration in this process plays a key role in the use of methods, techniques and provision of evidences in development and monitoring of the public policies. Lessons learned from previous interventions, learning from best international practices along with continuous

control checks – are the base for continuous improvement of the quality in work and delivery of services.[9]

The research has shown that evaluation of the public policies is lacking in the administration of Republic of Macedonia or is done informally, which directly influences the quality control as well as control over public finance spending. The benefits from improved monitoring and evaluation system in the administration of Republic of Macedonia are equal for those making the decisions, for the professionals, but also for the citizens. *For the politicians*, the planning based on solid analyses and reconsideration of the current policy means adoption of better and more informed decisions, increased transparency, accountability and responsibility towards the citizens. *For professionals*, this is how they identify what works and what not and possibility to emphasize the decision-maker evidence that will improve the results, and quality of the programs; financial implications, possible savings and their effects. For the citizens, this means better access to information connected with the policies implemented by the Government and better opportunity for monitoring and control.

Leadership and change management, although most important motivational factor that influences overall employee engagement index alone cannot transform the administration into more efficient and more effective, but it is necessary to relate with other parameters that define the employee engagement, as team work, fair treatment, conditions of work etc. Research has shown that involvement of the employees in the decision making process and the quality of relationships between the employees and managers is significant factor that influences the employee engagement. The employees who are engaged and have good relationship with the superiors are more likely to invest extra efforts towards achievement of the institutional goals.

Role of the leaders in the Macedonian administration is the key for creating culture of changes. One of the most important prerequisite for employee engagement is the way leaders are establishing atmosphere of psychological certainty and trust for the employees to feel safe in the time of changes. Although the changes initiatives are indispensable part in operation of every institution, they do not always end up successfully. The reasons behind are mostly related to resistance to the novelties which might bring doubts and ambiguities; weak communication of the vision and objectives or lack of trust for the need of changes. In this research, most of the respondents think the changes

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[9] The concept of excellence in the work is well known in the administration of Great Britain. The main postulate there is that the "good is the enemy of excellence" and that we have obligation to aim towards better.

do not entirely contribute towards improvement of the processes, nor that they are well managed. They identify the reasons for this in the weak communication, low inclusion and tight deadlines for dealing with the novelties and challenges.

Lack of transparency and accountability and unnecessary secrecy to the stage of conspiracy, the fragile exchange of information and the week coordination still prevail in the administration in the Republic of Macedonia. Consequently, there is a significant absence of pro-initiative, passion for work, enthusiasm and care for the public interest by the employees. The employees feel excluded, insufficiently informed and not involved in the implementation of the public policies and strategies, even in the times when they want to contribute towards their better implementation. On the other hand the good communication would mean stimulation and exchange of knowledge and experiences, reduction of the conflicts and increase of the cooperation, ownership and esteem. With this, it is more likely that the employees will invest more efforts for successful implementation of the public policies and programs.

In a diverse society as it is Macedonia, decentralization of the decision making in the administration management could be an advantage in reference to the weaknesses of the highly-centralized systems. The advantages of decentralized management are the opportunities to apply alternative problem solving and decision making methods, on a level closer to the citizens, especially relevant to embrace diversity and to work towards more inclusive public policies.

6. Recommendations

1. **Those leading the administration and involved in the decision making processes need to recognize that employees in the administration are key actors in creating strong, stable and effective public policies and programs.** Therefore, building a culture in the quest for better results and excellence in service delivery, continuous improvement of the systems and procedures, investing in human capital and development – all contributes towards improved public policies and efficiency in the work.

2. **Improving the strategic planning process remains a crucial element for results-oriented planning, monitoring and evaluation of public policies** with a clear process of cross-sectoral cooperation and sharing lessons learned and best practices from the implementation of the activities.

3. **It is necessary to improve the accountability of the public institutions**, monitoring of public finance and evaluation of the outcomes and impact of the public policies. Establishing mechanism for compulsory evaluation of the major public policies is essential.

4. **Strengthening of the role of each individual in implementation of organizational/sectorial goals,** as well as improving monitoring practices of the policy/program performance. It is vital for the employees in the administration to understand they work for greater public interest, to be competent and skilled to use techniques for planning, monitoring and evaluation of the public policies, to initiate the participation of the citizens and other relevant stakeholders in that process and to advance development initiatives.

5. **Communicated vision for changes with clear objectives and justification**, introduced by the top management in the institutions, leads towards building effective public policies. The successful change management requires a well-developed plan, flexibility and creativity in problem solving, involvement of the employees in the decision making process and identification of clear roles and responsibilities. Encouragement of discussions based on arguments and consideration of the opposite opinion, along with wider consultations is essential for new and more creative solutions that can improve the final outcome of desired change.

6. **Improved quality of relations between the managers and employees**. Management approach in sharing and communicating the messages, understanding the objectives and interests of the employees and encouraging dialogue for reaching of the objectives – are the key factors for successful implementation of the policies. The top management needs to have strategic approach towards building a common vision about the changes in public policies. This approach will provide so called "psychological agreement" between the management and the employees i.e. will stimulate a relationship based on mutual trust. The openness, stimulation of creativity and innovation when achieving the organizational objectives are important elements in the work. The manner in which the employees are treated, the communication and trust – are the basic elements for improvement of the employee engagement.

7. **Consistency in communication.** Macedonian administration needs to improve the communication that contributes towards inclusion of the employees in the decision making process and implementation of the public policies. Appreciation and recognition of the existing expertise and building sense of ownership in the

implementation of programs and strategies and results will contribute to more effective policies. Measures for professional, regular and timely communication will increase the trust of the employees and will improve system of information sharing between the colleagues and professionals.

8. **Decentralization of the decision making process** (including financial) **and improvement of accountability** at all levels in the institution are all prerequisites for reinforcement of personal responsibilities. The advantage of decentralization is possibility for applying alternative methods for problem solving closer to the citizens hence creating conditions for more effective administration and thus effective policies.

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IMPROVING PERFORMANCE OF PUBLIC ADMINISTRATION: CURRENT EXPERIENCES AND FUTURE PERSPECTIVES

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Abstract

The politicization of the public administration continues to be serious concern for Macedonia as EU candidate member state. The principles of transparency, accountability, and merit are not yet fully applied and there is lack of serious systematic approach for increasing the performance and integrity of public sector employees. UNODC survey shows that only in Macedonia, more that 20 % of citizens or members of their households applied for a job in the public sector, out of which 18 % actually secured a job. Of those who were successful, 6 % have admitted that have paid money, gave a gift or done a favour in order to be hired. The lack of system of integrity, the lack of transparency during the recruitment process has made the public officials extremely vulnerable to corruptive criminal acts corruption and different types of conflict of interest.

Hence, this paper aims to identify the key problems and risks encountered by the public administration related to: the lack of system of merit, the corruption risks in the public administration and the lack of transparency during recruitment process. This research paper will examine the indicators for preventing and repressing the administrative corruption in Macedonia, based on international reports and surveys data, MCIC survey data and data gathered from semi-structured interviews, conducted in 2014 for the purpose of Corruption and Organized Crime Assessment report.

As result, set of policy recommendations for increasing the performance and accountability of the public administration in Macedonia, applicable to other Western Balkan countries are offered, as key steps towards democratization and further EU membership.

Key words: *public administration, performance, recruitment, corruption, system of merit*

1. Introduction

"*They (public administration reforms) do not fail because, once implemented, they yield unsatisfactory outcomes. They fail because they*

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never get past the implementation stage at all. They are blocked outright or put into effect only in tokenistic, half-hearted fashion." (Polidano, Hulme, 1999: 129).

New globalized changes and emerging economic and political risks foster governments to face unprecedented challenges: to transcendent the needs of its citizens into actions, to accelerate necessary reforms towards democratization and to provide visible social results. In this regard, the principles of transparency and accountability play the key role to "gate-keep" the governments and to "arm" democracies with the necessary mechanisms and tools for producing good governance, fairness, competitiveness, growth, progress.

Ensuring the potential of governmental transparency and delivering effectiveness and accountability in the public service requires capable public administrators, as well as stakeholders from business and civil society, which are able to initiate, implement and evaluate innovative and sustainable forms of government services. (World Economic Forum, 2012: 8). Yet, for many modern and developing democracies, including the Western Balkans, it is a real puzzle to find administrative arrangement that will shape the administrative incentives and determinate their accountability that are common and persistent during their service to the citizens.

Hence, reforming the public administration is and has been one of the most important horizontal reform areas in each country, proving a framework for implementing other policies for building democratic societies. Due to its potential, it also provides a sound basis for implementing the EU *acquis communautaire* for full EU membership of the candidate countries and potential candidates. (SIGMA, OECD, 2014: 4). In this regard, the EU enlargement criteria recognize and emphasize the need for a country to build a national public administration with the capacity to pursue principles of good administration.

Implementing public administration reforms is and has been one of the top priorities for the Western Balkans states as well. As a result, the legal framework has been improved and the transformation of the system has been progressing. Yet, most of the Western Balkans are facing numerous of challenges in reforming the public administration. Republic of Macedonia is not an exception. As pointed in the past EU progress reports, the country still needs to face several challenges in reforming the public administration and its performance as result of several risk factors: lack of accountability, transparency, unstable recruitment process during hiring, politicization of public officials etc. Due to the lack of proper system of merit and lack of mechanism for strengthening the standards of integrity, the long-term institutional

efforts to deliver effective transformation of public administration are repressed. In such case, not only that the public officials are put on risk to underperform and mismanage, but also they are put to vulnerable positon and risk to corruption, fraud, bribe or any other form of wrongdoing.

Furthermore, is its more than necessary to monitor the progress of the public administration reforms and to provide aspects of successful examples which have rooted its democracies into efficient systems of standards and principles, such as those of the Scandinavian countries. As result it is important to emphases that one of the key elements of wrongdoing in reforming the public administration in the most EU candidate states is the lack of transparent and merit-based civil service recruitment process.

Hence, this paper aims to identify the key problems and risks encountered by the public administration related to: the lack of system of merit, the corruption risks in the public administration and the lack of transparency during recruitment process. This research paper will examine the indicators for preventing and repressing the administrative corruption in Macedonia, based on international reports and surveys data, MCIC survey data and data gathered from semi-structured interviews, conducted in 2014 for the purpose of Corruption and Organized Crime Assessment report. The paper also examines the available data of the process of recruitment and selection of civil servants the public administration in Macedonia 2012-2014, the application of system of Merit and the corruption risks related to the politicization of public administration in Macedonia.

As the result, set of policy recommendations for increasing the performance and accountability of the public administration in Macedonia, applicable to other Western Balkan countries are offered, as key steps towards democratization and further EU membership.

2. Methodology

Desk Research (secondary sources review) was conducted based on international and national reports; OECD reports, World Bank, UNODC surveys etc. Further, relevant data was used from the *Corruption and Organized Crime report*, published in 2015 and the *Corruption Assessment report*, published in 2014 which were based on conducted business survey on 400 companies in Macedonia, national corruption monitoring survey among the population and 40 semi-structured interviews with representatives from different governmental and non-governmental institutions (anti-corruption bodies, law-enforcement,

judiciary, private sector (lawyers, auditors, and fraud-investigators), academics and journalists. The quantitative summarized results of the surveys have been analysed by SPSS statistical programme. The surveys have been complemented by pre-desk research on the economic environment and the legislative framework of the country. The desk research has been implemented during the period April-September 2014, integrating the quantitative data from the survey in the business sector. It has registered secondary data from national and international reports, surveys, and relevant statistics from public institutions. The business survey was implemented in the period from 19 May till 7 July 2014 by the Institute of Democracy "Societas Civilis"- Skopje. The population corruption survey was implemented within the project "Fight against corruption" financed by USAID and EU. This survey was implemented in the period from 27 January till 3 February 2014 by the TIM Institute on representative sample of 1210 examiners. Not all types of organized crime, registered by the police, are covered in this report. The qualitative data of this report has been complemented by the collection of data through standardized personal semi-structured interviews with key experts involved in investigation of organized crime and corruption. Typically interviews have been carried out at the respondent's institution. To secure reliable information about the levels and characteristics of corruption and organized crime, complete anonymity has been guaranteed to respondents. The introduction and conclusion of the questionnaire was identical for all interviewees. Specific modules for the different types of interviewees (customs, police, judicial, political, and private sector corruption) were developed. Experts with broader or more general knowledge, such as academics and journalists, were interviewed on several sections of the questionnaire, while other interviewees felt comfortable answering to only one section (e.g. police or customs). An attempt was made to obtain at least general views of the interviewees on all main aspects of corruption. All questions were opened, as the bullet points provided only prodding questions to the interviewers. Interviews lasted between 1 and 2 hours, some even longer. 90% of the interviewees had direct experience in investigating or studying corruption organized crime answered positively, and only 10% answered that they had partly experience in this area.

3. Principles of Public Administration

Countries develop at different speeds and exhibit differences in their governance culture and approach to implementation of public administration reforms. (SIGMA, OECD, 2014: 7). However, some Principles are universally applicable in all countries and form the core

of these Principles of Public Administration. The key requirements of "reform leadership" and "functioning management system" are at the heart of PAR policy and are critical in ensuring it is actually implemented and does not remain only on paper. (SIGMA, OECD, 2014: 7).

The Principles define what good governance entails in practice and outline the main requirements to be followed by countries during the EU integration process. [2] Hence, as a minimum benchmark of good administration, countries should ensure compliance with these fundamental Principles. (SIGMA & OECD, 2014: 7).

In each country, the Government's attention to a given Principle may vary depending on the governance structure, the administrative culture, the key country-specific challenges and the previous reform record. Thus, the framework enables establishment of a coherent set of requirements in all countries, while allowing a given country some flexibility in setting its PAR challenges and objectives. (Bovens. M, 2005: 2).The extent to which a given candidate country or potential candidate applies these Principles in practice is an indication of the capacity of its national public administration to implement effectively the acquis, in accordance with the criteria defined by the European Council in Copenhagen (1993) and Madrid (1995). (SIGMA, OECD, 2014: 12).

Key factor for implementation of all five key principles of the public administration is the accountability of public institutions: a proper organization of state administration, access to public information, a system of checks and balances, and an efficient system of internal administrative appeals, as well as independent oversight and judicial review of administrative cases. (SIGMA, OECD, 2014: 22). Public accountability is important to provide a democratic means to monitor and control government conduct, for preventing the development of concentrations of power, and to enhance the learning capacity and effectiveness of public administration (Bovens, 2010: 26, Aucoin & Heintzman 2000: 45).

As pointed by Bescehl in his paper "Rebuilding the Civil Service in a Postconflict Setting: Key Issues and Lessons of Experience," another key factor for effective performance of public administration is the management of public personnel. In this regard, the World Bank points a basic set of issues concerning the management of public personnel including among others: *Recruitment and promotion and appropriate*

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[2] *"Enlargement Strategy and Main Challenges 2014-2015",* Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions: COM(2014) 700 final, 8.10.2014 Brussels.

boundary between the political and administrative spheres. (Beschel Jr., 2002: 1).

3.1 Public Administration in Macedonia: Recruitment and Selection of Civil Servants

Republic of Macedonia has initiated a process of public administration reform in 1998, as one of the most significant reforms in the overall process of transition and development (Markic, 2002: 3). With the adoption of the Ohrid Framework Agreement and the constitutional amendments, the public administration reform emerged as additional priority with respect to the equitable representation of the members of the communities and the decentralization process. Based on the inherent needs to deepen the democratization and ensure stability of society, to enhance the development of market economy and to redefine the role of the state in society, the overly large, mostly command and control functions of the state started to be replaced with regulatory functions more consistent with a market economy, as well as to meet its strategic goal of accession to the European Union. (Markic, 2002: 3). The Strategy on Public Administration Reform adopted by the Government of the Republic of Macedonia in May 1999 has confirmed the commitment for implementation of this long and complex process (Markic, 2002: 4).

Due to the taken steps in the past decade, the World Bank Reports confirms that the overall Macedonia legislation of PAR is aligning the country's policies closer with the EU. (World Bank, 2013: 12) Yet, the reports also emphases that further work is essential for the enhancement of administrative capacity for legislation implementation into practice and enforcement in alliance with the EU progress reports that will repress the politicization of the public administration, at both central and local level. The recruitment and the selection of Civil Servants is one of these remaining challenges.

Contrary to most of the Central and east European transition countries which have opted-out for a career system when defining the aims of civil service reform, the Republic of Macedonia has chosen the position-based system for its civil service (Markic, 2002: 7). As pointed by Markic, the key goal of the Law on Civil Servants as legislative act in the area of civil service reform was to create conditions for development of a professional, politically neutral, competent, accountable and stable civil service, representing efficient service for the citizens and business entities (Markic, 2002: 7). The principles for the development of the civil service set out on the PAR Strategy are supported with the Law on Civil Servants, which additionally, provides the basic and general

legal framework for the training and professional development of civil servants.

