

**IPA 2011 Annual programme**  
**Public Finance : 14-2011/3**

**1. Basic information**

- 1.1 CRIS number:** 2011/022-939  
**1.2 Title:** Public Finance  
**1.3 ELARG statistical code:** 02.32  
**1.4 Location:** Kosovo\*

**Implementing arrangements**

- 1.5 Contracting authority:** European Commission Liaison Office to Kosovo  
**1.6 Implementing agency:** European Commission Liaison Office to Kosovo  
**1.7 Beneficiary:**

<b>Project activity/component</b>	<b>Beneficiary institution</b>	<b>Contact point responsible for project/activity coordination</b>
1. Support to the process of the Public Administration Reform by improving Public Finance Management and Accountability in Kosovo	Office of the Prime Minister of Kosovo; Ministry of Finance (MF).	Mr. Lulzim Ismajli Head of Treasury Ministry of Finance
2. Further support to the Office of the Auditor General of Kosovo to reach EU good practice standards	Office of the Auditor General (OAG) of Kosovo	Mr Lage Olofsson, Auditor General of Kosovo
3. Improving Administrative Capacities in the Area of Public Procurement in Kosovo	Public Procurement Regulatory Commission (PPRC), Public Procurement Agency (PPA) and Procurement Review Body (PRB)	President of the Board of the PPRC, Safet Hoxha

**Financing**

- 1.8 Overall cost (VAT excluded):** EUR 3.5 million  
**1.9 EU contribution:** EUR 3.5 million  
**1.10 Final date for contracting:** 3 years after signing the financing agreement  
**1.11 Final date for execution of contracts:** 2 years following the final date for contracting  
**1.12 Final date for disbursements:** 1 year after the final date for execution of contracts

\* *Under UNSCR 1244/1999.*

## 2. Overall Objective and Project Purpose

### 2.1 Overall Objective:

Ensure proper stewardship of public funds, transparency and effectiveness in public spending through the improvement of the public financial management system and the creation of an effective public governance framework in Kosovo and building confidence in public spending by enhancing public accountability.

### 2.2 Project purpose:

#### Component 1:

To support the operation of the financial and management control framework and internal audit systems including the creation of greater awareness and competence amongst senior managers and decision makers in public institutions of the new financial and management control framework.

#### Component 2:

To support the Office of the Auditor General to continue building up fully functional Kosovo National Audit Office, further develop its capacities for sustainable delivery of its mission's objectives and making OAG ready to take place amongst the Supreme Audit Institutions of Europe.

#### Component 3:

To strengthen the public procurement system in Kosovo by ensuring that the public procurement procedures are carried out in transparent manner and in line with EU standards.

### 2.3 Link with AP/NPAA / EP/ SAA

#### European Commission Progress Report 2010

This project is in line with the **Progress Report 2010 for Kosovo**. It recognises that Kosovo needs to increasingly focus on developing financial management and control systems, raising awareness of its PIFC policies and starting using internal audit as an advisory and consulting tool for management.

The Progress Report notes that the development of external audit is on track. However, Kosovo still remains at an early stage of introducing international standards and good practices in the area of external audit.

In the area of public procurement, the report notes that there has been only limited progress. It report concludes that Kosovo needs to improve the legal framework, especially in the field of concessions, to strengthen the position of public procurement officers vis-à-vis their hierarchy further, to increase training in order to have independent procurement experts in key positions and to reinforce regulation of the contract implementation phase of the public procurement process. Administrative capacity and coordination mechanisms of the main stakeholders in the public procurement system still need further strengthening, in particular to reduce the scope for corruption.

#### Kosovo Action Plan for the Implementation of the European Partnership

This project responds to the priorities set in **the European Partnership**, especially those designed to meet the political criteria.

To develop and implement principles of decentralized management responsibility and functionality, independent internal audit in accordance with international standards and best practices of the EU.

Moreover, capacity building in the area of internal audit through training of trainers in order to resume the program on certification, organization of training for the second part of internal auditor's training on the program for international certification.

To strengthen operational capacities as well as financial and operational independence of the OAG by developing the administrative capacities and human resources and improving and harmonising primary and secondary legislation and enabling cooperation with other international organisations.

Several measures were undertaken in the sector of public procurement, however, challenges remain, especially regarding the improvement of the legal framework in the area of concession because it differs largely from the acquis, the improvement and completion of the legal framework, namely the completion of secondary legislation and strengthening of the position of public procurement officials.

## **2.4 Link with MIPD 2011-2013**

The third priority selected for support in MIPD 2011-2013 is the Public Administration Reform, by supporting Kosovo in ensuring the delivery of public services to all people and establishing a professional, accountable, accessible, representative public administration free from political interference.

The MIPD aim to enhance the independence of public administration; improve the efficiency and effectiveness of the public administration at both central and local level, able to meet the challenges of EU integration; improve management system to better control public finances; strengthen control and supervision bodies within the public administration.

Kosovo's strategic objectives in the area of public administration, including public financial management, are comprehensive and ambitious. Kosovo needs to put in place a depoliticised and professional public administration, based on European policies and best practice for HR management. This will entail the establishment of effective horizontal and vertical structures organised in a manner that will allow for the effective and efficient implementation of their respective competences.

A system of check and balances will need to be put in place, which should allow each entity to play its role. A functioning institutional set-up will need to provide for an implementing agent (Ministry of Public Administration), oversight (Inter-Ministerial PAR Committee) and accountability (Office of the Auditor General, Ombudsman, external audit by SAI, Anti-Corruption Agency) at all levels. This in turn requires the qualitative, transparent and accountable management of objectives and goals, effective communication with the general public and the provision of high quality public services. It also requires the effective management and supervision of public expenditure and reliable systems to prevent and fight corruption.

Kosovo has adopted its revised Strategy on Public Administration Reform and now needs to develop and adopt the action plan for its implementation. Political support should be provided to the Ministry of Public Administration to allow it to drive forward public administration reform through developing a comprehensive sector strategy and a road map. Close cooperation between the Ministry of Public Administration and the Ministry of Finance is also required to ensure that public administration reforms are fiscally sustainable. These reforms need to be linked to ongoing improvements to Kosovo's public expenditure management guided by the Public Financial Management Reform Action Plan.

IPA support under short-term priority should focus on improving the financial management systems to better control public finances, including performance auditing and control mechanisms for public procurement and tax collection at all levels.