The same year, the *Civil Servants Agency* was established as an independent State body with a mission of fostering an independent, professional and efficient civil service answering to the needs of the citizens. Its' main functions are creation, implementation and coordination of consistent Human resources management policy for Macedonian public administration. In line with the principles of the European Administrative Space, one of the tasks is to create uniform standards throughout the civil service regarding the training and professional development of the civil servants as well. In May 2000, the Government of the Republic of Macedonia also adopted the "Strategy for Civil Servants Training in the Process of Macedonia's Approximation to the European Union" (Gestakovski, 2005: 4). The strategy defines the aims, target groups, areas of EU training, methods, mode of funding, management, and coordination with the activities for EU training, and evaluation and monitoring of trainings (Gestakovski, 2005: 4).

According to the Law Amending the Law on Civil Servants ("Official Gazette" No.167 / 10), adopted by Parliament at the end of 2010, the Civil servants continued to work as *an Agency for Administration*. For its work, the Agency submits annual report for adoption to the Parliament by the end of the first quarter of the current for the previous year.

The Agency for Administration carries out the following responsibilities:

- Gives written consent to the acts on internal organization and systematization of jobs in the bodies of the civil service;

- Organize and implement the procedure for selection and employment of civil servants;

- Decide on appeals and complaints of civil servants, as an appellate body and

- Performs other duties prescribed by law. (Agency for Administration, 2014: 4).

With the start of implementation of the Law on Public Servants (April 24, 2011) Agency exercised responsibilities related to:

- Procedure for the selection and employment of public servants and

- Protection and deciding on the rights and obligations of public servants; (Agency for Administration Report, 2014: 4).

Furthermore, the responsibilities of the Agency also exercised with the start of the implementation of the Law on Administrative Officers, who started to apply from 13 February 2015. (Agency for Administration, 2014: 4)

Hence, the Agency is due to the following**:**

- Advertisements for recruitment of administrative staff;
- Organization of selection procedures of administrative officials;
- Handling complaints and appeals of administrative officers in the second degree;
- Conducting the examination for administrative officer, the examination of administrative management and test of personality;
- Keeping records of candidates who have submitted false evidence in the application for employment;
- Other matters determined by law (Agency for Administration, 2014: 4).

The Agency and the state bodies have the selection responsibilities as individual employers of civil servants. The rules on recruitment and selection of civil servants are based on two principles: *equal access to jobs in the state sector* and *merit-based selection*. According the law on Civil Servants, the state bodies decide individually, through their internal employment commissions, on the final selection of civil servants. The Agency organizes the examinations for civil service candidates and carries out the pre-employment selection. Upon the announced public competition by the Agency for staffing of a vacant job, the state secretary of the body concerned forms an internal Commission on implementation of the procedure for employment of a civil servant (Markic, 2002: 12).

Professional examinations for civil servants are also required, though junior positions, the position of a Secretary and the horizontal mobility of civil servants are exempted from the rule. The system is otherwise open to new entry at any level. There is no preference in terms of early career entry. Recruitment of civil servants is conducted on the basis of the constitutional principle of equal work opportunities and merit (RESPA, 2009).

3.2 The System of Merit and Civil Service Recruitment

The systems of open competition and merit recruitment are essential for bringing about civil service management that embodies principles

of openness, fairness, professional competence and political neutrality. It is widely assumed that merit recruitment improves the performance of public administration and hence the prospects of successful implementation of EU policies in the Western Balkan states (Meyer-Sahling, 2012: 33). According to the World Bank governance and public management sector, the merit principle in the civil service entails the appointment of the best person for any given job, made through recruitment or promotion based on explicit merit rules that are publicly understood and can be challenged if a breach is suspected (World Bank, 2000: 1). Merit systems can be broadly divided into „career systems" and „position-based systems." In career systems, the objective is to ensure that initial entry to the civil service is based on the knowledge of the candidates, generally as indicated by a relevant university degree or academic credentials. (World Bank, 2000: 1). Subsequent mobility and promotion allow movement within the civil service. In position-based systems the emphasis is placed on selecting the best-suited candidate for each position to be filled, whether by external recruitment or via internal promotion or mobility (World Bank, 2000: 2). Career systems make appointments through promotion from within the civil service. Position-based systems allow more open access, with lateral entry relatively common (World Bank, 2000:2).

Position-based systems are less likely to include criteria based on academic qualifications, but certainly can. In Sweden, for example there are minimum educational requirements for certain occupations (e.g. judge and police officer), but the Public Employment Act specifies that priority be given to skills.

Yet, no administration operates as pure merit system. Typical exceptions are:

- Elected officials. Firstly and obviously, some officials are elected, not appointed;

- Political appointments. Those elected officials may hand-pick some political advisers;

- Affirmative action. Several administrations have used recruitment / hiring practices to speed up the advance of members of a disadvantaged group, such as women or certain ethnic minorities;

- Internal appointments and transfers. Most administrations have restricted certain promotion posts to existing staff in order to minimize transaction costs and to provide career development opportunities. (World Bank, 2000: 3).

In most of the OECD countries, political appointments tend to be concentrated at upper levels of management, or among „sensitive" posts (the secretarial staff of a minister, for example). This contrasts with the reality of parts of the developing world, where political affiliation may be the primary selection criteria for posts throughout the organizational hierarchy.

In Western Balkan, major efforts has been made in order to institutionalize procedures that are supposed to ensure merit-based recruitment to the civil service (Meyer-Sahling, 2012: 33). Basic requirements such as compulsory advertisement of vacancies are applied in all countries. Yet, even if Western Balkan states present a very good record with regard to the application of merit recruitment, and even if merit institutions are widely accepted by civil servants, they perform poorly with regard to the effectiveness of merit rules (Meyer-Sahling, 2012: 33).

In particular, recruitment practices continue to be characterized by a high degree of informality and favouritism, the use and abuse of discretion, and a high degree of party patronage (Meyer-Sahling, 2012: 34). Weak private sectors, high unemployment and underemployment have increased societal demand for jobs in the public sector. Political parties have stepped up as facilitators to satisfy the demand for jobs from their supporters. The problem of party patronage for the sake of rewarding party activists and their entourage is endemic throughout the region (Meyer-Sahling, 2012: 39).

While all countries have invested in the establishment of merit recruitment procedures, there are considerable differences in institutional make-up and in particular in the capacity to ensure merit-based outcomes of recruitment processes. A basic dividing line exists between, on the one hand, Kosovo, Serbia, Croatia and Montenegro who have a low capacity to ensure merit-based recruitment, and, on the other hand, Albania, the Republic of Macedonia, Bosnia and Herzegovina, Serbia who have a slightly higher capacity (Meyer-Sahling, 2012: 33). However, it has to be recognized that the effectiveness of merit rules remains generally low across the Western Balkan states (Meyer-Sahling, 2012: 33). The recruitment systems in Bosnia, Albania and Macedonia are more centralized and more standardized and the persistence of discretionary power is also characteristic of the recruitment systems in Albania and Macedonia (Meyer-Sahling, 2012: 35).

In Macedonia, candidates have to pass both a general and a specialized exam. At the end of the process, an open list with the three highest scoring candidates is submitted to the recruiting institution. The examination procedure not only takes a lot of time, but, it is also

costly and has further undermined the credibility of the examination procedure. Furthermore, many competitions turn out to be fake competitions, as the winner is known in advance before the start of procedure (Meyer-Sahling, 2012: 35). If the civil servants are generally in favour of written and oral examinations as a means of selecting candidates, this situation significantly damages the credibility of the current recruitment systems (Meyer-Sahling, 2012: 35).

Another main weakness of examination systems is their inability to properly screen the competencies of candidates. According to the interviews conducted for the purpose of the OECD report, the threshold for passing general examinations is usually very low (and it appears to be low even for specialized examinations), meaning that the pass rates tend to be high (Meyer-Sahling, 2012: 36). Hence, a large proportion of applicants in Macedonia, are screened out by failing to meet formal requirements or by failing to turn up at the exam (Meyer-Sahling, 2012: 36).

Establishing an appropriate structure for a career-based (merit) civil service requires a compatible legal, social, political and economic environment (Analytica, 2008: 3). Additionally, career based systems are typical for stable democracies where institutional performance is based on strictly defined legal acts and mutual dealings and it is less appropriate for countries in a transition. Therefore, Macedonian political and economic environment is hardly a fertile ground for proper career-based civil service (ibid.). When the civil service is bloated, ineffective, incompetent, corrupt, or lacking in the resources to extend and improve public services and implement national policies, reunification and reconstruction become far more difficult and uncertain (Rondinelli, 2006: 1).

3.3 Politicization & De-Politicization of the Public Administration

The recruitment process of the public administration is a key "gatekeeper" of the procedure to prevent politicization, corruption, interference, control and wrongdoing as well as overtaking the critical sections for private goals (Tudzarovska-Gjorgjievska, 2015: 13). On the other hand, the labour productivity in Macedonia and Western Balkans remains low as well as the high levels of unemployment. Unemployment in Macedonia is among the highest in Southeast Europe and estimates of informal economy as well (Tudzarovska-Gjorgjievska, 2015: 13). Hence the employment in state administration is seen as job opportunity and job market attracting, voters, party members and regular citizens.

According to the 2014 annual report of the Macedonian Agency for Administration, during 2014, the Agency published a total of 384 public

announcements for 2190 new jobs openings. The Agency also published a total of 77 internal listings for 166 employees. A total of 109,183 applications for employment have been submitted and processed by the Agency and a total of 229 applications for employment by way of internal competition. Based on the announced public calls, the Agency organized and conducted 344 administrative procedures for recruitment, 3142 examinations for civil servants and participated in conducting 307 interviews. As regards the procedure for the selection and employment of civil servants by way of internal competition, the Agency organized and conducted 69 procedures (Annual Report, 2014: 7). In 2013, the Agency published 175 public notices to 557 employees for new jobs. A total of 11,833 applications for employment were processed to the Agency. (Annual Report, 2013: 6). During 2012, the Agency published a total of 374 public announcements for 1534 employees for new jobs. A total of 76,262 applications for employment have been submitted to the Agency, based on which it has organized and conducted 385 administrative procedures for recruitment, 3672 examinations for civil servants and participated in conducting 363 interviews (Annual Report, 2012: 6). See Graph 1:

Graph 1: Number of recruitment procedures by the Agency for Administration, 2012-2014
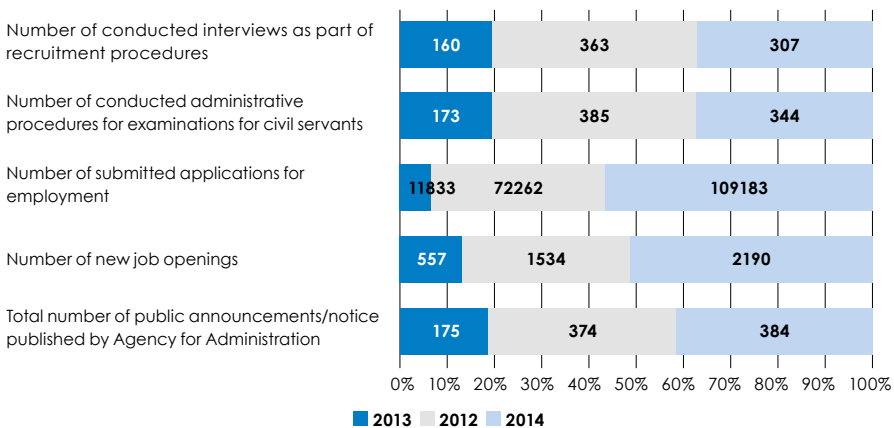
Source: The Annual reports of the Agency for Administration in the Republic of Macedonia, 2012, 2013 & 2014

The Commission of the Agency for Administration for resolution of complaints and appeals of civil servants have act based on 413 complaints and appeals in 2012, 345 complaints and appeals in 2013, and 514 complaints and appeals in 2014. The statistics reported in the annual reports of the Macedonian Agency for administration shows that the highest number of reported complaints and appeals

are related to the recruitment process – selection based on the public administration. As the graph number 1 shows the number of complains and appeals related to recruitment process is the highest, followed by the number of disciplinary procedures and assessments. Moreover, the number of complaints and appeals on the ground on recruitment process has almost doubled in 2014 when it reached its peak of 210 complains in total, while the number of complains in 2012 was 108. See graph 2:

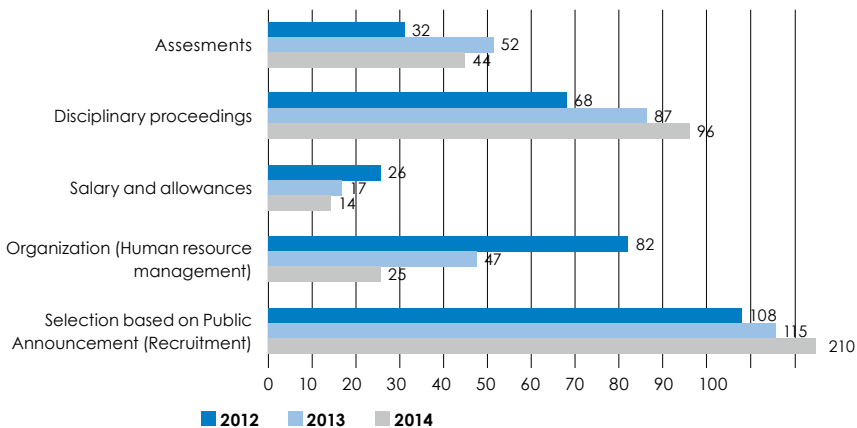*Graph 2: The structure of complaints and appeals under the fundamental basis for Appeal*

Source: The Annual reports of the Agency for Administration in the Republic of Macedonia, 2012, 2013 & 2014

The given results shows high risk of possible politicization of recruitment process, lack of transparency during the selection procedures and lack of sustainable system of merit which has the capacity to select the most qualified candidates for the public job announcements. As pointed by the 2014 EU Progress report on the country as well, the politicization of the public administration, at both central and local level, is a serious concern (EU Progress Report, 2014: 12). The principles of transparency, accountability, and merit are not yet fully applied (EU Progress Report, 2014: 13). OSCE/ODIHR furthermore reported on credible allegations of pressure having been exerted on public sector employees during the April 2014 elections (EU Progress Report, 2014: 12). As reported in the 2014 Progress report, the employment in the public sector in Macedonia continued to increase, in particular in public enterprises. The routine practice of creating new posts on social or political grounds has artificially

inflated the public service, undermining the principle of merit and the overall goal of an efficient public administration (EU Progress Report, 2014: 13).

As part of the state efforts to improve the recruitment process of public administration, new legislative framework for civil service and public employment was adopted in February 2014 and is scheduled to be fully implemented in 2015 (EU Progress Report, 2014: 17). This is a step towards ensuring a unified, transparent and accountable public administration, by introducing common principles to be respected by all state employees and by creating a common regulatory framework (EU Progress Report, 2014: 17). The legislative framework streamlines recruitment for both majority and non-majority communities, putting more emphasis on merit. Furthermore, the new legislative framework will require detailed data on public sector employees to be made publicly available, which should contribute to improving transparency, since there are ongoing concerns about the transparency of the staff dismissal and mobility procedures, and about the methodology of the testing phase in the selection process (EU Progress Report, 2014: 8).[3]

The politicization of the recruitment and advancement in the civil service in Macedonia have been raised as critical issues concerning Macedonia's public administration even in 2008 EU progress report of the country. Back then, inefficiency, corruption and politicization of PA have been identified as obstacles of overall quality of reforms (Analytica, April 2008: 4). Seven years later, the European Commission again is urging the de-politicization of the public administration as one of the key priorities for the country. As stated in the special report of European Commission of June 2015, four key priorities needs to be implemented prior the parliamentary election in 2016:

a) Implement rigorously the new legal framework, Law on Administrative Servants and Law on Public Employees, fully observing the principles of transparency, merit and equitable representation;

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[3] As part of the overall reform effort that the Macedonian administration is making including through legislative amendments and the introduction of a merit-based system of recruitment and development, on 18 February, 2015 the British Embassy has launched a new guide on Human Resources Management Standards aiming to serve as tool for the Macedonian public sector. The standards set out in the guide aim to help human resources managers and practitioners in developing human potential in the public administration. They address issues such as recruiting quality staff to work in the public administration, developing staff, performance management, a framework of core competences and ways to maintain good organisational performance.

b) Employment policies need to follow the principles of transparency, merit and equitable representation in the public service through of open procedures. There should be no further employments not respecting the rules;

c) Impose a moratorium on implementation of the Law on Transformation of Temporary Positions into Permanent Contracts until the principle of merit is fully observed in the transformation process;

d) Provide figures for the total number of public service employees in all government ministries, agencies and other bodies, broken down by sectors. (EC Special Report, 2015: 2).