The Private Sector Development section in the MIPD focuses on the implementation of the recommendations related to a potential trade agreement following the trade fact-finding mission of July 2010, including the improvement in the area of public procurement policies.

The MIPD recognises the need that the public procurement legislation and regulations need to be harmonized, strengthened and completed to avoid confusion of competences and conflicts of interest and increase efficiency and effectiveness.

The overall objective of IPA assistance over the next three years include:

- establishment and implementation of internal control and audit functions and mechanism, in line with requirements of the relevant EU acquis, standards and best practice;
- establishment and implementation of public procurement procedures in line with requirements of the relevant standards, acquis, and best practice.

## **2.5 Link with National Development Plan (where applicable)**

The project links with the **Medium Term Expenditure Framework 2011-2013** (MTEF) and the objectives defined under the Good Governance section. It defines that Government's strategic objective is creating an effective administration, professional, transparent in accordance with democratic principles and oriented towards providing the best possible services to citizens. Public administration reform is a continuous commitment of the Government of Kosovo through a process implemented to define the framework and strategic planning among others contributes to the implementation of obligations arising from the European Partnership for Kosovo.

Under MTEF the following strategic objectives are listed among others:

- Contribution to good governance and accountability in the handling of public finances, developing a sound financial management in public administration;
- Preparation of financial statements and ensuring that they are transparent, accurate useful and understandable by the users of those financial information;
- Respect of international accounting standards, accuracy and regularity in accounting and international standards in the management of financial assets
- Construction of the National Audit Office, as a stable Kosovo institution, a member of INTOSAI's and fully managed by the Kosovars;
- Conducting activities in accordance with auditing standards internationally recognised best European practices;
- Provide access to audit by the audited entities and ensure that the recommendations are addressed effectively;
- Contribution to good governance and accountability in the handling of public finances, developing a sound financial management in public administration;
- Building trust with respect to expenditure of public funds and securing interests of taxpayers and other involved in order to increase transparency;
- Setting detailed rules to ensure proper implementation of the PPL;
- Issue and publish written interpretations, and provides technical assistance and advice contracting authorities and economic operators to implement the provisions of the PPL;
- Creates and maintains information website that provides unlimited access to public records on public procurement in Kosovo and enable the improvement of the publications required by the PPL;
- Support KIPA and other public training and education to provide training of procurement officials throughout Kosovo.

### **3. Description of project**

#### **3.1 Background and justification:**

##### Component 1:

The project would be a follow on from two consecutive EAR and one EC Liaison Office project in public internal financial control and internal audit. These projects have assisted the creation of the new internal audit system and establishing the Central Harmonisation Unit for Internal Audit (CHU-IA), as well as trained and certified a considerable number of internal auditors. The new project needs to lock down these achievements by strengthening the abilities and qualifications of the CHU-IA to be the main promoter and provider of internal audit expertise in Kosovo's public administration. The predecessor project has also supported the creation of a Central Harmonisation Unit for Financial Management and Control (CHU-FMC) which has introduced the basics of FMC to one pilot municipality. This project will build on this through intensified support of the CHU-FMC and by targeting senior levels (Ministers, Permanent Secretaries, Mayors) in the decision making chain in order to maximise benefits accrued from the previous projects. The project will build on this work by extending the focus of enhancing awareness on issues of public management, control and accountability from public servants to the broader public by strongly involving the media and civil society in various public awareness campaigns.

The proposed project is a central theme in all key EC documents, the Kosovo Law on Public Financial Management & Accountability, Internal Audit Law and the Government's strategy for internal audit.

##### Component 2:

Within a strategic planning period of 5 years (from 2009), the Auditor General intends to build a fully functioning Kosovo National Audit Office ready to take its place amongst the Supreme Audit Institutions of Europe to be run entirely by Kosovan nationals and be fully sustainable.

The solid achievements of the last year owe much to the help given to the OAG via the current Twinning Project. The OAG has proven itself to be fertile ground for Twinning. The current MS Twinning Partners report excellent cooperation with the OAG, with staff at all levels absorbing and then owning Twinning outputs – a vital factor in achieving sustainability. The benefits to date of the Twinning mechanism are clear enough, and much has been achieved. However, there is a general lack of regularity audit experience. The current Twinning Project will complete the process of producing a trained cadre of regularity audit staff capable of a straightforward generic audit – but a serious lack of capacity still exists in the wider sense. Wider audit experience is needed in order to cover the many different strands of audit within the remit. At the same time the “depth” of regularity audit proficiency is a serious weakness; for example there is little capacity around the issue of IT.

Credible capacity in the more specialist areas of audit is limited. For example; the audit of small entities, the development and use of tools that can provide limited audit assurance over a large number of entities and audits of complex systems are all areas where capacity building is needed.

The current Twinning Project has begun the process of developing a general performance audit capacity – but the cadre of trained staff now need further development. A performance audit approach which addresses the specific needs of the Kosovar public sector needs to be developed – and that theoretical framework then needs to be embedded through further piloting.

The audit is built around generic materials produced under existing standards. This is a good start but now the OAG needs to progress to the next level. As a public external audit institution in a non-UN recognised country the office is unable to join INTOSAI or EUROSAI. Thus, the office is outside all measures taken on the European level fostering the implementation of new standards and good practices linked to internationally agreed developments in audit and then adapt those developments to local needs. An external “knowledge-bridge” will assist in closing this gap. This will be a particularly relevant issue when the new ISSAIs are rolled out.

There is a lack of in-depth skills at the management level and a need for general capacity building at all levels of management. The current Twinning Project has just “scratched the surface” in this area. Managers lack the full range of skills that they need to run and continuously develop the business in accordance with new requirements and expectations.

The current HR system needs further development and needs more time to embed. Without continued support in this area a reversion to the kind of bad practices common to HR in this region (favouritism, cronyism etc) is a grave concern. The OAG spends a good deal of effort and resources on training – as every SAI must. However this internal training capacity is poorly focussed and is not adequately aligned with wider needs. The office lacks the tools and experience to address this shortcoming.

There is a pressing need to develop and mentor IT solutions at the grass roots, as well as a strengthening the central IT function in order to support such development.

The OAG's capacity to develop effective external communications has reached its limit. Messages need to be professionally managed. The external communication systems leave room for improvement.

It is important to recognise that the weaknesses identified at the OAG are not structural in their nature. The office is quite capable of confronting, addressing and solving its weaknesses – but not without external help. A second Twinning Project is needed in order to consolidate the progress of the first but also to build upon those successes, addressing the above shortcomings, and taking the OAG towards a position where it is ready to stand alone as a sustainable and locally owned modern European SAI.

### Component 3:

The value of public procurement contracts awarded in 2009 is around 20% of Kosovo's GDP. Major improvements are needed in the Kosovo public procurement system in order to ensure better use of public funds and to reduce scope for corruption. The legal framework has been recognised as cumbersome and not EU compliant. Nevertheless, reforms in this area have proven to be difficult to implement. The draft law that was prepared with the assistance of the previous EU funded project was approved by the Government in July 2010. However, the promulgated version differs from the one approved by the Government and introduces some changes which represent further deviation from the *acquis*.

According to the national development plans the amendment of the legal framework is among the priorities of the Government. Should this process be properly concluded, the public procurement institutions need further assistance to consolidate and institutionalise the reforms introduced.

Since 2001 the EU has supported the establishment of modern and transparent public procurement system in Kosovo and it is considered necessary to provide further support to ensure effective implementation of the amended public procurement law (amendment should take place during the year 2011) and to increase the institutional capacities of the PPRC, PPA and PRB.

The areas that this project will focus on are implementation of the legal framework, strengthening the administrative capacities and reaching out to the wider public, and especially to economic operators. However, the legislative framework needs to be amended and aligned with EU standards before this project can be launched.

### **3.2 Assessment of project impact, catalytic effect, sustainability and cross border impact (where applicable)**

Achieving an effective framework for public management, control and accountability requires time, commitment and consistency of action. Technical schemes and regulatory frameworks may be put in place fairly rapidly, but unless there is adequate awareness and understanding by the people involved systems alone shall not guarantee effectiveness.

This project will combine the continuation of the much needed technical work together with the more subtle process of ensuring that decision makers understand and remain interested in using the systems available.

A competent and independent supreme audit institution is fundamental to any modern society that is committed to ensuring accountability in the public sector and society as a whole. It is also essential for Kosovo's closer alignment and possible integration to the EU.

The EU is and will continue to provide substantial assistance to Kosovo. An effective and independent OAG will have a catalytic effect in helping to ensure there is the capacity across government and public institutions to absorb that assistance properly.

Furthermore this project aims to deliver significant positive impact through assisting the public procurement bodies to ensure the effective implementation and enforcement of the EU compatible Public Procurement Law (PPL). This is essential to promoting efficiency and effectiveness in the use of public funds, as well as reducing the potential opportunity for fraud, corruption and misappropriation of public monies. However, sustainable impact cannot be achieved without a critical mass of properly qualified staff in Kosovo's institutions. Therefore, the project will also focus on coaching the beneficiary staff to enable them gradually to fulfil their responsibilities under the PPL.

### **3.3 Results and measurable indicators:**

#### Component 1:

- Result 1: Operation of the newly established Central Harmonisation Unit for Financial Management & Control improved.
- Result 2: Second circle of a certification mechanism for internal auditors and training developed and carried out by previously certified internal auditors.
- Result 3: Course cycle on public management, control and accountability for political appointees (ministers and majors) and high level public servants developed and carried out in all ministries and municipalities
- Result 4: The number of media coverage dealing with public management and accountability is increased to previous year

#### *Corresponding Indicators:*

- CHU-FMC structure improved and management and staff intensively trained to a level that makes them to the main promoters of FMC.
- Curriculum for internal auditors developed and cycle of training carried out by internal auditors that were certified by the predecessor project.
- At least 20 additional internal auditors trained and certified.
- Number & quality of internal audits carried out improved.
- Course Cycle on public management, control and accountability implemented in all ministries and municipalities
- 50 articles or TV shows dedicated to public financial management and accountability

#### Component 2:

- Result 1: Further development of Audit skills and capacities of the OAG; Regularity and Performance audit teams are skilled and able to undertake quality audits in line with International Auditing Standards and EU good practice in their own without need to rely on external support;
- Result 2: The OAG's HR and Management capacity building is further developed to the point where it functions in a sustainable manner with mature and embedded systems for the career development of staff, performance assessment, time recording;
- Result 3: The OAG's existing ICT Strategy implemented; Improved internal communication via an intranet and better external communication via an improved external facing website;
- Result 4: An effective external communications strategy in place and operational and International (SAI community) cooperation links established and implemented.

Result 5: Planned exit strategy for maintaining OAG institutional sustainability.

*Corresponding Indicators:*

- Number of completed OAG regularity and performance audits covering a broad range of topics and institutions to be presented to the audited clients and to the Assembly for their consideration;
- Existence of an operational and dedicated AMU (Audit Methodology Unit) with a structure in place which allows it to learn from audit practice in the field and also to disseminate best theoretical practice from the centre;
- HR training programmes are in place and continuously implemented to build up management capacities;
- Level of implementation of existing policies and systems for time management and staff performance assessment;
- Progress made in delivering OAG's strategic objectives set out in the Corporate Development Strategy and the last platform is established for its full implementation;
- New IT tools used by auditors routinely in their work – IT file based audit documentation system, centralised libraries of standard templates, IT access to guidelines including external guidance;
- Intranet established;
- Nr of workshops conducted with external stakeholders (print and TV journalists), number of external communication with the Assembly, COPF and media;
- Level of participating in different seminars, trainings and other events covered by International SAI community;
- Preparation of the Medium and long term plan for exit strategy
- OAG staff properly trained for continuation of handing over the services provided (technically, financially and managerially).

Component 3

Result 1: Administrative capacities and coordination mechanisms between the main stakeholders strengthened

*Corresponding Indicators:*

- Certification of all public procurement officials completed.
- Averages of time intervals between procurement phases shortened
- Percentages of call for tenders that end up with no results decreased
- Number of complaints decreased

Result 2: Scope for corruption reduced through carrying out public procurements according to legislation at central and local levels

*Corresponding Indicators:*

- Success and failure rates for public tenders.
- Complaints registered in relation to public procurements
- % of types of procedures used
- Increase in the use of framework contracts

Result 3: Wider public informed of the procurement procedures and increased trust in the PP institutions.