4. Corruption Risks: Discussion on Findings

The administrative capacity and effective implementation of the PAR is still a high priority of Macedonia in meeting the political criteria as candidate country, alongside with the reforms of the judicial system and the fight against corruption. (EU Progress Report, 2014: 3).Yet, the increasingly divisive political culture, represses the efforts to fight the increasing politicization and government control over state institutions and media and the still fragile inter-ethnic situation. (EU Progress Report, 2014: 3). Macedonia, as the most of the Western Balkans, is facing the need to facilitate managerial and organizational development within the civil service. As reported in the 2014 SELDI (Southeast Europe Leadership for Development and Integrity) Report on Anti-Corruption, the culture of "control" of the administration instead of managing its work through motivation is what obstructs both enhanced professionalism and reduced corruption. (SELDI, 2014: 14). One of the main findings in the report is the mutual reinforcement between competence and integrity. Typically, whenever the anticorruption credentials of a given government department are questioned, it is also found to be wanting in terms of institutional capacity (SELDI, 2014: 17). Conversely, any gain in professionalism has also led to improvement in integrity. Thus, the challenge in the region is how to make transparency and accountability essential characteristics of the civil service while also enhancing its professionalism. Quite often, it is poor management, obscure criteria and inadequate division of powers and responsibilities that hamper reform and undermine government authority (SELDI, 2014: 14).

For the Macedonian citizens, 33, 18 % of the citizens (18% strongly agree and 15, 8% agree) believe that the *low salaries of the civil servants* are also key factor for spread of corruption of Macedonia. The latter might prove problematic in any efforts designed to reform the public

administration through salaries for reform exchange. Also, citizens somehow expect and justify corruption among public officials as a specific characteristic of the local culture (54.9% agree with the statement) (Nuredinoska et al., 2014: 56). Around 79.1%, which is 15 % points higher suggests lack of law enforcement in Macedonia (Nuredinoska et al., 2014: 56). See graph 3:

Graph 3: Factors that impact on spread of corruption in Macedonia
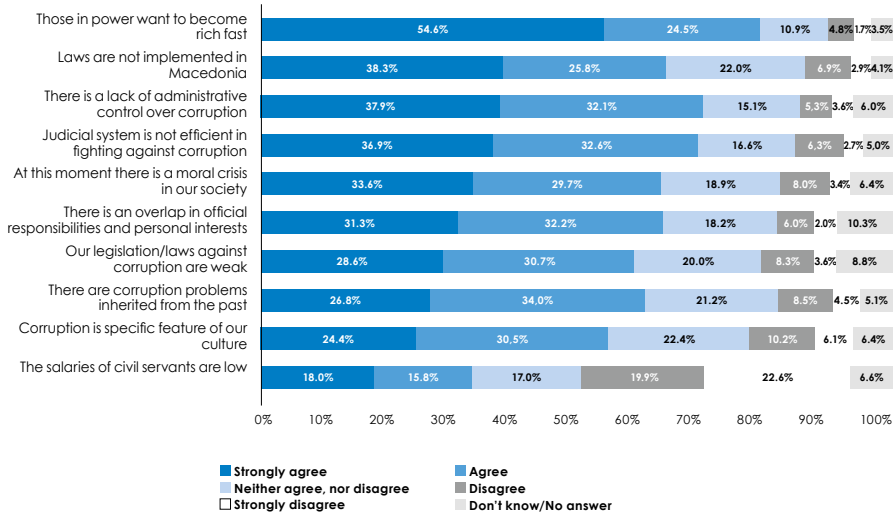
Source: Corruption Monitoring System, MCIC, 2014

Other factor for corruption in Western Balkans is the lack of an adequate complaints management mechanism in the public administration as a first step to dealing with corruption (SELDI, 2014: 67). Hence, Albania only recently amended its civil service legislation, which marked a step forward towards de-politicization, promotion of professionalism and meritocracy (SELDI, 2014: 67). Yet, key steps for proper public administration reforms have been made by Croatia, from recently a full EU member state. In the Croatian civil service, the appointment and employment procedures are the few setbacks in terms of the control of corruption, fight against corruption, efficiency and accountability of the public administration. Yet, in an integrity assessment of ten Croatian municipalities, the average scores have indicated that Information Management, Conflict of Interest and Human Resources Management are three major obstacles in the fight against corruption and efficiency and accountability work of the public administration (SELDI, 2014: 87).

Concerning Macedonia, 2011 UNODC survey, indicated that the job opportunities in the public sector are usually attractive to job seekers,

not only for the nature of the work itself but also for the advantages typical of employment in the public administration, such as job security, associated social status and fair remuneration (UNODC, 2011: 5). According to these results, some 20 % of citizens or members of their households applied for a job in the public sector in the three years prior to the survey, out of which 18 % actually secured a job. Of those who were successful, 6 % admit paying money, giving a gift or doing a favour in order to be hired. Data also showed that public sector recruitment procedures in the country suffer from a lack of transparency, at least in the opinion of applicants who were not recruited: as shown in figure 17, in total, three quarters of those who did not get a job think that somebody else was employed either due to cronyism, nepotism or bribery (70%), or due to the payment of money (5%). Only about 7 % believed that somebody else better fitted the job requirements (UNODC, 2011: 5).

Such indicator of the traditional employment in the public administrations (public official, servants etc.) in the country, usually can make institutions vulnerable to wrongdoing in the public sector and make Governments vulnerable to corruptive criminal acts. In light of the need of effective public administration, based on strong system of merit, the State Commission for preventing corruption (SCPC) in the country has identified the key problems and risks encountered by the public administration relate to:

- Lack of fully decentralized management of public resources;
- Lack of strong guarantees for implementation of the operating procedures;
- Lack of corruption risk assessment in the public administration institutions;
- Lack of systematized measures for corruption prevention;
- Lack of public control over the work of the public administration which opens the doors for different types of conflict of interest (SCPC, 2011: 6).[4]

The centralized system of public resources management allows for high concentration of power among individuals who are exclusively authorized to commit funds on behalf and at the expense of the institutions. Such system creates opportunities for corruption and abuse of funds and is not conducive to the principles of delegation of

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[4] State Program for Prevention and Repression of Corruption (SCPC) Programme 2011 – 2015. Available at: http://www.dksk.org.mk/images/stories/pdf/drzavna%20programa/dprograma%2026.12.11.pdf.

authority, i.e. allocation of responsibility for spending public funds to all management roles in the system. Making pressure on public sector employees during the parliamentarian or local elections in the country is another risk of the centralized system.

Possible risks on corruptive and organized crime practices are possible in the local municipalities during the process of managing the local budgets and the public procurement procedures, as well. In absence of firm regulation, access to public information, openness of the institutions, the public administration can be vulnerable to criminal acts, giving, accepting bribes, etc. (Tudzarovska-Gjorgjievska et al., 2015: 67).

In this regard, during the process of decentralization of the local self-government in Macedonia, successful examples of local municipalities with ongoing increase of integrity have occurred. Positive examples of increasing the integrity, accountability and transparency on local level are the city of Veles, Stip, Strumica, etc. However, there are remaining further challenges for effective introduction of systems integrity is the introduction of policies and tools to ensure smooth and transparent process and continuous implementation and monitoring activities in all municipalities. As said by the interviewers for the purpose of the *Corruption and Organized crime report*, any phase of the administrative procedures is vulnerable to corruption, due to the low salaries of the administration and the public servants as well as weak system of promotion and merits. Another key reason is the lack of control over administrative work, especially concerning the public procurement procedures and e-bidding.

Hence, citizens' opinion is that corruption has penetrated deeply the public administration. Almost 20% believe that all public officials are involved in corruption and 42% view most of the officials as corrupt. Only less than 7% perceive the public administration as practically corrupt-free. This is alarming as it reduces the chances of people reporting corruption. See graph 4:

Graph 4: Perception of citizens about the prevalence of corruption among public officials
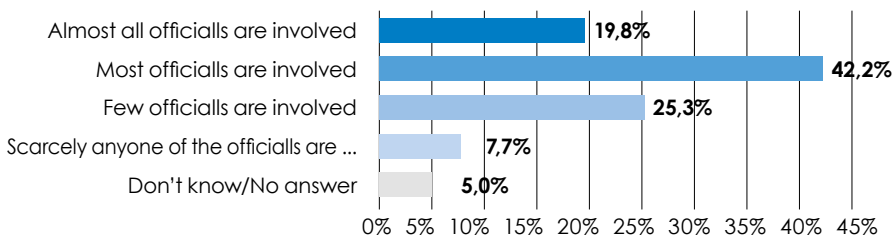
Source: MCIC Business survey, 2014

Therefore, enhancing the administration capacity and building a credible civil society as important anticorruption watch-dog. Such effective decentralize administration is the key factor for economic and political sustainability of Macedonia and other EU candidate member countries.

5. Conclusions

One of the 2013-2020 SIGMA priorities for public administration reform for Macedonia is that a civil service and public employment system based on merit, comparable to the systems in EU member states, is in place by 2020 (OECD, 2013: 4). Moreover, by 2020 the basic integrity systems in the civil service should be in place and political authorities and public employees will be aware of their obligations and of the ethical behaviour expected from them (OECD, 2013: 4). Hence, in order to reach these targets as well as to increase the performance of public administration several key steps should be undertake in order to increase the effectiveness of the public administration reforms and to accelerate the accountability and transparency of Macedonian government(s) as well as other WB as part of their commitments towards the full integration to the EU:

1. As part of the state efforts to improve the recruitment process of public administration, new legislative framework for civil service and public employment was adopted in February 2014 and is scheduled to be fully implemented in 2015;

2. The politicization of the recruitment and advancement in the civil service in Macedonia have been raised as critical issues concerning Macedonia's public administration in 2008 EU progress report of the country for the first time;

3. The statistics reported in the annual reports of the Macedonian Agency for administration shows that the highest number of reported complaints and appeals are related to the recruitment process – selection based on the public administration;

4. For the Macedonian citizens, 33, 18 % of the citizens (18% strongly agree and 15, 8% agree) believe that the *low salaries of the civil servants* are also key factor for spread of corruption of Macedonia. The latter might prove problematic in any efforts designed to reform the public administration through salaries for reform exchange. Also, citizens somehow expect and justify corruption among public officials as a specific characteristic of the local culture (54.9% agree with the statement);

5. Other factor for corruption in Western Balkans is the lack of an adequate complaints management mechanism in the public administration as a first step to dealing with corruption;

6. 2011 UNODC survey showed that some 20 % of citizens or members of their households applied for a job in the public sector in the three years prior to the survey, out of which 18 % actually secured a job. Of those who were successful, 6 % admit paying money, giving a gift or doing a favour in order to be hired. Data also showed that public sector recruitment procedures in the country suffer from a lack of transparency, at least in the opinion of applicants who were not recruited: as shown in figure 17, in total, three quarters of those who did not get a job think that somebody else was employed either due to cronyism, nepotism or bribery (70%), or due to the payment of money (5%). Only about 7 % believed that somebody else better fitted the job requirements;

7. *Introducing merit-based civil service and performance-oriented public management* is crucial for effective implementation of the reform agenda in compliance with the adopted legislative laws;

8. *Strengthening the role of the recruitment agencies – the Macedonia Agency of Administration and its duty to deliver the merit system* is also important for strengthening the overall performance of public administration;

9. *There is a strong need of implementing the key principles of public administration* including introduction of advanced public management techniques such as results-oriented budgeting and introduction on innovative tools and mechanisms for monitoring the success of the implementation of the key principles;

10. *The introduced merit-based systems of recruitment, promotion and evaluation*, should be constantly improved and supported by all relevant actors: state institutions, agencies, private sector; CSOs etc. New mechanisms should be developed for preventing current and future political party affiliation and interference in the work of public administration oriented to their clients – their citizens;

11. *Good managerial standards and human resource management practices* should be developed in order to improve the professionalism of the public administration, ensured by recruitment and dismissal of public official based on merit;

12. *There is a strong need of rule-based public management, led by managers and public official, selected via fair and legitimate recruitment process*. Hence, governments need to improve the

managerial performance and the quality of public services by eliminating political control and interference;

13. *There is a strong need for decentralizes governance and introduction of innovative methodologies and tools for monitoring the integrity and improving the transparency of municipalities*. The decentralized process should be equality effective on central and local level. In order to address these issues, there is need of improvement of the legislative framework and effective anti-corruptive measurements and strategies on both national and local level;

14. *The risks of corruption should be reduced by introducing relevant measurements for countering administrative corruption* and sanctions for public official who have been part of wrongdoing activities; There is also a need of string regulative and independent bodies, transparent budget and accountable public spending;

15. *There is a strong need of decentralized management of public resources, finances and budgets*. Moreover, there is strong need of and reduction of different types of conflict of interest. Hence, there is a need of proper criteria, division of powers and *developed system of integrity* which will increase the responsibilities of the government authorities towards its citizens and the international community.

All these efforts must be supported by effective rule of law, an independent judiciary, formal civil service system based on merit and rules, proper and efficient use of public funds, and internal controls for keeping the governments transparent and accountable. Hence, reforming the public administration and strengthening the decentralized governing is crucial for increasing the performance, productivity, competiveness, effectiveness, transparency and accountability of Macedonia as well as other Western Balkan states as future EU member' states and equal political and economic partners on the global scene.

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PERFORMANCE AUDIT IN THE UK: KEY FACTS AND CHALLENGES

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Abstract

The objective of the paper is to analyse the key facts and challenges related to carrying out performance audit in the UK. The author examines the operation of the National Audit Office and the Public Accounts Committee in conducting performance audit studies and problems which they have experienced with the executive since they moved further away from the account-based approach and have found their higher profile role examining value for money of Government programmes. The author concludes that although conducting performance audit in UK is a well-established exercise, several challenges still remain to be overcome. These are primarily: reluctance of NAO to assess effectiveness of the use of public funds; an excessive clearance of the NAO reports with auditees and possibilities for improved level of implementation of the NAO and PAC findings. At the end of the paper the author proposes several recommendations on how the existing challenges may be overcome, which include a need for attracting additional public interest in the performance audit reports findings, in order to ensure their implementation and safeguard the use of the UK taxpayers' monies. The author also proposes an establishment of the special parliamentary committee, modelled on the UK PAC in Serbia and other countries in the region in order to improve the follow up of the SAIs findings.

Key words: *National Audit Office, Public Accounts Committee, performance audit, UK*

1. Introduction

Over recent decades, performance audits, often referred to as "value for money" audits, have become common in the public sector in Europe. Performance audit could be defined in different ways, but generally denotes the obligation of public bodies to make the best use of the resources at their disposal and obtain three Es – economy, efficiency and effectiveness. All EU member states carry out performance audits, with the exception of Greece (NAO, 2005; Tiron, 2007). Although

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for some performance audit is a relatively new development (e.g. Portugal), in other countries performance audit has a quite a long tradition (e.g. Germany, since XIX century). In Anglo-Saxon countries, performance audit came to the limelight with the introduction of New Public Management ideas that emerged in late 1970s and early 1980s, which led to considerable transformation in public sector management, including the area of public sector audit (Pollitt, 2003).

Performance audit of the use of public funds in the United Kingdom is carried out by the National Audit Office (hereinafter NAO), whose audit findings are followed up a prominent parliamentary committee - Parliamentary Accounts Committee (hereinafter PAC). The NAO is the supreme audit institution of the UK,[2] headed by the Comptroller and Auditor General (C&AG), who is the officer of the House of Commons and thus reports to the Parliament. The key accountability link between the Parliament and the Executive is established through the work of the PAC, which, supported by the work of the NAO, detects irregular and improper expenditure and investigates performance in the use of public funds, by calling government officials to account for the use of public money. NAO and PAC are highly influential bodies within Government and wider society due to their high media profile.

This paper shall examine the key facts related to carrying out performance audit in UK and the challenges which the NAO and PAC have experienced with the executive since they've moved further away from the account-based approach and have found their higher profile role examining value for money of Government programmes. As seen from the executive, the NAO has been pushing at the frontiers of its remit and encroaching on policy issues, which should be discouraged. This has provoked substantial problems when conduct of value for money assessments is in question.

Methodology of the paper is based on combining normative and socio-legal method. Normative method provides a good basis for understanding the legal framework setting for performance audit. However, as institutions and norms represent just a part of the broader social background, they cannot be analysed isolated from their social context (Kokkini-Iatridou, 1986). Therefore, in order to provide a better understanding of the operation of performance audit considerable attention has been paid to analysis of respective social environments through the research of available academic and expert literature in this field. The sociological interpretation has also provided a ground for critical assessment of carrying out performance audit in UK and

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[2] Since 1999 devolution, Scotland, Wales and Northern Ireland also have their audit offices.

has helped opening up debate for challenging the existing settings and practices.

The paper is structured in several parts. The first part of the paper analyses the legal status and management structure of the NAO in order to provide a broader background for analysing the conduct of performance audit. In the central part of the paper focus is laid on performance audit criteria and different phases of performance audit process. Special attention is paid to problems which the NAO has experienced with the assessment of the "third E" - effectiveness of the use of public funds. This will be followed by closer investigation of the follow up of the performance audit findings, carried out by the PAC and Parliament. Finally, the paper shall attempt to provide recommendations on how performance audit of the use of public funds can be improved in the overall UK context of financial accountability and point out the lessons that Serbia and other countries in the region can learn from the UK case.

2. Status and Management Structure of the NAO

The status of the NAO is governed by several acts of parliament: the 1866 Exchequer and Audit Departments Act, the 1921 Exchequer and Audit Departments Act (which repealed and amended most of the provisions of the 1866 Act), the National Audit Act of 1983, the Budget Responsibility and National Audit Act of 2011 and the Local Audit and Accountability Act of 2014.

The independence of the C&AG against the Government is strongly embedded in the legislation. Thus, subsection 1(2) of the 1983 Act establishes the status of the C&AG as an officer of the House of Commons. The C&AG is appointed by the Queen and can only be dismissed by the Queen before his/her term of office expires, on an address from both Houses of Parliament. Subsection 1(1) requires the agreement of the Chairman of the Committee of Public Accounts to the appointment of the C&AG, which additionally secures independence of the C&AG since the Chairman of the PAC is always a member of the opposition. Finally, functional independence of the C&AG is provided by subsection 1(3) of the NAO 1983 Act, which gives the C&AG complete discretion in the discharge of his/her functions concerning value for money studies. However, an important consequence of the granted independence from the executive is that the NAO is not authorised to examine the merits of government policies in its performance audits, but has to limit itself to assessing how well these policies have been implemented (Dunleavy et al., 2009).

The NAO is accountable to Parliament through the Public Accounts Commission. The Commission is responsible for the approval of the NAO's strategy and setting the NAO's budget, appointing the non-executive members of the board and appointment of the external auditor of the NAO (NAOa, 2015). The Commission comprises nine MPs, including the Leader of the House of Commons and the Chair of the Public Accounts Select Committee, who serve *ex officio*. The remaining seven, who may not be Ministers of the Crown, are chosen by the House of Commons.

It is interesting to note that the management of the NAO significantly changed in 2009, from a single headed body to a corporate management structure. The NAO's new governance structures reflected the need to balance the independence of the C&AG with respect to audit judgment, with the need to demonstrate that the NAO practices what it preaches through the exercise of proportionate and independent oversight and controls of its own operations (NAOa, 2015). This change was prompted in 2007 after a large amount of media interest in the travel and subsistence expenses of the C&AG, after which the Public Accounts Commission decided to review the management structure of NAO, to ensure that it followed best practice (Dunleavy et al., 2009). The Public Accounts Commission recommended the creation for the first time of an NAO Board,[3] on which the C&AG would sit as Chief Executive, with a non-extendable term of 10 years, in order to prevent the association of NAO with one particular C&AG for too long a term. These solutions were put on a statutory footing by the adoption of the Budget Responsibility and National Audit Act 2011, which entered into effect in 2012.

The NAO does not have the status of a government department and its staff are placed formally outside the civil service. The C&AG is given a wide discretion regarding the staffing of the NAO. Subsections 3(2) and (3) of the 1983 Act give the C&AG the authority to appoint such staff as he/she considers necessary for assisting him/her in the discharge of his/her functions, on such remuneration and other terms as he/she may determine. Although the placement of the NAO staff

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[3] The role of the NAO board is to provide effective support and challenge in improving the NAO's operations. The board has nine members, of which a majority (five) are not employees of NAO (non-executive members), while three are employees of NAO (employee members) and the final member is the C&AG, as defined in the section 20 of the Budget Responsibility and National Audit Act. The non-executive members are appointed by the Public Accounts Commission, with the exception of the chair, who is appointed by the Queen, upon the recommendation of both the Prime Minister and the chair of the Committee of Public Accounts. This ensures that the nonexecutive members are independent of the NAO's management, and that the chair has the confidence of both the government and opposition in Parliament.

outside the civil service undoubtedly underlies the independence of the NAO staff towards the executive, it may be argued that C&AG`s authority over its staff is too wide and could lead to administrative instability. It therefore may be argued that more stability and possibly higher quality of work would be attained by giving the NAO staff the privilege of civil service tenure. This need is reflected in the part 5 of Schedule 2 of the Budget Responsibility and National Audit Act, which states that in determining the terms of employment of its staff, NAO should have regard to the desirability of keeping the terms broadly in line with those applying to civil servants.

The Office's audit staff are recruited as university graduates. At least an upper second class honours degree is required for entering the service. Graduates are trained as professional accountants. The Office employs around 800 staff, most of which, are professionally qualified accountants, technicians or trainees (NAO, 2015). NAO also employs other specialists, such as economists, statisticians, corporate financiers, operational research specialists and sectoral specialists, which are often employed on short-term contracts, particularly for conducting performance audit studies (White, Hollingsworth, 1999; Dunleavy et al., 2009).

As in other European SAIs, there are two basic strands of C&AG's work within its auditing role:[4] financial audit and performance audit or value for money audit. These two functions are closely interlinked, since findings in financial audit can provide a basis for value for money audit and *vice versa* (White, Hollingsworth, 1999). However, financial audit and performance audit are generally perceived as distinct disciplines, and are performed by NAO as strictly separate exercises.

The NAO's jurisdiction with regard to carrying out performance audit has continuously been widening. In addition to Government departments, executive agencies and non-Governmental public bodies, the Local Audit and Accountability Act 2014 gave the NAO new powers and responsibilities with regard to local government spending,

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[4] It should be noted that in addition to the auditing role, the C&AG also has a role of Comptroller General, which assumes the authority to issue public funds from the Consolidated Fund and the National Loan funds to Treasury, which then distributes it to government departments and other public sector bodies. The Comptroller function is essentially an *ex ante* checking, or financial control function. It is quite interesting that the C&AG has retained this *ex ante* checking role, which is one of the main features of some other supreme audit institutions in Europe (e.g. Italian Corte di Compti, which performs ex ante control of issuance of all public funds). However, it should be noted that this C&AG's function, in comparison to other European Supreme Audit Institutions, is quite restrictive and relates largely to checking of whether the requested amounts conform to the ambit of respective votes.

including preparing and consulting on the Code of Audit Practice.[5] Under the Act, the NAO has powers to examine the efficiency and effectiveness of central government expenditure, including local bodies' use of resources and can provide evaluation, commentary and advice of a general nature to local bodies.

3. Performance Audit Criteria, Phases and Challenges

Although it is often argued that the C&AG concern for issues of economy, efficiency and effectiveness has for quite some time constituted a part of public sector auditor's responsibilities (Dewar, 1985), the existing practice of performance audit was formally recognised only relatively recently, by Part II of the 1983 Act. Thus, Section 6 provides that the C&AG may "carry out examinations into the economy, efficiency and effectiveness with which any department, authority or other body to which this section applies, has used its resources in discharging its functions."

Conducting performance audit represents a shift from accounts based approach and financial audit that was the main function of the NAO before the adoption of the 1983 Act. Although the NAO did conduct studies which had elements of performance audit before 1983, the pressure for substantial reform of the public audit system grew from the 1960s, following concerns expressed by academics and Parliamentarians that the scope of public audit, which at that time covered only around half of public expenditure, needed to be substantially extended. These pressures intensified during late 1970s and early 1980s when a set of doctrines of the group of ideas known as New Public Management emerged in Westminster countries, with the primary focus on increasing the values of efficiency and effectiveness in the use of public funds (Hood, 1991). In this sense, it was argued that there was a need for a specific power to allow the C&AG to report to Parliament at his own discretion on the value for money achieved by government departments (White, Hollingsworth, 1999).

Over the past three decades, the NAO has produced around 40-60 performance audit reports a year on selected issues and policies. These studies typically take six months to a year to complete. They cover a wide range of topics, such as the National Health Service and major defence projects and increasingly focuses on local services including those delivered by local government (NAO, 2015b).

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[5] The Code of Audit Practice sets out what local auditors of relevant public bodies are required to do to fulfil their statutory responsibilities under the 2014 Act.

The NAO uses three key criteria to assess the value for money of government spending i.e. the optimal use of resources to achieve the intended outcomes:

- Economy: minimising the cost of resources used or required (inputs) – spending less;

- Efficiency: the relationship between the output from goods or services and the resources to produce them – spending well; and

- Effectiveness: the relationship between the intended and actual results of public spending (outcomes) – spending wisely (NAO, 2015c).

In addition, the NAO reports that besides these three 'E's, a fourth 'E' - "equity" is applied in some cases. The equity criterion applies to the area of provision of public services and examines the extent to which services are available to and reach all people that they are intended to – spending fairly. This criterion thus assesses whether some people may receive various levels of service for reasons other than differences in their levels of need (NAO 2015c), which results in intentional or unintentional unfair treatment of individuals or groups in the provision of public services. NAO explains the cases in which the equity criterion would be jeopardized:

- The cost and level of provision of a service is more for one group of people than that for another group of people with similar needs;

- Some people cannot reach, see, hear or use a service;

- The service may be unsuitable for some people's specific needs;

- A service is provided in a language that some people do not speak or terms they do not understand; or

- Some people are unaware that the service is available to them (NAO, 2015c).

When an auditor conducts performance audit he/she would be seeking to evaluate the extent to which the audit subject is economic, efficient, effective and possibly equitable. All four should be judged together, otherwise an organisation could be very efficient doing the wrong thing (being efficient and not effective) or could get great results by providing services to one group of people while neglecting the needs of another group (being effective but not fair).

It should also be noted that NAO's performance audit is not always an ex-post assessment, as it in case of audit of larger projects NAO carries out review on how the project is being delivered, before

its completion (Barker et al., 2014). This is particularly the case for significant infrastructure investments, when a series of value for money assessments are conducted. These performance audits focus on how the programme is being delivered, in terms of the planning, procurement or construction phases of infrastructure projects (Barker et al., 2014).

Although each study is unique, several stages in the production of performance audit reports can be discerned, the first one being a research and study selection. Topics are identified by audit staff from close monitoring and analysis of the risks to value for money across various public services, the resources at stake, the impact of the programme on the citizens and whether a NAO report could help to make a difference. The NAO has interest in both examining the successful programmes, and identifying factors contributing to success as well as investigating those programmes that have not been so successful (NAO, 2005). A study can also originate from other sources, including members of the Parliament, departments themselves, or the public (White, Hollingsworth 1999). Furthermore, the background and experience of the auditors are likely to influence the choice of the topic and the perspective from which the performance audit will be conducted (Lonsdale, 2000).

The Public Accounts Committee has a particular statutory role in relation to study selection. Section 1(3) of the 1983 Act provides that in determining whether or not to carry out a value for money study, the C&AG must take into account any proposals made by the PAC. After the initial identification of the study and approval by the C&AG, full investigation can be undertaken.

After the appropriateness of the study is determined a business case for review is drafted. The business case contains the background motivation for carrying out of the study, intended scope, expected recommendations, impact and risks. Once the business case gets approval within NAO, it is sent to a public body in question to negotiate its consent (Dunleavy et al., 2009).

The following stage in the audit process is a production of a draft report, which is based on a specially designed analytical framework. The draft report is produced by the audit team,[6] and is based on following steps: 1) determining the objective of examination 2) identification of what are standards of good performance in a particular case, while taking into account the broader background and existing constraints

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[6] The audit team usually comprises one director, one audit manager and one or two principal or senior managers.

3) assessing the actual performance against the good performance standard (Barker et al., 2014).

Once the report is completed, the phase of presentation and consultation with the auditee begins, in a so-called "clearance process." The objective of the clearance is to reach an agreement between the NAO and auditee on the facts of the case, making sure that both sides agree that all materials and relevant facts have been included in the report and that their presentation was fair. This convention was formalized following a Committee of Public Accounts hearing in 1986 when the NAO and auditee (Department of Education and Science), disagreed on the facts of the performance audit report. The PAC refused to mediate between the NAO and departments and asked for process to be reviewed and agreement on facts to be made (Keen, 1999).

Clearance process can be rather difficult and time consuming and can result in not fully objective final report. At the beginning of the consultation process, the NAO produces a draft report, which may find serious and not easily fixed flaws in management of public funds. A Department's staff often counter the NAO's draft findings, sometimes by producing a third-party report which claims that there are no serious defects (Ritter, 2007). The NAO's staff may have doubts about the third-party report's independence and true statement of facts and can either accept or dispute it. However, as the NAO staff usually try to avoid confrontation, it is likely to accept a department's views at least to some extent and to lessen the criticism of its own report (Ritter, 2007). Furthermore, since the NAO staff have rather tough time constrains when producing performance audit reports, they are also motivated to complete them within the planned time periods, as timely completion is one of the basis for obtaining performance related pay increments (Dunleavy et al., 2009). As a result, the final NAO reports are often much less critical than the original ones. Although the consultation process is not open to public, it sometimes emerges through Freedom of Information Act requests that earlier NAO drafts had been considerably tougher than the final report (Bacon, Hope, 2013). It can also happen that there are multiple redrafts where usually stronger criticism in the NAO's report is rephrased to a more vague statement or proposal for improvement (Dunleavy et al., 2009), which can lead to reducing the objectivity of the whole performance audit process. If it is not possible to reach a common ground, both views can be reflected in the report, which is, however, not that common. The last phase is publication of the performance audit report, which will include recommendations to the auditee.

It should be noted that as the NAO has moved further away from the account-based approach and has found its higher profile role examining value for money of Government programmes, it has experienced some problems in relationships with the executive. After some initial misunderstanding of what was expected, efforts have been made to work out acceptable forms of words going beyond the purely factual element in a report (White, Hollingsworth 1999).

Special tensions have been created with respect to conducting the value for money studies which assess the effectiveness in the use of public funds. It has been argued that among all "Es"- effectiveness, concerned with the extent to which outputs of goods or services achieve policy objectives, has the greatest potential for bringing about change and saving public funds, while maintaining the quality of service provision (Gordon, 1998, Glynn, 1985). However, when the NAO wants to assess the effectiveness it need to first determine the policy objectives, which is often not an easy task. Objectives of government policies are often vague and ambiguous, and even more so is the measurement of their achievement (Pendelbury, Shreim, 1990). On the other hand, as seen from the executive, the NAO has been pushing at the frontiers of its remit and encroaching on policy issues, which needs to be strongly discouraged, since the NAO does not have authority to question policy objectives. Since policy decisions-making is in exclusive competence of the executive, any interference of the auditor in policy matters is deemed unacceptable and is forbidden by the 1983 Act. The subsection (2) of the 1983 Act prohibits the C&AG from questioning the merits of the policy objectives of any department, authority or body in respect of which an examination is carried out. As a result of such a "slippery slope" between determining whether the policy objectives were properly set out in the first place (which is the responsibility of the executive) or whether they were properly implemented (which is the responsibility of the NAO), NAO has been reluctant to enter into this discussion and carry out effectiveness reviews.

Furthermore, NAO has been criticised to be too reluctant to address its findings to an auditee in an open and disapproving manner when examining whether public bodies have achieved value for money for the use of allocated resources and provision of more detailed recommendations on how to overcome the pending challenges. NAO reports have been criticised to be too "soft" and hence sometimes miss big issues that could not generate large-scale savings (Dunleavy et al., 2009).

One of the key problems in this respect is that NAO's reports, as mentioned earlier, have to be extensively cleared with the audited

bodies concerned. This procedure can take quite a long time and involve lots of compromise (Dunleavy et al., 2009). After a lengthy clearance process, NAO is often forced to tone down its criticism and provide general and polite assessment and recommendations in order to achieve the common understanding of the issues with the auditee (Roberts, Pollitt, 1994; Dunleavy et al., 2009), which greatly limits its potential.

Furthermore, the explanation of NAO's not sufficiently strong and independent position when conducting value for money investigations may also be sought for in the ultimate dependence of the NAO on the Public Accounts Committee and Parliament. Although NAO's independence towards both Parliament and PAC is constitutionally supported, NAO's position of "Parliamentary assistant" requires him to pay attention to the needs of its main audiences, members of the PAC and Parliament. In this sense, NAO has to make sure that its reports will, firstly, raise interest of the members of the PAC, otherwise their usefulness could be put in question. NAO is thus criticised for conducting "headline hunting" studies, which would undoubtedly attract PAC's attention, instead of producing more demanding reports, based on complex societal issues. Secondly, and more importantly, NAO's work is constrained by its need to balance opposing views on more sensitive political issues, taking care not to provoke partisanship among its "political" audience (Roberts, Pollitt, 1994), as will be discussed in more detail in the following section.