*Corresponding Indicators:*

- Number of workshops organised
- Number of people attending the awareness raising events
- Coverage reached in the media

### **3.4 Activities:**

#### Component 1:

##### *Activities for achieving Result 1.1*

Build on the support provided to the newly build CHU-FMC by providing further intensive training. Assist in the implementation of the strategy for Financial Management and Control; Assist in achieving an optimal organisational and administrative arrangement in CHU and provide on-the-job training and coaching to CHU to lift capacities to a level where training for budget organisations can be carried out by CHU-FMC.

##### *Activities for achieving Result 1.2*

Provide a second round of certification exams for internal auditors by development and adoption of a training program through previously certified internal auditors. Build upon the previous training and certification program by offering training courses for the certification through in house trainers for other internal auditors. Further training courses for internal auditors.

##### *Activities for achieving Result 1.3*

Introductory workshops for all ministries by CHU-FMC followed by a series of workshops for Ministers and Permanent Secretaries of all ministries. Preparation of a training cycle for two ministries and one major municipality, followed by intensive training for the three pilot organisations. Revised Organigrammes of the pilot organisations. Reports on implementation of the FMC strategy for pilot municipalities.

##### *Activities for achieving Result 1.4*

Competitions for the best newspaper article, TV program and Research Paper covering public management and accountability issues. Workshops for media representatives and civil society.

#### Component 2:

##### *Activities for achieving Result 2.1*

Provide technical, mentoring and training support to Regularity and Performance Audits; Technical support to creating an Audit Methodology Unit which owns and supervises the audit process.

##### *Activities for achieving Result 2.2*

Technical support to establishment of a Strategic HR Framework; Technical support to establishing a Strategic Planning Process; Support with training to Management Capacity Building; Support to adopt future Leaders programme.

##### *Activities for achieving Result 2.3*

New tools and full training for auditors – including an IT based audit documentation system with full access to a centralised registry of standardised audit tools and templates; Support to establishment of an OAG Intranet.

##### *Activities for achieving Result 2.4*

PR activities and workshops with key media stakeholders to learn what needs they have in terms of access to OAG information; and a media strategy implemented based on the results of the workshops and with media training (drafting and interviewing skills) given to key OAG staff.

##### *Activities for achieving Result 2.5*

Development of mid and long term exit strategy: detailed description of the OAG objective and vision; performance "model" that describes the expected course; progress assessment

when the objective has been reached; develop a contingency plan if the objectives will not be met.

### Component 3

#### *Activities to achieve result 3.1*

Preparing policies and guidelines for the public procurement officers, implementing the Curriculum for training in public procurement and the certification system and providing assistance in the implementation for managerial and organisational upgrade of PPRC, PRB and PPA.

#### *Activities to achieve result 3.2*

Assistance in the implementation of the primary and secondary legislation at the central and municipal levels, training and mentoring in the monitoring of the contracts, and advising on the regular use of the framework contracts.

#### *Activities to achieve result 3.3.*

Workshops and awareness raising among the economic operators and awareness raising event among the civil society organisations and media

### **3.5 Conditionality and sequencing:**

The Government must maintain support for improving public management and strengthening control and accountability in public administration throughout the duration of the project.

As the CHU-IA reports directly to the Minister of Finance, the organigramme of the MF needs to be modified to allow this also for the CHU-FMC, in order to ensure the highest efficiency when promoting FMC in Kosovo's public administration.

Senior public officials and policy makers (Ministers, Deputy Ministers, Permanent Secretaries and senior civil servants) must be committed and support the implementation of the project by providing input and being willing to follow project activities especially as regards activity 3.

Necessary resources must be provided from the state and adequate staffing of the relevant bodies throughout the project.

Projects to be implemented through twinning require the full commitment and participation of the senior management of the beneficiary institution. In addition to providing the twinning partner with adequate staff and other resources to operate effectively, the senior management must be actively involved in the development and implementation of the policies and institutional change required to deliver the project results.

In addition, government needs to make significant progress in adopting a new primary and secondary legislation in the area of public procurement in line with EU standards.

The training activities within the Component 3 will be closely coordinated with the IPA Multi-beneficiary programme "Training in Public Procurement in the Western Balkans and Turkey" to ensure that duplication is avoided and that the project can built upon the results already achieved through the Multi-beneficiary programme.

### **3.6 Linked activities**

The project builds on the significant EU assistance for public administration reform in Kosovo. In particular, the 2011 project will follow up, consolidate and learn lessons from the following ongoing EU-funded projects and coordinate the activities with other donor funded projects;

<b>Project</b>	<b>Start/End</b>	<b>Activities/Results</b>
USAID		Treasury Advisor support to budget decentralization
Government of the United Kingdom:		Oversight of Public Finance in Kosovo
Swedish National Audit Office	1st phase Apr – Sept 2011;  2nd phase Sept 2011 – Aug 2012	Assisting in the Performance audit and developing and introducing a new time registration system.
Improving the quality of public investments in Kosovo and preparing the ground for EU funds	July 2010- July 2012	Improving the quality of public investments by ensuring proper stewardship of public funds, transparency and effectiveness in public spending through the improvement of the budget planning and formulation process.
Support to the Office of the Auditor General of Kosovo to meet EU standards	September 2009 – September 2011	Strengthening the capacity of the Office of the Auditor general by developing its ability to carry out audits to EU international standards.
"Further support to the Office of the Auditor General"	November 2007 – July 2009	TA in order to assist the implementation of the Strategic Development Plan.
"Support to the Creation and Establishment of a Supreme Audit Institution in Kosovo"	May 2003 – October 2006	Setting up the Office and its development from the very beginning.
SIGMA regional training programme on public procurement.	2010-2011	To contribute towards upgrading the operational performance and professionalism within the public procurement systems in candidate and potential candidate countries.
Training in Public Procurement in the Western Balkans and Turkey (IPA Multi-beneficiary programme)	2010-	The purpose of the contract is to contribute towards upgrading the operational performance and professionalism of public procurement systems in candidate countries and potential candidates, by undertaking, in particular: delivery of training to approximately 150-180 trainers from beneficiaries; translation and localisation of training materials for each beneficiary; support for training at national level in each beneficiary.
Support to Public Procurement reform (€1.9 million)	Jan 2009 – July 2011	Assist in the development of the public procurement system for Kosovo and ensure that the system is compatible and up to date with EU Standards and promotes efficiency and transparency in the use of public funds.
Public procurement – Phase II (€1.5 million)	Nov 2005 - Oct 2007	Further support the reform of Kosovo's public procurement system, particularly the compatibility of its legislative and institutional framework with the <i>acquis</i> , thereby contributing to promote efficiency and effectiveness in the use of public funds, and to fight corruption.
Public procurement – Phase I (€1.5 million)	Mar 2004 - Oct 2005	To contribute to the improvement of the effectiveness, efficiency and transparency of public finances in Kosovo

### 3.7 Lessons learned

Ministry of Finance, the Public Procurement institutions and the Office of Auditor General must take ownership of all the activities and ensure that the skills and expertise acquired will constructively increase the capacity both in terms of donor coordination and EU integration.