4. Follow Up on Performance Audit Findings – The Role of the PAC

A key weapon of the parliament in overseeing the public spending is the work of its most senior and most formidable committee, the Public Accounts Committee. Its role is to examine whether public money voted by Parliament has been spent in accordance with Parliament's intentions, and with due regard to not only issues of regularity, propriety, but also value for money. Work of the Public Accounts Committee is substantively supported by the NAO, without whose professional assistance the Committee's control would be almost impossible. On the basis of the NAO reports, the Public Accounts Committee calls officials to account for misuse of public money and reports its findings to the House of Commons. The Committee's reports and the government's responses to them are debated in an annual debate in the Commons and may be raised by MP's at other times.

The PAC is the senior select committee of the House of Commons, with almost a century and half long tradition. It was established in 1861

by Standing Order 122 (now standing order 148). The PAC consists of fifteen Members of Parliament, selected proportionally to the composition of the House. The work of the Committee is to be non-partisan. Impartiality and independence of the Committee is partly secured by the constitutional convention that the President of the Committee is always a member of the opposition. The Committee carries out its investigations based on the accounts, reports and memoranda presented to Parliament by the C&AG. After examination of senior public officials responsible for the expenditure or income under examination, PAC produces its own reports, in which it sets out its recommendations to the public body in question (Redlynch, 2001).

The majority of PAC's hearings and reports are based on performance audit examinations (Dunleavy, 2009). The PAC does not nowadays spend much time on matters of financial irregularity or constitutional impropriety. Most of the PAC's work is based on the C&AG value for money reports on financial management, which are conducted in the areas of trade, industry, agriculture, overseas services, transport and health as well as various other public services.

The choice of the study depends on the nature of the Government's actual programmes, likely interest of the subject to the Committee and the prospect of useful recommendations for improvement arising from their inquiries (White, Hollingsworth, 1999). The PAC usually decides on which case it will choose for further investigation on the basis of the briefing by the NAO and any independent research that a particular member may undertake. The members of the Committee are not individually in charge for any specific portfolio according to their particular interest or expertise, but are responsible for every NAO report. However, personal interest and expertise of members can have important impact on the choice of the case examined.

In order to discuss the findings of its reports, PAC invites witnesses to the hearing. The accounting officer (usually a Permanent Secretary) of the respective public body in question is the main witness at the hearing. In addition to an accounting officer, the PAC can call anyone else to appear before it, except ministers (White, Hollingsworth, 1999). The PAC also invites the C&AG and Treasury Officer of Accounts, or their deputies, to attend every hearing.

It may be argued that the proceedings conducted by the PAC are of a quasi-judicial nature, since witnesses have been put in the position of defendants and are called to account for their actions (Molnier, 1976). However, although the Committee can invoke personal responsibility of the accounting officer, it has lost a formal power to impose sanctions on him/her. Sanctions available to the PAC are mainly of an

informal nature, which, interestingly enough, does not undermine its effectiveness.

Unanimity in the work of the PAC is seen as very important for its effective work. The standard practice is that there must be unanimous support within the PAC for a report before it can be published. This is due to the fact that a unanimous report very much adds strength to the Committee's influence (White, Hollingsworth, 1999). The PAC report will encompass the recommendations of the Committee, based on the hearing.

There is, of course, no automatic route for the implementation of the PAC's conclusions and recommendations. The Government responds to the PAC's report in the form of a Treasury Minute issued as a White Paper, which explains how it intends to follow up the committee's suggestions (White, Hollingsworth, 1999). This is published usually 2-3 months after the PAC report and it outlines which of the PAC's recommendations the government accepts and will act on, and those which it simply notes (that is, which will not be acted on). Departmental replies to the Committee's reports and recommendations thus provide quite a good evaluation of the impact which PAC has on the government administration. If the department or body in question does not accept any PAC recommendations, the Committee can return to the issue at some later point (Dunleavy et al., 2009). If the PAC is not satisfied with the Government's response, it may make further investigations and hence produce another report, which happens in practice only rarely.

Although the PAC has the reputation of being one of the most formidable and successful parliamentary committees, its role in the control of public expenditure is undoubtedly limited and its achievements are not often spectacular, which poses concerns for implementation of NAO findings (Landers, 2000). One criticism is that PAC reports are published long after the event in question, when those responsible are no longer in the department and, thus, cannot be called to account (White, Hollingsworth, 1999). PAC is also sometimes criticised for lack of willingness to get into the true substance of the presented case, trying instead to "grab the headlines" and attract the audience of the MP's (Landers, 2000). Some officials consider PAC too critical of any failures, however small, even in cases when projects were generally successful. Furthermore, it has been suggested that the fear from PAC`s censure discourage officials from considering more innovative projects (Redlynch, 2000).

Although all the mentioned shortcomings in the work of PAC certainly have some weight, they should not be overestimated. Although in general the Committee attracts little attention in Parliament and its

modern role is not as influential as its nineteenth century role of setting good public-sector accountancy practice, its reports do get quite wide publicity and certainly have a strong impact on public bodies' financial decision-making and accountability (Dunleavy et al., 2009). Delays in reporting could also not be taken as serious shortcoming, especially that the PAC, accustomed to work within the framework of an annual timetable, completes its inquiries and presents its reports more speedily than a number of other parliamentary committees (Dunleavy et al., 2009). The criticism related to expertise and neutrality of PAC members, however, should not be too easily dismissed. It may well be the case that the PAC reports are made with the attempt to attract attention of the Parliament as well as wider public as their key audiences, and therefore tend to overemphasise certain shortcomings, while not addressing less visible and more delicate administrative weaknesses.

Finally, the key limitation of the PAC lies in its limited human resources. As mentioned earlier, PAC has only fifteen members, who hold two hearings per week when Parliament is in session. Fifteen Members of Parliament cannot handle the abundance of auditors work in modern times. The NAO already produces more reports than the PAC can examine. This poses considerable challenges to the members of the PAC, to select the most important studies within NAO's scope of work and communicate them in the most effective way to the Parliament, media and wider public.

5. Conclusion

Performance audit in UK is a well-established exercise, which has been carried out by the National Audit Office for assessing whether the UK central Government funds have been spent in the most economic, efficient, and effective and fair way. Most of the conducted audits in the UK are nowadays focused on the achievement of the value for money in the use of public funds, rather than pure financial audit, which is usually not at all subject to dispute.

Several challenges still remain to be overcome in order to improve the existing performance audit practices. The first one is to encourage the NAO to assess the effectiveness of the public spending and make sure that it receives all necessary information necessary for conducting effectiveness reviews. Although it is not disputed that an auditor should not judge the policy objectives, he/she has to be allowed access to all documents related to policy objectives, in order to establish the policy aim and hence assess whether it has been achieved.

The second is the issue of excessive clearance of the NAO reports with auditees, which reduces the sharpness of the NAO reports and results in missing opportunities for savings in public spending. In our view, the existing convention that NAO's reports should be fully cleared with the auditees should be reconsidered as it weakens the position of the NAO and reduces its independence in carrying out performance audit work.

The third important challenge that needs to be addressed is how to secure and strengthen the level of implementation of the recommendations of the NAO and PAC, especially given the limited human resources of the PAC. Possible ways forward in this respect could be subdivision of the PAC to subcommittees or delegation of PAC`s work to departmentally related select committees. Furthermore, it is advisable that PAC focuses its attention on broader, crosscutting issues common to various sectors and bodies and not be concerned with minor matters and processes. Alternatively, PAC could still get involved with examination of issues of lesser importance, but would not need to hold oral hearings on them. This would also help dismiss the arguments that PAC focuses too much attention on smaller failures and thus discourages innovation. A further step would be to give NAO and PAC reports even wider publicity in the media and thus increase the pressure of the public on the Government. Although this influence has up to now been considerable, it is essential that the public be informed of performance audit findings timely and extensively. Therefore, it may be concluded that in a long run, the effectiveness of carrying out performance audit and implementation of its findings will depend not only on the expertise and quality of the NAO and PAC's work, but even more on the general climate within which they work, i.e. the general level of the interest of the UK tax payers on the Government use of their monies.

Finally, the question that could be posed is what Serbia and other countries in the region can learn from the UK experience of performance audit? As performance audit is only in the nascent phase of development in Serbia and in most countries in the region, Serbian SAI would most certainly benefit from learning about different phases through which the NAO conducts performance audits, from the identification of the performance audit study to the drafting of the audit report. The UK case also teaches about the dangers of excessive clearance of the supreme audit institutions reports with the executive, which can reduce the sharpness of arguments and fail to detect waste in the use of public money. Another important point is to take into account an internationally accepted rule that, while undertaking a performance audit, supreme audit institutions (due to their independent status)

should not question or debate a purpose of policy objectives set in legislation or in government programmes. The UK case shows that it is fairly difficult to draw the line between questioning of the purpose of policy objectives and its implementation, which should not, however, deter auditors from conducting important audits of effectiveness. Lastly, the UK case has lots of food for thought to offer with regard to the example of on how the findings of the SAI's report should be followed up by the Parliament and its committees. As pointed out earlier in the text, the UK PAC is one of the most prestigious UK parliamentary committees, which deals only with issues of economic, efficient, effective and equitable use of public funds. In this sense, it would be advisable to establish a special parliamentary committee in the Serbian National Assembly and parliaments of other countries in the region, which will deal solely with holding the executive to account for the stewardship of the limited public funds. Once the committee is established, it is recommended that it starts conducting its own investigations based on the findings of the SAI, just as in the UK case. The findings of both SAI and the designated parliamentary committee should be distributed by media as widely as possible in order to increase the pressure of the taxpayers on the executive to achieve a high value in the use of their monies.

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E-READINESS METHODOLOGY FOR ASSESSMENT OF BOSNIA AND HERZEGOVINA MUNICIPALITIES

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Abstract

Electronic readiness (e-readiness) assessments are conducted around the world since late 90's. Great majority of these assessments are performed at the national level. Assessments are executed for the purpose of benchmarking one society against others in order to determine best case studies, influence policy makers or just for comparison purposes. Assessments are performed by international organizations, private companies, universities, governments themselves and even enthusiasts. Each seems to have a different methodology. However, very little is done on developing electronic readiness assessments at the municipal level. For many countries this is very important since municipalities have the highest degree of interaction with citizens and businesses and the state level government provides little or no direct service to citizens. This paper analyses various e-readiness methodologies proposed on theoretical level and implemented practically. This paper suggests a new methodology for e-government assessment at the municipal level that will provide more suitable benchmarking then traditional national survey of state governments. New methodology will have improved scope, objectively verifiable metrics, ability to conduct self-assessment, and full working benchmarking mathematics allowing for easy use. The research methodology is developed for benchmarking municipalities and it is tested on municipalities in Bosnia and Herzegovina. Results are based on 96 municipalities in BIH.

Key words: *Benchmarking, eGovernment, Municipalities*

1. Introduction

This research paper will provides overview of e-readiness methodologies and reports proposed by academic community and organizations around the world. Paper will focus on Bosnia and

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Herzegovina research. Researchers will suggest a new methodology for e-government assessment that is providing more suitable benchmark method for municipalities. Currently there are no comprehensive methods for e-readiness assessment of municipalities. Most of the readiness methodologies are intended for the national level and include all aspects of society, business, human capital, government, etc. Some are narrowing it down to the government level only, but very few (if any) are considering the scope to be only the municipal or local level. This research will propose a more precise method of e-readiness assessment for municipalities. New methodology will have improved scope, objectively verifiable metrics and will be developed in such a way that allows for self-assessment. Benchmarking mathematics will be explained in details allowing researchers to conduct full analysis by themselves.

The first ever e-readiness assessment was developed by the Computer System Policy Project in 1998. This first e-readiness assessment was named Readiness Guide for Living in a Networked World (Ghavamifar, 2008) and (Mutula, 2006). Bridges.org estimates that up to 2005 over 1500 e-readiness assessment were made world-wide, so we can approximate that over 2000 assessment were conducted so far.

A new tool for e-readiness assessment was adopted on the tenth United Nations Conference on Trade and Development in 2000. Metrics in this tool included four dimensions: connectivity, access, policy and usage (Ghavamifar, 2008).

UN publishes an e-government reports since 2003, with issues in 2003, 2004, 2005, 2008, 2010, 2012 and 2014. According to the UN, this report is used to "measure the willingness and capacity of national administrations to use information and communication technology to deliver public services" (United Nations, 2012). This report covered the 193 Member States of the UN.

Asia-Pacific Economic Cooperation developed its own e-readiness model and was one of the first organizations to develop an e-readiness model back in 1997 (Huang, Huang, Zhao, & Huang, 2004). Goal of the e-Commerce Readiness Assessment Guide is to advance e-commerce in Asia-Pacific region.

The European Union, through various documents and efforts, back in 2001 and 2002 started efforts to improve usage of ICT in EU countries. Different policies, action plans and reports have been developed: *eEurope2003+: A co-operative effort to implement the Information Society in Europe (Commision of the European Communities, 2001)* and *eEurope 2005: An information society for all documents (Commision of*

the European Communities, 2002) is one of the first EU documents to set out an action plan.

In March 2005 the European Commission published a report on twenty basic public services, a web based survey (Capgemini, 2005). Such measures became standard for EU measurement of e-readiness of governments in particular. The following list contains 20 basic public services divided into two dimensions: citizens and businesses. Citizens: income taxes, job search, social security benefits, personal documents, car registration, application for building permission, declaration to the police, public libraries, birth and marriage certificates, enrolment in higher education, announcement of moving and health-related services. Businesses: social contribution for employees, corporate tax, vat, registration of a new company, submission of data to the statistical office, custom declaration, environment-related permits and public procurement.

Brown University conducted survey since 2000 as a part of the Taubman Center for Public Policy and American Institutions. The university started surveying in 2000 and the last published report is for 2007. Brow research was conducted by visiting web pages of the government, visiting more than 1800 national government web sites in 198 nations around the world for each annual research. The metric used in this survey covers: online information (phone contact info, address, publications, databases, etc.), electronic service that the government offers online such as: license renewal, car registrations, inmate database, hunting/fishing license, property search, job search, etc.

Institute of e-government of the **Waseda University** in Tokyo, Japan also conducts an e-government ranking study. They have been conducting this study since 2004 (Obi, 2008). In 2008 this research covered only 34 countries and in 2012 the research covered 55 countries.

Accenture is the private company that has been conducting e-government surveys since 2000 (Shareef, 2008). The Accenture Public Service Value Governance Framework is built around four components: (1) Outcomes, focusing on improved social and economic conditions; (2) Balance—balancing choice and flexibility; (3) Engagement, educating and enrolling citizens and (4) Accountability, being more transparent. Indicators were divided into two dimensions: service maturity and delivery maturity (Berntzen & Olsen, 1-7 Feb. 2009). Weighting was 70:30%, but in later reports it was changed to 50:50%. An interesting aspect of this model is that Accenture performed a survey of users, 400 in each country and 600 in US.

The Economist Intelligence Unit of the Economist Magazine is one of the most prominent privately managed e-readiness assessments in the world. The Economist Intelligence Unit (EIU) is a division of the Economist Magazine. EUI performs assessment annually since 2000. However, only 70 countries are on the list, almost half of the World Economic Forum list. The Economist measures: connectivity and technology infrastructure, business, social and cultural, legal environments, government policies and vision and, finally, consumer adoption. All these indicators are combined in an index based on which countries are ranked. Indicators are formed from over 100 quantitative and qualitative criteria (The Economist - Economist Intelligence Unit, 2003). These indicator were weighted as: connectivity (30%), business environment (20%), social and cultural (5%), legal environment (15%), government policies – later renamed e-services (10%), consumer adoption (20%) (Ghavamifar, 2008).

Paper will first present overview of e-readiness assessments conducted in Bosnia and Herzegovina by various organizations. Furthermore, it will propose new methodology for e-readiness assessment for municipalities followed by indicators, calculation method and implementation on municipalities from Bosnia and Herzegovina.

Fourth chapter will present discussion and interpretation of the results starting with overall survey results and statistical discussion, ending with index scores for each surveyed municipality. Final chapter will present conclusions of the paper and future research recommendations.

2. E-Readiness of Bosnia and Herzegovina

Bosnia and Herzegovina is also included in various readiness reports. The World Economic Forum in its "The Global Information Technology Report 2010-2011" reports that Bosnia and Herzegovina is on the 110th place out of 138 countries that are included in report (World Economic Forum, 2010). The World Economic Report also included Bosnia and Herzegovina in its research for the later years, as well as United Nations. UN publishes an annual report on e-government called the UN Global e-Government Readiness Report and Bosnia and Herzegovina is in the report since 2004 (United Nations, 2004).