The main lesson learnt thus far is that developing the regulatory framework and providing a critical mass of training and skill development for the relevant bodies is a necessary but not sufficient condition for the creation of a functioning entity within the public administration of Kosovo. Especially Financial Management Control and Internal audit can only function as a part in a wider structure of public governance. The concept of public governance must be endorsed and supported at the highest level of public office if the systems and skills created can be of use.

The OAG is an institution in the making and therefore in need of continuing assistance. The transformation of the OAG into a national institution will necessitate appropriate capacity to fulfil the duties of the post-status era. Further assistance will strengthen its management and administrative capacity and will pave the way for transition and will support the OAG in order for it to meet EU and international acceptable standards and practice. Skill development and the introduction of modern techniques is part of a process of continuous improvement that shall require time and resources in the years ahead. If OAG is to be effective in its role it should update audit methodologies to EU and international standards. The OAG needs to catch up with other EU and international SAIs, where functional IT tools make up an increasingly important part of the work by facilitating and accelerating audit procedures.

A second Twinning Project is needed in order to consolidate the progress of the first in terms of ownership and sustainability. Ownership could be improved by including a commitment of the OAG to maintain the project results after the project has finished, especially in cases where policy advice is the main outcome and where institutional and staff costs are in question. This subsequent project will reflect improved planning, prioritisation and sequencing and better coordination with other donors. As Kosovo moves closer to Europe, the administrative and financial implications of *acquis* approximation must be considered. The OAG absorption capacity must be taken into account when designing project to allow maximum benefit of assistance provided, including its capacity to develop internal evaluation mechanisms for institutional capacity assessment. Proper monitoring of project by the beneficiary and the Commission is a key requirement to guarantee the desired results or adapt the activities to the rapidly developing environment. The new project will also build upon achieved successes, addressing the above shortcomings, and taking the OAG towards a position where it is ready to stand alone as a sustainable and locally owned modern European SAI.

#### 4. Indicative Budget (amounts in EUR million)

			SOURCES OF FUNDING									
			TOTAL EXP.RE	IPA EU CONTRIBUTION		BENEFICIARY CONTRIBUTION					PRIVATE CONTRIBUTION	
ACTIVITIES	IB (1)	INV (1)	EUR (a)=(b)+(c)+(d)	EUR (b)	%(2)	Total EUR (c)=(x)+(y)+(z)	% (2)	Central EUR (x)	Regional/ Local EUR (y)	IFIs EUR (z)	EUR (d)	% (2)
Activity 1												
PIFC : Service	x		1	1	100							-
Activity 2												
OAG : Twinning	x		1.5	1.5	100							-
Activity 3												
Procurement : Service	x		1	1	100							-
TOTAL IB			3.5	3.5	100							
TOTAL INV												
<b>TOTAL PROJECT</b>			<b>3.5</b>	<b>3.5</b>	<b>100</b>							

NOTE: Amounts net of VAT

(1) In the Activity row use "X" to identify whether IB or INV

(2) Expressed in % of the **Total** Expenditure (column (a))

## 5. Indicative Implementation Schedule (periods broken down per quarter)

Contracts	Start of Tendering	Signature of contract	Project Completion
Contract 1 – Service	Q1 2012	Q3 2012	Q3 2014
Contract 2 – Twinning	Q4 2011	Q2 2012	Q4 2014
Contract 3 - Service	Q1 2012	Q3 2012	Q1 2015

All projects should in principle be ready for tendering in the 1<sup>ST</sup> Quarter following the signature of the FA

## 6. Cross cutting issues (where applicable)

### 6.1 Equal Opportunity

During implementation of the project specific attention will be paid to the need for gender balance and equal opportunities for all communities in the selection process.

Terms of reference will cover the impact of the project on women and minorities, including employment opportunities, and will encourage the beneficiary to comply with Kosovo law on employment of women and minorities. Minority representation will be pursued across the civil service and in all aspects of activities on the project. Active steps will be needed to encourage adequate minority participation in selection procedures for the programme.

### 6.2 Environment

During implementation of the project production of printed material will be kept to the strictest minimum. The project is of a purely technical nature of the does not have a direct impact on environment.

### 6.3 Minorities

Beneficiaries' staff will have to be appropriately sensitised to the principles of fair treatment of minorities in public sector employment policy and practice.

## **ANNEXES**

Annex 1 Log frame in Standard Format

Annex 2 Amounts contracted and Disbursed per Quarter over the full duration of Programme

Annex 3 Description of Institutional Framework

Annex 4 Reference to laws, regulations and strategic documents:

Annex 5 Details per EU funded contract (\*) where applicable:

**ANNEX 1: Logical framework matrix in standard format**

<b>PUBLIC FINANCE</b>		Contracting period: (see section 1.10)	Disbursement period : (see section 1.12)
		Total budget : EUR 3.5 million	IPA budget: EUR 3.5 million
<b>Overall objective</b>	<b>Objectively verifiable indicators</b>	<b>Sources of Verification</b>	
Ensure proper stewardship of public funds; transparency and effectiveness in public spending through the improvement of the public financial management system; and the creation of an effective public governance framework in Kosovo.	<ul style="list-style-type: none"> <li>• Proper and efficient utilisation of public funds and EU funds</li> <li>• Transparency and public confidence</li> <li>• Compliance of Kosovo system with EU PIFC policy, EU expectations and good practices.</li> </ul>	<ul style="list-style-type: none"> <li>• Screening reports</li> <li>• OAG annual reports</li> <li>• CHU reports</li> </ul>	
<b>Project purpose</b>	<b>Objectively verifiable indicators</b>	<b>Sources of Verification</b>	<b>Assumptions</b>
<p><u>Component 1:</u> The project purpose is to develop a strong public governance framework within Kosovo. In order to do this the project will contribute to the improvement of public management and accountability in Kosovo by raising capabilities of decision makers in public institutions.</p> <p><u>Component 2:</u> To support the Office of the Auditor General to continue building up fully functional Kosovo National Audit Office, further develop its</p>	<ul style="list-style-type: none"> <li>• Effective functioning of CHU-FMC</li> <li>• Quality and scope of internal audit performed by CHU-IA</li> <li>• Findings of internal audits on accountability, transparency, fiscal discipline and efficiency.</li> <li>• Quality of OAG audits</li> <li>• Implementation of international</li> </ul>	<ul style="list-style-type: none"> <li>• OAG audit reports on the functioning of CHU.</li> <li>• CHU annual reports.</li> <li>• Independent screening reports and reviews.</li> <li>• European Commission Progress Reports on Kosovo.</li> <li>• OAG Annual reports</li> <li>• OAG Performance report</li> <li>• SIGMA assessment</li> </ul>	<ul style="list-style-type: none"> <li>• Commitment by government</li> <li>• Ownership of Treasury</li> <li>• Increased absorption capacity of Chu-FMC.</li> <li>• Continued OAG commitment to its Corporate development Strategy</li> </ul>

<p>capacities for sustainable delivery of its mission's objectives and making OAG ready to take place amongst the Supreme Audit Institutions of Europe.</p> <p><u>Component 3:</u> To strengthen the public procurement system in Kosovo by ensuring that the public procurement procedures are carried out in transparent manner and in line with EU standards.</p>	<p>auditing standards and good EU practices</p> <ul style="list-style-type: none"> <li>• OAG management capacity further developed</li> </ul> <p>Public procurement system in Kosovo enables fair competition and equal treatment of tenderers in line with EU standards.</p>	<ul style="list-style-type: none"> <li>• European Commission Progress Reports on Kosovo.</li> <li>• Monitoring Project reports</li> <li>• Government strategies and action plans</li> <li>• Conclusions of SAPD meetings;</li> <li>• EC Progress reports</li> </ul>	<ul style="list-style-type: none"> <li>• Absorption capacity of the OAG is not a constraint and the OAG takes ownership of cascading what is learned during the project to the whole office</li> <li>• OAG having operational, functional and financial independence</li> <li>• The legal framework is in line with EU standards</li> <li>• Commitment of the relevant institutions and the Government</li> </ul>
<p><b>Results</b></p>	<p><b>Objectively verifiable indicators</b></p>	<p><b>Sources of Verification</b></p>	<p><b>Assumptions</b></p>
<p><u>Component 1:</u></p> <p>1: Operation of the newly established Central Harmonisation Unit for Financial Management &amp; Control improved.</p> <p>2: Second circle of a certification mechanism for internal auditors and training developed and carried out by previously certified internal auditors.</p>	<ul style="list-style-type: none"> <li>• Efficient CHU structure in place; management and staff skilled to promote FMC in public administration</li> <li>• Number of training sessions provided.</li> <li>• Number of people trained</li> <li>• Coordination Body for all donor activities related to FMC</li> <li>• Number of internal auditors and certified.</li> </ul>	<ul style="list-style-type: none"> <li>• Organigramme of the MFE and the CHU</li> <li>• Adopted manuals</li> <li>• Course assessment forms, materials, handouts and reports.</li> <li>• FMC projects coordination database</li> <li>• Minutes of Coordination body meetings</li> <li>• Number of IA certified</li> </ul>	<ul style="list-style-type: none"> <li>• CHU-FMC adequately staffed and staff committed.</li> <li>• Commitment of all projects and donors to coordinate better</li> <li>• Continued support to public sector modernisation and reform.</li> <li>• Senior public officials and policy makers committed to support the implementation of the</li> </ul>