Governments around the world use this survey to align policies and define strategies on how to improve government services. For example, Bosnia and Herzegovina in 2004 adopted Policy, Strategy and Action plan for Development of Information Society (United Nations Development Program BIH, 2004). This was done after the country conducted its first e-readiness assessment (Salkić & Zaimović, 2003).

Bosnia and Herzegovina performed several research projects on assessment of e-readiness in the country. Research projects were conducted on the country level as well as on the regional level.

The first ever research assessment was conducted by UNDP BIH in 2003. As part of the ICT Forum, UNDP published the e-Readiness Assessment Report that investigated some of the major indicators on BIH Internet penetration and usage of ICT (Salkić & Zaimović, 2003). This report was published as a part of a country wide conference that gathered major stakeholder in the ICT industry, from businesses, educational institutions to government. At that time, only 36% of government organizations had websites and only half of them with some network infrastructure. Some 40% of municipalities had a web page and only half of the employees had access to a PC.

Soon after this forum, one year later, government adopted the Policy, Strategy and Action plan for IT Development (United Nations Development Program BIH, 2004). This is a set of three documents divided into policy, strategy and action plan. The strategy document covered: legislation, education, governance, infrastructure, ICT industry, eBusiness and eHealth. The action plan listed several hundred individual projects that the government should implement as a result of this strategy. This document was adopted by the Council of Ministers in October 2004.

In 2005, UNDP BIH published yet another e-readiness assessment using a more detailed methodology and a detailed survey (Ćurčić, Zaimović, Šabić, Vujičić, & Dautović, 2005). This report covered the Internet and society, surveying some 1200 households, e-readiness in government institutions at the state level and local municipal level, educational institutions, ICT companies, business in general, and overall computer skills of population. The methodology was based on the World Economic Forum questions and in some part on the UN set of indicators. One of the major findings of this report was that Internet penetration was 21%, which was a surprise to all since the estimate was only 5%.

During 2005, Exit Center, an NGO from Banja Luka, published a report on e-Readiness for Northwest Bosnia (Gajić & Petrović, 2005). This report covered the areas of financial support of municipalities to e-government systems, education and qualification of employees, existence of a web site and other similar metrics.

Also, it is important to mention another publication developed by the EXIT organization "Preporuka za razvoj eUprave" (Recommendation for development of eGovernment), published in 2006. This report does

not provide any particular results related to the situation, but rather an overall recommendation on government development (Petrović & Ostojić, 2006).

Again in 2009, UNDP BIH published a new e-readiness report covering the same set of indicators as in 2005 (Zaimović, et al., 2009). This report covered government, judicial system, educational institutions, ICT industry, telecommunication sector, and households. Furthermore, this report covered the results of the Action Plan developed back in 2004 and gave an assessment of the BIH government's implementation of the strategy. This year showed huge improvement in the country's ICT usage in both governmental and civilian use.

In 2008, Brčko District (which is a part of Bosnia and Herzegovina) published the action plan for development of e-government adopted by the District government (Vlada Brčko Distrikta, 2008). This document does not present and research data, just a list of project the government should implement.

In 2011, Media Centar from Sarajevo published The Development of Local e-Governance in Bosnia and Herzegovina (Ćurčić, Silajdžić, Jusić, & Hodžić, 2011). This report conducted a detailed survey of all municipalities in Bosnia and Herzegovina, covering all aspects of e-readiness assessment.

3. Methodology

We need to develop a methodology that will measure e-readiness of municipalities. The municipal e-readiness methodology is based on the framework STOPE model by Al-Osaimi (Al-Osaimi, Alheraish and Haj, 2006) as a generic model for readiness assessments. This framework will be adapted to the e-government readiness assessment for municipalities. The framework consists of four dimensions, where each dimension consists of several indicators valued by a metric. This model is used in many e-readiness frameworks with a different number of dimensions and indicators; however, the basic premise of the framework stays the same.

STOPE framework is used as a base model and adopted by making dimensions and individual metrics specific to the benchmarking assessment being performed. We can think of dimensions as groups of indicators that are defined around one common segment of the measurement. Some other researches use different terminology, but they all serve the same purpose, grouping individual indicators.

Dimensions defined by my model are:

1. Resources (hardware),
2. Participation (web, feedback) and Transparency (sharing of information),
3. Services (existence of services and their quality),
4. Web site (channel of communication with citizens).

Each dimension will be defined as a group of individual indicators. Each indicator will be valued with grades from 1-5, with 1 being the lowest and 5 excellent. The following table provides the specification of grading in the methodology.

However, in some metrics, the method for determining the score will be defined differently, as a percentage of the overall population size or by some other specific range. The following table provides a specification of grading for percentage based metrics.

3.1 Indicators

The following is the list of indicators that are collected for each municipality. Each indicator was determined based on a specific metric. Indicators are divided into four dimensions or groups of indicators.

Resources are a very important dimension, appearing in all methodologies. As previously mentioned, resources in early years of measurement were considered very important since the number of computers and the Internet connection determined the existence or non-existence of e-government services.

3.1.1 Resources

1. Percentage of municipal employees with a PC,
2. Percentage of personal computers on a network,
3. Municipality connection to the Internet,
4. Percentage of computers with Internet access,
5. Ratio of IT employees per total number of employees with a PC,
6. IT organizational level,
7. Municipality has email system,
8. Municipality uses electronic signature,
9. Municipality has web site.

Participation and transparency are what we expect from the local government, we want it to be open and transparent and encourage

citizens' participation in the local government. Therefore, this dimension measures how much effort the local government puts in being transparent in their work and allowing citizens to participate in the government work.

3.1.2 Participation and Transparency

1. Web site has online polls,
2. Web site has links to moderated online forums,
3. Web site has an online contact for each sector/service in the municipality,
4. Email or online form to write to mayor,
5. Municipality publishes newsletter / online magazine,
6. Municipality publishes video link from municipal meetings,
7. Budget and major financial expenses are published online.

Services are in the core of each measurement, since we do expect the government to provide various services, this dimension is very important to measure.

3.1.3 Services

1. Municipality has a database of birth certificates (no – backend – frontend),
2. Municipality has a database of marriage records,
3. Municipality has a citizenship database,
4. Municipality has a land records database,
5. Municipality has a database of social benefits,
6. Municipality has a database for budgeting,
7. Municipality offers e-payment via their web site,
8. Municipality offers some type of e-voting system,
9. Municipality has an internal document management system for tracking requests.

The web site is the central place for communication between the government and citizens. This is where all interaction takes place and the web site functionality and usability is subject to measurement as well.

3.1.4 Web Site

1. Home page update frequency,
2. Content is appealing,
3. Events are listed on the web,
4. Laws and regulations are posted, as related to municipal work,
5. Tenders are published on the web site or linked to another or higher level government web site,
6. Publications are posted online.

3.2 Benchmarking Mathematics

Mathematically, the municipal e-readiness score is a weighted average of four dimensions (resources, participation, services and web site).

$$M = Resource \cdot \frac{1}{5} + Participation \cdot \frac{1}{5} + Services \cdot \frac{2}{5} + Web\ site \cdot \frac{1}{5}$$

Where M is the overall municipal e-readiness score index. Services carry a little bit more weight since services provided are of most importance to both government and citizens. Resources and a good web site are preconditions to good e-government, but services are where the true power of e-government systems comes to life.

In order to develop the index, we shall use the methodology used by the UN Global e-government Readiness Report for 2012 (United Nations, 2012).

The first step in calculation is to normalize each individual metric using a Z-score, according to the following formula:

$$D = \frac{(I - \mu)}{\sigma}$$

where

D is a normalized score for the dimension

I is a raw score of the indicator

μ is the mean of population (all scores from particular indicator)

σ is the standard deviation of the population

This composite result assures us that it is normalized using essentially the Z-score calculation. With this calculation we ensure that the score for each indicator falls between 0 and 1. Again, we do this for all individual scores of the indicators.

The second step is to sum all individual composite scores for a single municipality, for all indicators in a dimension. So for example in the Resources dimension we add up all nine indicator scores.

The third step is that the result needs to be normalized by taking the dimensional scores for a given municipality, subtracting the lowest composite value in the survey and dividing it by the range from all municipalities. For example, once we calculate the composite score for the Resource dimension, then

$$\text{Resource index} = \frac{\text{(Resource Composite Value - Lowest Composite Value)}}{\text{(Largest Compsite Value - Lowest Composite Value)}}$$

The same process is repeated for all four dimensions in a similar manner.

The fourth step is to calculate the index, we can use it with our formula for calculating the overall municipal index

$$M = \text{Resource} \cdot \frac{1}{5} + \text{Participation} \cdot \frac{1}{5} + \text{Services} \cdot \frac{2}{5} + \text{Web site} \cdot \frac{1}{5}$$

This result is the final result for the municipality and we can then benchmark all municipalities in the population to determine their position and differences in scores.

3.3 Implementation

In order to test this methodology sample municipalities have been selected from the entire Bosnia and Herzegovina. Bosnia and Herzegovina has 142 municipalities. Criteria for sample was to include municipalities only that are from Bosnia and Herzegovina. The survey was conducted using an online survey tool. The survey questionnaire was developed and links to the questionnaire were sent to each individual municipality. Municipalities responded to the survey by filling in the data for each indicator. Additional analysis of the web site appearance was conducted by visiting each web site individually. The survey was conducted during the month of July 2013 for Bosnia and Herzegovina.

4. Discussion

4.1 Survey Results

Out of the total 142 municipalities in BIH that the surveys were sent to, 101 answered the survey, but only 96 municipalities answered the survey questions in full.

4.2 Statistical Discussion

Overall results are shown for each question and for each surveyed municipality. These results represent a basis for comments on the overall municipal scores for each indicator. Later sections will benchmark municipalities and provide an indexed ranking.

4.2.1 Resources

Percentage of municipal employees with PCs. Overall, the average number of employees in municipalities is 116. The average number of personal computers is 91. With these two numbers we can calculate the percentage of municipal employees with PCs, as: average number of employees with a personal computer / average number of employees = 91 / 116 = 78%.

This number indicates that over ¾ of employees have access to personal computers and can participate in some form of digital data processing and e-government services. This is a very good result since we cannot expect all employees to have (and need) access to personal computers.

Percentage of networked personal computers. Percentage of networked personal computers indicates how many employees working on computers can exchange information with each other. The following table shows an overview of the results.

Table 2: Computers with LAN

Computers with LAN	Number of municipalities	Percentage
No LAN	8	8%
25% with LAN	6	6%
50% with LAN	2	2%
75% with LAN	22	23%
100% with LAN	58	60%

From our sample we can see that the majority of surveyed municipalities have more than 75% of their computers on a local area network.

Municipality connection to the Internet. The Internet connection rate in the surveyed municipalities is rather good, as almost all of the municipalities have access to the Internet and can provide communication between citizens and municipalities. Some 81% of municipalities reported that they use some kind of broadband Internet access and the remaining municipalities use ISDN. Only two municipalities (around 2%) use dial-up.

Table 3: Internet connection type

Internet connection type	Number of municipalities	Percentage of municipalities
Broadband	81	84%
ISDN	11	11%
Dial-up	2	2%
Did not answer	2	2%

Percentage of computers with Internet access. Number of personal computers with Internet access is important since it tells us how many employees can participate in e-government. The following graph shows the percentage of municipalities with a scaled percentage of computers with Internet access.

Table 4: Percentage of Computers with Internet

Computers with Internet	Number of municipalities	Percentage
25% with access	10	10%
50% with access	16	17%
75% with access	33	34%
100% access	37	39%

Ratio of IT employees per total number of employees with PCs. The mean number of IT staff in municipalities is one. Most of the municipalities have only one employee that maintains the system and the web site. The average number of IT staff is 3,44 and the average ratio of IT staff per number employees with a computer is 1:29.

IT organizational level. Results indicate that the majority of the municipalities have a single employee responsible for performing IT tasks. Such an organizational structure is the worst for any institution and indicates poor e-government performance.

Table 5: IT Staff Organizational Structure

IT Staff Organization Structure	Number of Municipalities	Percentage
External/Consultant	8	8%
Individual employee	50	52%
Part of department	14	15%

Department	7	7%
Individual Sector	11	11%
Did not answer	6	6%

Municipality has an email system. All municipalities stated that they have an email address. However, few municipalities did not have an official email address and they reported use of personal emails from gmail.com or yahoo.com.

Municipality uses electronic signature. No municipality in Bosnia and Herzegovina offers electronic signature on its web sites.

Municipality has a web site. Out of 96 surveyed municipalities, some 90 had a web site and 6 did not have web sites. Some of the web sites are in the construction phase and these are marked as 'no web'.

4.2.2 Participation and Transparency

Web site has online polls. Some 43% of municipalities do not have online polls to survey their citizens. Other 57% of municipalities use this tool regularly. These polls are used to post questions about the web site navigation problems, overall satisfaction with the web site.

Web site has a link to a moderated online forum. Forums are not very common on municipal web sites and around 10% of municipalities reported to have them. This digital town meeting has many alternatives on other forums and perhaps both demand and supply are problematic.

Web site has online contact details for each sector/service in the municipality. Online contacts are very important for streamlining questions and requests to the specific branch of the municipality. Almost all municipalities that have a web page have this option and this data is transparent, allowing citizens to see all the details.

Email or online form for writing to the mayor. Writing a letter directly to mayor creates better participation to citizens and close to 78% of municipalities allows direct contact with the mayor.

Municipality publishes a newsletter and/or online magazine. Similar to forums, newsletters are evident only in large municipalities that have a lot of activities and events and would like to inform the citizens this way. Some 29% of municipalities report using newsletters as an additional form of communication.

Municipality publishes a video link from the municipal meetings. Some municipalities reported that they publish a link to the meetings of municipal representatives. This form of service allows full

transparency of the work of the municipality. Only Stari Grad Sarajevo reported to post online videos from town hall meetings.

Budget and major financial expenses are published online. Financial obligations of the municipality are the most delicate aspect of any government's work. A large majority of municipalities reported that they publish their budgets, completely or in some form. Only three municipalities that have a web page do not have budgetary information posted – all other municipal web site post some form of budgetary information.

4.2.3 Services

The following table shows an overview of services offered by the surveyed municipalities.

Table 6: Services Answers

Answer Options	Database does not exist	Database exists locally	Database exists and can be viewed online	Database is synched with a central government database
Birth records	3	54	3	35
Marriage records	4	56	4	32
Citizenships	5	53	3	35
Social	17	49	1	29
Land records	27	44	2	23
Financial management	20	42	2	32

The services provided by municipalities are the most important activity. Municipalities are generally divided into two groups: those that offer services in their buildings and provide service on the spot, and those that are connected to higher government levels and have an ability to synchronize database records from various locations.

Municipality offers e-payment via web site. None of the municipalities in Bosnia and Herzegovina offer online payment via their web site. However, some municipalities like Široki Brijeg allow for submission of regular bank payment slips via email as proof of payment.

Municipality offers e-voting using some type of municipal and government e-signature system. No municipality offers e-voting systems.

Municipality has an internal document management system for tracking requests. Most of the municipalities, close to 80%, reported that they have a document management system allowing them and the citizens to track the status of records.

4.2.4 Web Site

Home page update frequency. Some 66% of the municipalities report that they update their web site daily. This indicates a serious approach to the municipal web site. About 15% are doing it weekly and the rest are doing it sporadically.

Content of the web site is appealing. This is one of the few subjective questions and the results indicate that most of the municipalities have a good design, while large municipalities, which can invest in web site development, have superior web site design and quality.

Table 7: Web Site Design

Web site design	Number of Municipalities
Poor	36
Good	45
Superior	15

Events are listed on the web. Similar to the web site update, this result indicates that some 72% of the municipalities update their web sites on a daily basis.

Laws and regulations are posted related to municipal work. Municipalities are posting relevant laws and regulations for citizens to read and inform themselves. Some 55% of municipalities do so.

Tenders are published on the web site or linked to another higher level government web site. Public procurement information is posted on the web site by over 78% of municipalities. This indicates very good transparency of governments.

Publications are posted online. All municipalities with web sites post documents and publications online.

4.3 Individual Municipality Benchmark Calculation

This section covers benchmarking results from the investigation of municipalities. Results are calculated and indices are developed for all four dimensions (resources, participation, services and web site). The following table presents the final results of all surveyed municipalities sorted by the Total Score for Municipality index.

It is important to note that the score of 1,00 does not mean that the municipality achieved a perfect score and that there is no room for improvement in that segment, this is rather the best score compared to other municipalities. Differences in the index value represent the difference in position on the index, rather than the ranking on the benchmark index.

This number represents the overall index value of the combined scores from all four dimensions.

Table 8: Municipal Index List

MUNICIPALITY NAME	RESOURCE DIMENSION INDEX	PARTICIPATION DIMENSION INDEX	SERVICES DIMENSION INDEX	WEB SITE DIMENSION INDEX	TOTAL SCORE FOR MUNICIPALITY INDEX
Prijedor	0,787754	0,602138	0,818724	0,910084	0,787485
Laktaši	0,787754	0,511348	0,818724	1,000000	0,787310
Teslić	0,645385	0,602138	0,818724	0,910084	0,759011
Centar Sarajevo	0,922024	0,602138	0,692402	0,869385	0,755670
Grad Banja Luka	0,674524	0,602138	0,631884	1,000000	0,708086
Sokolac	0,521093	0,602138	0,713237	0,910084	0,691958
Stari Grad Sarajevo	0,759898	1,000000	0,343233	1,000000	0,689273
Čelinac	0,592184	0,425750	0,744654	0,910084	0,683465
Mrkonjić Grad	0,527128	0,602138	0,707619	0,820167	0,672934
Bosanska Krupa	0,670160	0,516540	0,633426	0,910084	0,672727
Ribnik	0,605104	0,511348	0,707619	0,820167	0,670371
Gradiška	0,597849	0,659873	0,668919	0,750098	0,669132
Prnjavor	0,592184	0,511348	0,707619	0,820167	0,667787
Brod	0,681860	0,511348	0,594017	0,910084	0,658265
Šamac	0,737572	0,511348	0,594017	0,820167	0,651424
Srbac	0,640358	0,511348	0,631884	0,820167	0,647128
Vlasenica	0,676328	0,602138	0,631884	0,689552	0,646358
Derventa	0,681860	0,511348	0,594017	0,820167	0,640282
Tešanj	0,640358	0,750664	0,380782	1,000000	0,630517
Kozarska Dubica	0,610635	0,511348	0,553185	0,910084	0,627687
Grad Trebinje	0,612059	0,511348	0,707619	0,574711	0,622671
Modriča	0,598352	0,425750	0,586228	0,910084	0,621328
Novo Sarajevo	0,695567	0,511348	0,418967	1,000000	0,608970
Gračanica	0,603883	0,425750	0,493037	1,000000	0,603142
Živinice	0,520376	0,659873	0,456516	0,910084	0,600673
Šipovo	0,676328	0,425750	0,510493	0,820167	0,588646
Novi Grad Sarajevo	0,654065	0,602138	0,343233	1,000000	0,588534

Čapljina	0,544585	0,408923	0,632912	0,705326	0,584932
Ljubinje	0,453545	0,323325	0,707619	0,689552	0,576332
Kakanj	0,520963	0,750664	0,343233	0,910084	0,573635
Lopare	0,563098	0,425750	0,594017	0,660182	0,567413
Bratunac	0,370038	0,408923	0,713237	0,631424	0,567372
Doboj	0,718334	0,511348	0,343233	0,910084	0,565246
Tomislavgrad	0,695567	0,511348	0,343233	0,910084	0,560693
Ilijaš	0,598856	0,323325	0,543625	0,779469	0,557780
Travnik	0,765429	0,511348	0,343233	0,820167	0,556682
Visoko	0,582840	0,511348	0,343233	1,000000	0,556131
Zvornik	0,407146	0,344718	0,707619	0,589069	0,551234
Gradačac	0,556850	0,511348	0,343233	1,000000	0,550933
Sanski Most	0,486547	0,659873	0,343233	0,910084	0,548594
Široki Brijeg	0,610635	0,602138	0,306712	0,910084	0,547256
Tuzla	0,528552	0,516540	0,343233	1,000000	0,546312
Ugljevik	0,436886	0,323325	0,526397	0,910084	0,544618
Breza	0,676328	0,593969	0,268844	0,910084	0,543614
Konjic	0,550620	0,511348	0,818724	0,000000	0,539883
Donji Vakuf	0,676328	0,425750	0,343233	0,910084	0,539725
Žepče	0,634323	0,425750	0,343233	0,910084	0,531324
Domaljevac-Šamac	0,684309	0,516540	0,380782	0,689552	0,530393
Čitluk	0,582337	0,602138	0,342914	0,779469	0,529955
Cazin	0,573657	0,602138	0,343233	0,779469	0,528346
Zenica	0,589796	0,323325	0,418967	0,869385	0,524088
Kalinovik	0,532808	0,425750	0,602132	0,455424	0,523649
Petrovo	0,515366	0,408923	0,594017	0,499152	0,522295
Livno	0,639854	0,602138	0,268844	0,762038	0,508344
Goražde	0,563098	0,511348	0,343233	0,779469	0,508076
Grude	0,681860	0,323325	0,306712	0,910084	0,505738
Bihać	0,396457	0,659873	0,343233	0,779469	0,504453
Ilidža	0,483398	0,516540	0,343233	0,825614	0,502404
Grad Mostar	0,488426	0,425750	0,343233	0,910084	0,502145
Sapna	0,690539	0,425750	0,305365	0,779469	0,501298
Banovići	0,526624	0,516540	0,417303	0,619484	0,499451
Vitez	0,654569	0,511348	0,343233	0,631424	0,496761
Lukavac	0,472839	0,511348	0,343233	0,779469	0,490024
Olovo	0,647109	0,511348	0,306712	0,673538	0,489084
Orašje	0,485122	0,511348	0,306712	0,779469	0,477873
Čelić	0,634323	0,269055	0,343233	0,779469	0,473863
Velika Kladuša	0,681860	0,425750	0,343233	0,574711	0,473757
Bosanski Petrovac	0,774047	0,425750	0,268330	0,631424	0,473576

Fojnica	0,774047	0,602138	0,493037	0,000000	0,472452
Čajniče	0,279797	0,414115	0,452009	0,762038	0,471994
Novi Grad	0,667772	0,259120	0,379240	0,632840	0,463642
Vogošća	0,306346	0,602138	0,305365	0,779469	0,459737
Petrovac Drinić	0,583727	0,166630	0,713237	0,116257	0,458618
Glamoč	0,500220	0,511348	0,640195	0,000000	0,458392
Maglaj	0,653561	0,323325	0,237427	0,779469	0,446242
Kotor Varoš	0,556347	0,242293	0,454974	0,455424	0,432802
Jajce	0,425677	0,259120	0,343233	0,779469	0,430146
Kalesija	0,485626	0,425750	0,306712	0,619484	0,428857
Ravno	0,563098	0,354653	0,237746	0,721340	0,422917
Bileća	0,681418	0,000000	0,713237	0,000000	0,421578
Bugojno	0,515348	0,511348	0,306712	0,458454	0,419715
Gornji Vakuf-Uskoplje	0,732041	0,516540	0,126322	0,513553	0,402956
Pale FBIH	0,000000	0,574275	0,311816	0,762038	0,391989
Rudo	0,532808	0,000000	0,707619	0,000000	0,389609
Kladanj	0,593325	0,408923	0,159669	0,561355	0,376588
Višegrad	0,397452	0,499713	0,475491	0,000000	0,369630
Zavidovići	0,396457	0,323325	0,201225	0,691970	0,362840
Busovača	0,336964	0,323325	0,311816	0,516583	0,360100
Usora	0,372415	0,323325	0,237427	0,484795	0,331078
Bosansko Grahovo	0,089672	0,425750	0,381932	0,368538	0,329565
Krupa na Uni	0,155291	0,166630	0,602132	0,089916	0,323220
Bužim	0,546162	0,000000	0,343233	0,179833	0,282492
Prozor-Rama	0,479461	0,323325	0,000000	0,368538	0,234265
Vareš	0,347149	0,511348	0,105487	0,000000	0,213894
Doboj Jug	0,287034	0,511348	0,111423	0,000000	0,204246
Istočni Drvar	0,101509	0,102425	0,328652	0,000000	0,172248

5. Conclusion

The proposed methodology is designed for e-readiness assessment for municipalities. Dimensions are picked based on most common set of functions local government needs to be evaluated in terms of electronic readiness. Strength of this methodology is very simple way of collecting data. Furthermore, metrics are quantitative and objective to the most part leaving little room for subjective interpretation. Weaknesses are related to the very narrow scope and need to collect large number of data from the source.

Research results show that Bosnia and Herzegovina municipalities made excellent progress is specific areas such as resources and web

sites. However, more effort needs to be done in services they offer as well as participation and transparency.

Further research needs to be performed on the field, measuring more municipalities from different countries (not only from Bosnia and Herzegovina). Such results would help us see if national value is better measured by looking at the state level only or by adding up individual municipalities that form a country. Metric used should be regularly updated reflecting on a need of a government and changes in technology.

This methodology should not remain in only academic setting and should be implemented in practical terms. Example conducted for Bosnia and Herzegovina should be extended and performed every two years, published and promoted as a motivator for BIH government to invest into e-government services. Methodology conducted here should be updated every two years in order to adjust for technological trends and government changes in services.

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IMPROVING FINANCIAL MANAGEMENT PERFORMANCE AND SERVICE TO CITIZENS THROUGH COMPARING PERFORMANCE INDICATORS (PIs): EVIDENCE FROM KOSOVO LOCAL GOVERNMENT INSTITUTIONS

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Abstract

Performance measurement in the public sector has grabbed the attention of researchers in the last decades particularly in local government. There is a general consensus among academics that performance measurement through benchmarking can be used as a mechanism to improve the performance of public sector organizations. However, empirical evidence is still needed to support current developments and the successful implementation of this approach. In this paper financial and non-financial data collected in 34 local governance institutions in Kosovo are studied to find ways in which performance indicators (PIs) can be developed and used to improve the organizational performance and services offered to its citizens. The current performance measurement initiatives in Kosovo are limited and at an early stage, however progress is evident and momentum for this initiative is growing. This study shows that organizational performance indicators can be utilized to improve the performance of municipalities and to serve a basis to initiate open discussions about how organizational performance and the quality of services to citizens can be improved. Further, PIs provide the opportunity for reviewing and comparing and learning between public sector organizations.

Key words: *benchmarking, performance indicators, services to citizens, financial management, municipality*

1. Introduction

Measuring performance in the public sector has been a paradox for decades. Public organisations collect both financial and non-financial information regarding their activities and programmes impacting policies. These are

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used to assess whether their objectives and expected outcomes are met (van Thiel and Leeuw, 2002, Taylor, 2014). What poses a challenge for all public organizations and their key stakeholders is how to make use of information in order to improve performance. Performance information is not used properly and/or consistently instead of using performance information to make evidence-based policy, it is used as policy-based evidence (Taylor, 2014). Despite the vast research on performance measurement in the public sector, public performance management is still a 'thorny' issue in the public sector. However, performance management in government organisations has received increasing interest since the 1980s (Propper and Wilson, 2003) and greater research attention in recent decades and interest (Taylor, 2014, Micheli and Neely, 2010) triggered by the initiatives such as "re-inventing government" movements and New Public Management doctrine.

Apart from performance measurement, quality management in the field of public administration has gained greater interest and the concept has evolved in the past decades. Benchmarking is considered as a quality management tool in the public administration which, if used properly, can help governments to improve their performance by providing a solid base for factual approach to decision making with regard to setting specific targets of performance in the Public Administration (Milosevic et al., 2013). Public sector organizations are surrounded by many stakeholders' who require accountability from public sector organizations. Such calls for accountability came from different types of stakeholders, from founders – legislative bodies – and users or public services – taxpayers. Establishing a meaningful benchmarking framework remains a challenge for public organizations (Wynn-Williams, 2005).

In this paper we aim to develop the concept of performance indicators in the public sector in Kosovo and provide empirical results from Kosovo municipalities. This is intended to identify how performance indicators can be developed and used to help public sector organizations in a developing country – specifically Municipalities – to improve their operational performance and increase accountability and transparency. Performance measurement is promoted as an instrument for local government management and is used often. It includes the use of performance indicators to depict a picture of performance (Arh and Schwartz, 2009). This information can be used to initiate discussion on value for money achieved in delivering the services to citizens and ultimately to support local programmes. The essence of measuring performance is to set up a system that measures the results while improving the services offered to citizens.

This paper is structured as follows: it begins by providing an overview of the theoretical background of the performance measurement in the public sector particularly on performance indicators through a discussion of ways how key performance indicators (KPIs) can be utilised to improve the performance of public administration organizations. It continues by providing the context of local government and also the current practices of key stakeholders in the performance measurement in public administration in Kosovo. Further it provides the empirical results of comparing performance indicators of 34 municipalities on certain area of activity. Last this paper ends with recommendations and a conclusion sections.

2. Methodology

This study was conducted using the empirical evidence on both financial and non-financial data for 34 municipalities in Kosovo for 2014 collected by the Office of the Auditor General of Kosovo (OAG). This project started last year aiming to benchmark or compares indicators between municipalities and was repeated this year supported from other stakeholder working on performance measurement in public sector in Kosovo. Financial data was collected for 34 municipalities using their audited Annual Financial Statement which make these data more reliable. Other data utilised was from treasury with some non-financial data produced by municipalities which was not subject to audit but was assessed by OAG audit teams for accuracy and completeness using several qualitative methods such as semi-structured interviews with key stakeholders. This study also provides a brief theoretical background and current issues on performance measurement in public sector focusing on key performance indicators (KPIs) and provides practices and models how KPIs can help to improve performance.

3. Theoretical Framework

The research in performance measurement in the public sector is vast. Performance measurement has received greater interest especially since the late 1980s. Even though much is written in theory about performance measurement in the public sector, less is known about its implementation and efficiency in practice. The drive for reform in the public sector worldwide has focused attention on the measurement of performance in public sector organizations especially in local government which has traditionally been concerned with measuring the delivery of primary objectives (Kloot and Martin, 2000). Citizens care about local government services. A big part of the service delivery challenge to local government is providing services at affordable costs. Another challenge

lies in reassuring local taxpayers that their resources have been well spent on capital investment rather on operational expenses. Good performance measures and the appropriate use of benchmarks can help on both counts (Ammons, 2007). The modern literature suggests that there should be a clear link between organization's objectives and performance measures and citizens' satisfaction.

Propper and Wilson (2003), shows that performance measurement can be undertaken at different levels of government and its purpose may differ depending on the level at which it is implemented. The aims of performance measurement can be, for example, to improve the performance of individual units which then may be linked to "best practices" and compared to other organizations. In addition, performance measurement can be used to improve the overall organization's performance or enhance accountability measurements in the public sector (such as failing schools). Performance indicators can be used also as part of the budget allocation system, for instance this would allow central government agencies such as Ministry of Finance to allocate funds to service providers – municipalities.

3.1 Benchmarking on Local Government

Benchmarking can be considered as an important management tool of total quality management (TQM) (Kouzmin et al., 1999). Central government use compulsory benchmarking as a key tool for monitoring and controlling the "modernisation" of the local government sector (Bowerman et al., 2001). In the public sector, benchmarking is frequently in response to central government requirements or it is used for defensive reasons rather than striving for performance gains (Bowerman et al., 2002). However, central government afford local authorities the opportunity of developing their own benchmarking approaches.

Ammons and Roenigk (2015), examined performance measurement practices in 66 U.S cities. According to the authors, successful performance management depends on several practices and organizational conditions prescribed in performance management doctrine, including the presence of sound performance measures, a clear sense of goals and objectives and incentives and sanctions tied to performance. Local governments have progressed in collecting and reporting performance measures, the focus has shifted from measuring performance to the use of performance data to influence decisions and improve service delivery, service quality and efficiency. Among many practices applied by municipalities the authors suggest that benchmarking or comparing performance data is a method to improve their performance. One of the most commonly used ways of

obtaining a measurement of performance in local government is through the use of budgetary, economic and financial information i.e. financial performance using performance indicators (Zafra-Gómez et al., 2009).

Though its usefulness is debatable, benchmarking is a managerial technique that is popular among both private and public sector organisations (Askim, 2004). It is a Management Accounting Innovation which can be used to compare performance (e.g. costs, productivity or results) and processes (Siverbo, 2014). Benchmarking derived from the performance management doctrine, which in turn is part of the New Public Management (NPM). What academics and practitioners question is how techniques like measurement and comparison of performance can make benchmarking a potent driver of organisational improvement? According to Verbeeten (2008) the definition of clear and measurable goals is positively associated with quantity performance as well as quality performance. Furthermore the use of incentives is positively associated with quantity performance yet not related to quality performance. Yet according to Verbeeten (2008) the effects of the performance management practices in public sector organizations are affected by institutional factors.