<p>3: Course cycle on public management, control and accountability for political appointees (ministers and majors) and high level public servants developed and carried out in all ministries and municipalities</p> <p>4: The number of media coverage dealing with public management and accountability is increased to previous year</p> <p><u>Component 2:</u> 1. Further development of Audit skills and capacities of the OAG; Regularity and Performance audit teams are skilled and able to undertake quality audits in line with International Auditing Standards and EU good practice in their own without need to rely on external support;</p>	<ul style="list-style-type: none"> <li>• Number of trainer within the Internal Auditors</li> <li>• Number &amp; quality of internal audits carried out.</li>   <li>• Number of training sessions provided.</li> <li>• Number of people trained</li> <li>• Number of ministers and majors that participated</li> <li>• Pilot organisations have FMC in place</li>   <li>• Number of articles or TV shows dedicated to public management and accountability</li> <li>• Number of Workshops</li> <li>• Number of participants and organisations taking part</li>   <li>• OAG regularity audits</li> <li>• OAG performance audit;</li> </ul>	<ul style="list-style-type: none"> <li>• Course assessment forms, materials, handouts and reports.</li> <li>• Personnel performance appraisal &amp; assessment reports.</li> <li>• Feedback from IA</li> <li>• OAG reports on the CHU</li> <li>• European Commission Progress Reports on Kosovo.</li>   <li>• Organigramme of the MF and the CHU</li> <li>• Reports on implementation of the strategy for all ministries.]</li> <li>• Course assessment forms, materials, handouts and reports.</li> <li>• Organigramme of the organisations</li>   <li>• Newspapers and TV program</li> <li>• Workshop assessment forms, materials, handouts and reports.</li>   <li>• OAG individual reports</li> <li>• Quality review of reports</li> </ul>	<p>project.</p> <ul style="list-style-type: none"> <li>• Potential for interest of broader public in public management and accountability</li>                   <li>• OAG staff on board with the new ideas</li> <li>• Enthusiasm for</li> </ul>
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<p>2. The OAG's HR management capacity is further developed to the point where it functions in a sustainable manner with mature and embedded systems for the carrier development of staff, performance assessment, time recording;</p> <p>3. OAG's existing ICT Strategy implemented. Improved internal communication via an intranet. Improved external communication via an improved external facing website</p> <p>4. An effective external communications strategy in place and operational and International (SAI community) cooperation links established and actioned</p>	<ul style="list-style-type: none"> <li>• Number of recommendations produced by OAG accepted by stakeholders;</li> <li>• Existence of an operational AMU;</li>   <li>• HR training in place and implemented</li> <li>• Progress made in delivering OAG strategic objectives set out in CDS</li>   <li>• New IT tools used by auditors</li> <li>• IT file based audit documentation system</li> <li>• Centralised library of standard templates</li> <li>• IT access to guidelines including external guidance</li>   <li>• Number of workshops with external stakeholders (print and TV journalists)</li> </ul>	<ul style="list-style-type: none"> <li>• OAG reports to Assembly</li> <li>• RTA quarterly reports</li> <li>• Feedback from audit reports user</li> <li>• Other external reporting, SIGMA</li> <li>• Quality questionnaires submitted to local partners</li> <li>• EC Liaison office monitoring</li> <li>• Annual OAG reports to Assembly</li> <li>• SIGMA assessment</li>   <li>• ECLO project monitoring</li> <li>• Annual OAG reports to Assembly</li> <li>• RTA quarterly reports</li> <li>• SIGMA assessment</li>   <li>• ECLO project monitoring</li> <li>• Annual OAG reports to Assembly</li> <li>• RTA quarterly reports</li> <li>• SIGMA assessment</li> </ul>	<p>development amongst managers</p> <p>Sufficient develop IT platform to support use of necessary applications</p>
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<p>5. Planned exit strategy for maintaining OAG institutional sustainability</p> <p><u>Component 3:</u></p> <p>1. Administrative capacities and coordination mechanisms between the main stakeholders strengthened</p> <p>1.1) The position of public procurement officers strengthened</p> <p>1..2) Curriculum for the public procurement officers implemented</p> <p>1.3) Roles and responsibilities of the each PP institution clarified.</p> <p>2. Scope for corruption reduced through carrying out public procurements according to legislation at central and local levels</p> <p>2.1) Primary and secondary legislation enforced</p> <p>2.2) More systematic monitoring and follow-up of procurement activities</p> <p>2.3) Framework contracts used regularly</p> <p>3. Wider public informed of the procurement procedures and increased trust in the PP</p>	<ul style="list-style-type: none"> <li>• Number of external communications with the Assembly, the COPF and media</li> <li>• Level of participation in different seminars, training and other events covered by International SAI community</li> <li>• Strategy on place</li> <li>• Managerial staff properly trained to take over the duties</li> <li>• Certification of all public procurement officials completed.</li> <li>• averages of time intervals between procurement phases shortened</li> <li>• percentages of call for tenders that end up with no results decreased</li> <li>• number of complaints decreased</li> <li>• Success and failure rates for public tenders.</li> <li>• Complaints registered in relation to public procurements</li> <li>• % of types of procedures used</li> <li>• Increase in the use of framework contracts</li> </ul>	<ul style="list-style-type: none"> <li>• Monitoring of the specific project outputs and monitoring reports</li> <li>• Reports of the PPRC, PRB and PPA</li> </ul>	<p>Continued external stakeholder support for improved public sector accountability and performance via an effective SAI</p> <p>Further progress by the international community in acceptance of Kosovar position</p> <ul style="list-style-type: none"> <li>• The legal framework is in line with EU standards.</li> <li>• Commitment of the</li> </ul>
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<p>institutions.</p> <p>3.1) Increased awareness among the economic operators</p> <p>3.2) Raised awareness and understanding of the benefits of accurate public procurement as regards the use of public funds among general public</p>	<ul style="list-style-type: none"> <li>• Number of workshops organised</li> <li>• Number of people attending the awareness raising events</li> <li>• Coverage reached in the media</li> </ul>		<p>relevant institutions and the Government.</p> <ul style="list-style-type: none"> <li>• Beneficiary allocates sufficient staff for the project.</li> <li>• Cooperation between PPRC, PPA, PRB as well as KIPA</li> <li>• The staff are motivated to participate and learn.</li> <li>• No significant staff turnover</li> <li>• IT capacities within PPRC strengthened</li> </ul>
<b>Activities</b>	<b>Means</b>	<b>Costs</b>	<b>Assumptions</b>
<p><b>Component 1:</b></p> <p>1 Assist in the implementation of the strategy for Financial Management and Control</p> <p>2. Provide second round of certification exams for internal auditors</p> <p>3. Implementing course cycle on good governance framework for the public finances of Kosovo.</p> <p>4.Introduce the concept of good governance framework for the public finances to broader public</p>	<p>Technical Assistance – One Service Contract</p>	<p>EUR 1,0 million</p>	<p>Tender procedure carried out smoothly and high quality consultants selected.</p>

<p><b>Component 2:</b></p> <p>1. Provide technical, mentoring and training support to Regularity and Performance Audits; Technical support to creating an Audit Methodology Unit which owns and supervises the audit process</p> <p>2. Technical support to establishment of a Strategic HR Framework; Technical support to establishing a Strategic Planning Process; Support with training to Management Capacity Building; Support to adopt future Leaders programme.</p> <p>3. New tools and full training for auditors – including an IT based audit documentation system with full access to a centralised registry of standardised audit tools and templates.; Support to establishment of an OAG Intranet;</p> <p>4. PR activities and workshops with key media stakeholders to learn what needs they have in terms of access to OAG information; and a media strategy implemented based on the results of the workshops and with media training (drafting and interviewing skills) given to key OAG staff</p> <p>5. Preparation of Medium and long term plan for exit strategy; OAG staff properly trained for continuation of handing over the services provided, technically, financially and managerially.</p>	Twining contract	EUR 1,5 million	Member states' relevant institutions interested in establishing a twinning arrangement.
	One service contract	EUR 1,0 million	<p>The legal framework is in line with EU standards</p> <p>Commitment of the relevant institutions and the Government</p> <p>Beneficiary allocates sufficient staff for the project</p>