In this realm, Knutsson et al. (2012) in their article describe benchmarking as a recent phenomenon and analyse the variations among municipalities. The authors suggest that benchmarking appears to be an accepted and lasting management control tool both for private and public operations. In essence, the idea is to measure and evaluate efficiency of services. Benchmarking as a method could help local governments modernize their organizations and clarify contradictions in national and local needs. Benchmarking has been recognised as an important tool in the Government's programme of reform to modernise all public services (Bowerman et al., 2001). The author adds that benchmarking within local government is most commonly understood in conjunction with Best Value. Best value as a term can be described as achieving the best value for money spends. This means achieving efficiency, effectiveness and economy of activities or known as three E's. Zafra-Gómez et al. (2009), studied how to evaluate financial performance in local government by maximising the benchmarking value. The authors used a sample of municipalities in Spain. When evaluating financial performance and carrying out comparison between municipalities, several problems are present. Among others, no account is taken of the impact of the certain factors of the social and economic environment on the indicators in the question. Although the use of indicators for evaluating financial performance has advanced considerably in recent years, there are many critics about their application in public sector. Though many public sector accounting researchers have reported success in implementing

benchmarking and performance indicators, Siverbo (2014) points out that there are problems in implementing and using this management technique. Using a case study on implementation of benchmarking Siverbo (2014), argue that implementation is facilitated if actors other than the initiators, recognize the possibility of making benchmarking more relevant and less cost focused. The use of benchmarking increases when actors other than the imitators complement the original idea and 'counter interest' the initiators.

Another problem pointed by Zafra-Gómez et al. (2009) is that very often, the values measured by different organizations are not comparable as the services they provide differ significantly. However, at local government this process is easier given the nature of their services and provided that municipalities are grouped according to the social and economic factors influencing their provision of public services. This would made the evaluation much more effective, and facilitate the process of decision making both by supervisory bodies and municipal management.

The types of benchmarking that can be used in public administration may fall in different categories. Milosevic et al. (2013), describes several types of benchmarking that can be applied in the public sector. *Voluntary Benchmarking* – This type of benchmarking is voluntary and it is improvement oriented benchmarking and attempts to find areas in need of improvement and locate practices and copy from benchmarking partners. *Compulsory Benchmarking* – This type of benchmarking tries to improve the value for money delivered by public sector organizations. It attempts to expose performance gaps and helps to overcome them by providing examples of good practices, either from internationally recognized practices or from different organizations of the same nature. *Performance Measuring Benchmarking* – Similar to compulsory benchmarking, this type serves to provide comparative analysis of given organization's performance and reports it to the public or authority that is accountable to. Another type is *Public Procurement Benchmarking* –Public procurement benchmarking is a benchmarking type that it is most innovative and different compared to other practices of benchmarking used across public sector. This type seeks to identify the best value or best value for money proposal in a specific procurement process. *Strategic Benchmarking* is another form which focuses on long-term benefits. This type is used as a tool not to improve the immediate practices for delivery of goods or services, but rather to identify a more long term direction for development of a given organization.

4. Local Public Administration in Kosovo – An Overview

The public administration in Kosovo is organised on two levels, first central authorities such as highest state administration bodies, ministries and government agencies and second by local government institution or municipalities (Kosovo Assembly, 2010b). This is in line with the European Charter of Local Self Government and its Protocol Charter which, promotes public responsibilities to be exercised as close as possible by the authorities who are closest to the citizens (Council of Europe, 1985). The Government of Kosovo has transferred several political, fiscal and administrative competencies from central government institutions to the local level as part of the decentralisation process that took place in Kosovo.

In total there are 38 municipalities in Kosovo that vary in size, budget, geographical area and number of citizens. A municipality is the unit of local self-government in Republic of Kosovo, composed up of community of citizens of a specific territory. It shall exercise all powers which are not explicitly reserved for the central institutions and have the status of a legal body. Municipal bodies are: The Municipal Assembly and the Mayor as the highest executive authority (Kosovo Assembly, 2010a).

The budget of municipalities is composed of their own budget for financing their competences consisting of own source revenues, government's grants, external and internal grants and other sources of revenues. The budget and the finances of municipalities are regulated by organic laws, Law on Local Government Finances and Law on Local Self-Government. The structure of financing municipal budget consists of two sources of funding: First, Government Grant which consists of General operating grant, specific grant for education, specific grant for health and second, Own Source Revenues (OSR). These grants are allocated in proportion to the size of the population, the population of the minority communities, the number of students, number of schools and the average cost of medical visits.

5. Current Performance Measurement Practices Applied in Public Sector in Kosovo

The key stakeholders working in Performance Measurement aspects of the Local Governance Institutions in Kosovo are: Ministry of Local Government Administration (MLGA), the division of Municipal Performance see the organisational structure (MLGA, 2015). The ministry's work in performance measurement is mainly focused in training and certifying municipal officials the necessary procedures and regulation how to develop and use a Municipal Services Performance

Management System (MSMPS) which aims to establish a methodology for measuring municipal service delivery; create opportunities to compare performance between municipalities; increase the level of satisfaction with municipal service delivery and use results of the system to develop action plans to improve service delivery. In addition, the ministry makes comparison of experience between municipalities, identifies the advantages and difficulties in their effectiveness through the measuring indicators and conduct Citizen Satisfaction Surveys to gauge citizen's opinions on various elements of service delivery and municipal performance (MLGA, 2012).

Another actor working in the performance measurement is DEMOS – The Decentralisation and Municipal Support project, which is a Swiss Development Cooperation (SDC) funded project, implemented by Helvetas Swiss Intercooperation (HIS). DEMOS mainly works with 17 partner municipalities covering around 40% of the Kosovo population (approximately 700,000) inhabitants (DEMOS, 2014). DEMO's project is at the forefront of Democratic Governance and Decentralisation domain of the SDC office in Kosovo. DEMOS support municipalities to achieve visible ant tangible improvements in the delivery of their services to their citizens using the following intervention lines (DEMOS, 2015).

a. Improving public service delivery in public space, municipal traffic and waste management;

b. Improving financial administration and transparency;

c. Improving the democratisation of local governments and the participation of citizens in decision making; and

d. Contributing to an improved and more harmonised policy framework for local governance.

DEMOS's output on performance measurement include: A Performance Based Grant System Performance (PBGS), a guide for municipalities which is a tool to award municipalities based on their performance in relevant selected fields. It provides incentives for municipalities to improve their work and their services to citizens (DEMOS, 2014). The number and the range of the indicators provided by DEMOS is low therefore their Indicators lack comprehensiveness and cover only few areas.

Apart from MLGA and DEMOS, another player working in this area is the USAID Democratic Effective Municipalities Initiative working with municipalities in Kosovo to improve the quality and quantity of municipal services and responsiveness to citizens (DEMI, 2015). This project uses performance management techniques to help citizens and municipal officials quickly focus on priority services and conduct

improvements that are visible and measured. As a result, a Handbook for Municipal Services and Performance Management System is produced which summarises and elaborate all applicable rules and procedures in the process of developing such performance management systems.

Another kind of benchmarking is the initiative of Office of the Auditor General of Kosovo to compare performance indicators in municipalities in Kosovo. In addition, the Procurement Audit Department within the Office of the Auditor General produces performance audit reports that comparing public organizations expenses whether the money paid for the same services or products differ from one organization to another. Yet here the focus is narrow because of the various numbers of expenses.

Though there are some initiatives in the performance measurement in public administration in Kosovo the focus is narrow, mainly at municipalities. This is due to the homogenous nature of the municipalities and their operations. However, the area and the scope of the current work are limited and are inconsistent with each organisation involved having different objectives. The work of the current players is mainly focused in capacity development of the municipal staff and measuring the citizen's satisfaction with public services rather than focusing on the financial and non-financial aspects of the performance and establishing a consistent framework for measuring the performance of municipalities. The most recent OAG work did however reflect consultation with key stakeholders over potential changes to the PIs used by OAG.

6. Discussions on Findings

As noted above benchmarking performance in Kosovo it's in its early stages and therefore this process is not fully integrated. Initiatives comparing performance at public sector, especially in developing countries where is noticed a self-defensive approach among municipalities rather than a constructive acceptance of the exercises being a tool for positive change. Reasons for that include lack of ambition of people in local administration. On doing business, municipalities do not want to be compared due to the lack of incentives and poor understanding democracy principles. However, progress has been made in how municipalities perceive such initiatives. Compared to last year, they are more keen and willing to cooperate in ensuring the quality of data and to facilitate the process of data collection for the purpose of comparing performance. There has also been a broad discussion among different stakeholders which has generated consideration of questions such as: why big variations exist between similar sized organizations?; How can municipalities work together to use benchmarking data to

support enhanced operational and strategic management?; What actions can be undertaken to improve reported performance?; How can PIs results be integrated in policy evaluation?; and How can PIs stimulate a self-critical approach and be utilised as a self-assessment tool to improve performance?

6.1 Current Trends in Benchmarking

Benchmarking in the public sector consistently change driven by the nature of the public sector and to reflect the needs and expectations of users of information. Current practices in the performance measurement calls for a greater focus on horizontal comparison of performance which is considered more appropriate for their impact. Trends also call for a more inclusive set of performance indicators that include the non-financial aspects of the activities. Such cases could be social and economic indicators, health, education, environmental, safety and securities. In addition, the usage of the indicators should be used properly as a mechanism to improve the performance of public organizations. For this purposes indicators should be used in at the early stages of the budget process. Authorities responsible for budget appropriation should find ways how to include indicators in the budget formula. This in one side would reward best performers and would serve as an incentive for organizations to improve.

6.2 Areas of Benchmarking

This paper covers seven areas of local government activities namely capital Expenditures, own source revenues, education, healthcare, representation and fuel expenditures, liabilities and accounts receivable and construction licenses shown in table.

6.3 Main Findings

Empirical evidence collected from municipalities, interviews and observations have highlighted that:

- Variations among municipalities of similar size/activity occur but do not get the proper attention by senior management, employees, legislation bodies, citizens and civil society. This partially due to the non-proper usage of the performance indicators during the cyclical budget process, lack of awareness and understanding of the indicators and their benefits and resistance to organizational change by public sector staff.;

- Due to the different size and complexity of municipalities, maintaining a consistency of data quality poses a continuous challenge. Producing qualitative and reliable data is considered an

important element of Good Governance in the public sector. As such having reliable data is a requirement for effective decision-making processes;

- While benchmarking needs to be tailored for individual municipalities depending on their operations a number of common issues impact on all municipalities. For example - although representation (hospitality) expenses count little toward overall budget expenses, this is a sensitive issues to citizens as such it requires further justification of the reasons for such expenditure. As such indicators on this behalf are welcomed by civil society, citizens and other interested stakeholders; and

- A certain range of expenses are always difficult to measure and compare properly. For example, when it comes to fuel expenses (as a significant part of budget expenditure), several factors cause big variations on fuel expenses such the geographical distance, the age and technical conditions of vehicles.

6.4 Key Conclusions

The following table shows the indicator area, the measurement and the results of comparing indicators about what is done at municipalities on each indicator area.

Table 1: Summary of Conclusions on what municipalities are doing

Area of Indicator	Measurement	Level	Conclusions
Capital investments	Share of capital investment in total expenditures of the organisation	5% - 35% Median 26%	From a total of overall expenditures of the municipalities (384 million), around 28% (106 million) were spent on capital investments. In total structure, large municipalities have the highest percentages, and smaller municipalities have the lowest percentage.
	Rate of own source revenues (OSR) spent on Capital Investment	0% - 69% Median 37%	Out of total OSR (61 million) collected during the year, over 44% (around 27 million) have been invested in capital programmes. municipalities often have budget deficits in goods and services, and over half of the revenues are used to cover these needs.

	The level of carrying forward OSR in the following year	11%-100% Median 27%	There is an increasing trend in carrying forward of revenues from year to year. Out of the total revenues collected in 2014 in the (€60,894,984), over 50% were carried forward to be spent in 2015 or €30,839,606.
Own Source Revenues	Property tax budget execution	42%-449% Median 103%	There is an inconsistency and incompatibility between planning and collection. Planning of revenues from property tax was €17,539,952, while the amount collected was €20,411,152. Exceeded amount includes payments of debts from previous years.
	Uncollected level of property tax	70%-95% Median 83%	Accumulated amounts of uncollected property tax over the years are €106,699,269, considered as receivables. The Law on Debt forgiveness approved this year could significantly change this situation.
Representation and fuel expenses	spending trend for lunches in the last two years	0.01%-0.79% Median 0.24%	Municipalities do not have written policies for representation expenses. There are no clearly defined needs and requirements for these costs, appropriate approvals of management and proper definition of staff entitled to representation.
	Average fuel consumption	8€-89€ Median 10€	There are no sufficient controls on consumption of fuel. Some municipalities have certain norms of expenditure. There are no accurate travel records in place, the system of travel orders is not applied and the costs of fuel with mileage passed are not reconciled.

Liabilities and Receivables	Share of liabilities in total expenses	0,3%-34% Median 2.8%	Liabilities have a direct impact on future budgets and reduce the Municipality's ability to effectively manage current commitments. Compared with the previous year, the situation has improved significantly
			Similarly, arrears reduce the Municipality's ability to execute budget plans.
			There are large deviations in the level of liabilities. The five largest municipalities comprise half of liabilities in total.
	AR compared with revenues collected	83%-553% Median 250%	The Municipalities have been quite efficient in collection and as a result, accounts receivable have increased in normal terms (6.5 million).
			The Municipalities should work together to learn from one another and identify good practices in management of liabilities and receivables.

6.5 Key Recommendations

At the moment a number of stakeholders are involved in the performance measurement in municipal level working on different initiatives. This has created a momentum with a positive response by municipalities, civil societies and other stakeholders involved. There is scope to further support this momentum and this paper proposes the following recommendations to key stakeholders.

- A consolidated set of core Performance Indicators basis should be developed involving all stakeholders working in this area. Different PIs should be used for different decisions situations. For example PIs used in Annual Financial Statements for accountability and budget; for planning and strengthening the health, education and sectors and comparisons between municipalities can be made etc. Ministry of Local Government Administration could be at the forefront of this process to ensure that key actors agree on the specific PIs collected and the reasons for their choice;

- An improved process for reviewing and comparing individual performance and results should be developed which can be applied at all Municipalities. This process could be led by Association

of Kosovo Municipalities in order to initiate discussions and establish a ground for exchanging good practices and knowledge's between municipalities – using peer groupings as appropriate;

- Further improvement in the quality control of data produced manually by public sector organizations is needed and could be supported by the development of interdepartmental indicators within municipalities could be created; This falls under the responsibilities of individual organizations but the clarity of definitions of the required indicators is something to be agreed as part of recommendation 1 above;

- The development of a web based platform on real time basis allowing to compare performance indicators involving all key stakeholders and a wider audience;

- Performance indicators should be used as a basis for setting standards within a framework of incentives and sanctions to promote good performance. For example financial benefits should be reflected in the budget cycle for good performance and

- To increase transparency of key PIs, consideration should be to include these as a separate section in the Consolidated Annual Financial Statements of municipalities which would be a subject to audit. The base should be an integrated reporting system for all municipalities assisting basically into the better quality.

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6.7 Research Limitations and Future Research Suggestion

This study is based on evidence from Kosovo municipalities; therefore findings may not be transferable to other countries and institutions. Given that there is little empirical research on this area the findings should be taken with a dose of reserve. The future research suggestion is: "The mechanism required to expand practices of performance indicators in other public sector organizations that have different natures of activities and vary in size and other aspects."

7. Conclusions

In this study we used empirical evidence from local government institutions – 34 municipalities – in Kosovo to shows how performance indicators can be used as an instrument to improve the performance in the public administration, the quality of services to citizens and how to impact on policy level.

Furthermore the study provided a solid theoretical framework on performance measurement and benchmarking in the public sector and current practices applied in Kosovo. The literature review shows that there is a vast research on performance measurement and benchmarking in the public sector. There is a general consensus among academics and practitioners that benchmarking in public sector can be used for several purposes. It has can be used as a quality management tool, as an effective instrument to modernise organizations, improve performance, open discussion etc. However, little is known about the success of implementation of such performance measurement initiatives in the public sector therefore further empirical evidence is need.

The current performance measurements in Kosovo are limited however in the recent years there have been several initiatives that have shown progress. The main findings on this study are that despite the similar nature of municipalities, there are big variations on performance. Further it highlighted that producing and maintaining a consistency of qualitative data poses a challenge for municipalities, therefore for certain types of expenses producing indicators may be difficult. The empirical evidence from Kosovo municipalities shows that comparing performance indicators has had impact on improving public performance in public administration by providing a ground for discussion on how to improve performance and exchange practices.

The main recommendations are that: all stakeholders should work together to consolidate a set of performance indicators using an integrated reporting system for all municipalities; that PIs will serve the basis to improve the process of reviewing and comparing and learning between municipalities; that a web based platform should be established to produce real time indicators; and indicators should be used to set standards against which best performers would benefit financial support from government during budget cycle and the increase of transparency of PIs considering to include as a separate section in consolidated Annual Financial Statements of municipalities.

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