<p><b>Component 3:</b>  <b>1. Administrative capacities and coordination mechanisms between the main stakeholders strengthened</b>  1.1) Prepare policies and guidelines for the public procurement officers  1.2) Implement the Curriculum for training in public procurement and the certification system.  1.3) Provide assistance in the implementation for managerial and organisational upgrade of PPRC, PRB and PPA.</p> <p><b>2. Scope for corruption reduced through carrying out public procurements according to legislation at central and local levels</b>  2.1) Assistance in the implementation of the primary and secondary legislation at the central and municipal levels  2.2) Training and mentoring in the monitoring of the contracts  2.3) Advice in the Framework contracts used regularly</p> <p><b>3. Wider circle of economic operators well informed of the procurement procedures and increased trust in the PP institutions.</b>  3.1) Workshops and awareness raising among the economic operators  3.2) Awareness raising event among the civil society organisations and</p>			<p>and provides office space</p> <p>The staff are motivated to participate and learn</p> <p>Interest and participation of the, economic operators and wider public</p>
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**ANNEX II: amounts (in EUR million) Contracted and disbursed by quarter for the project**

<b>Contracted</b>	Q1 2012	Q2 2012	Q3 2012	Q4 2012	Q1 2013	Q2 2013	Q3 2013	Q4 2013	Q1 2014	Q2 2014	Q3 2014
Contract 1 Service			1.0								
Contract 2 Twinning		1.5									
Contract 3 Service			1.0								
<b>Cumulated</b>		<b>1.5</b>	<b>3.5</b>								
<b>Disbursed</b>	Q1 2012	Q2 2012	Q3 2012	Q4 2012	Q1 2013	Q2 2013	Q3 2013	Q4 2013	Q1 2014	Q2 2014	Q3 2014
Contract 1 Service			0.3		0.3						0.4
Contract 2 Twinning		0.5				0.5					0.5
Contract 3 Service			0.3		0.3		0.4				
<b>Cumulated</b>		<b>0.5</b>	<b>1.1</b>	<b>1.1</b>	<b>1.7</b>	<b>2.2</b>	<b>2.6</b>	<b>2.6</b>	<b>2.6</b>	<b>2.6</b>	<b>3.5</b>

## **ANNEX III Description of Institutional Framework**

### **Central Harmonisation Unit for Internal Audit**

The Central Harmonisation Unit for Internal Audit (CHU/IA) was established April 1<sup>st</sup>, 2008 as a special department within the MEF with a full staff complement. Its activities are framed by a Strategic Plan for Internal Audit in the Government of Kosovo which sets out objectives and resources, and are governed by a detailed multi-year implementation plan. This plan was developed in July 2007 assuming that a new Law on Internal Audit empowering the CHU/IA would be voted into effect shortly afterwards. The new law only passed its final reading in September 2009, incorporating changes suggested by: the previous EAR PIFC project; the CHU/IA; the Office of the Auditor General; the present EU-PIFC project; and other stakeholders. Despite the absence of an enabling law the CHU/IA has made good progress in implementing its plan.

### **The Central Harmonisation Unit for Financial Management and Control**

The Central Harmonisation Unit for Financial Management and Control (CHU/FMC) was established in 2007, located within the Treasury. Its role is defined in Terms of Reference which reflects the PIFC Policy, and its activities are incorporated in the overall Ministry plan. The main implementing legislation is the Law on Public Financial Management and Accountability which was last updated in July 2008.

Budget to staff this organization has not been available until recently, so FMC activities have progressed on an ad-hoc basis primarily using project experts under the supervision of the Director of Treasury. A staff complement of three, comprising a Head and two analysts, was recently approved and these positions were filled as of September 1<sup>st</sup>, 2009. At the moment the CHU reports to a Deputy Director in the Treasury. The staff collectively has a background in budgetary control as well as legal expertise.

### **Office of the Auditor General (OAG)**

Office of the Auditor General is established as an independent institution by UNMIK Regulation no. 2002/18 based on section 11.1(c) of Kosovo Constitution Framework- UNMIK Regulation no. 2001/9.

Pursuant to these legal provisions, OAG has reported directly to United Nations Special Representative of Secretary-General, who appointed the Auditor General in November 2003. By promulgating the Constitution of Republic of Kosovo (article 136) OAG is defined as an Independent Constitutional Institution for economic and financial control of public institutions and reports only to Assembly of Republic of Kosovo.

Legal status, mandate, functioning and activities of OAG are regulated with Law no 03/L-075 promulgated by Assembly of Kosovo on 15 June 2008.

Pursuant to Article 157 of the Constitution and article 8 of Law on OAG establishment is defined that until the end of international supervision of the implementation of the comprehensive Proposal for Kosovo status settlement, the Auditor-General of the Republic of Kosovo shall be an international.

Office of the Auditor General of Kosovo (OAG) is the highest Institution of economic and financial control in Kosovo. Under the Settlement Agreement the Auditor General is appointed by the ICR for a five-year term. The Auditor General sets the development strategy of the Office of the Auditor General (OAG) and is responsible for its general running. As such it is the Auditor General himself, as funded via the ICO, who is the principal driver for change. The OAG's Corporate Development Strategy (CDS) defines the OAG's mission and sets out a clear vision for this period.

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

The PPRC is an independent regulatory agency. The PPRC has principal responsibility for promoting the overall development and operation of the public procurement rules and the public procurement system in Kosovo through the exercise of the authority, powers, functions and responsibilities specifically assigned to it. Among other responsibilities, PPRC shall establish and publish detailed public procurement rules to ensure the proper implementation of PP law by contracting authorities, including rules governing the use and conduct of each of the procurement procedures, prepare and publish procurement manuals, guidelines, standard procurement forms and model procurement contracts and conditions of contract for the benefit of contracting authorities, reinforce awareness among contracting authorities and economic operators of public procurement legislation as well as its objectives, procedures and methods, provide technical assistance to both contracting authorities and economic operators on the application and interpretation of the provisions of this law and the public procurement rules, provide and publish written administrative interpretive opinions to both contracting authorities and economic operators on the application and interpretation of the provisions of PP law and the public procurement rules. The PPRC also has the authority and responsibility to monitor and supervise the implementation of the provisions of PP law and the rules issued by the PPRC.

The President of the PPRC and the other members of PPRC shall be nominated by the Government and appointed by the Assembly. A member may be re-appointed only once.

### **Public Procurement Agency (PPA)**

The Public Procurement Agency (PPA) is an autonomous executive agency within the Government. If the Government determines that a proposed procurement activity should – for reasons of professional expertise, cost-effectiveness, efficiency or other legitimate concerns - be conducted by the PPA instead of one or more other contracting authorities that are public authorities, the Government shall have the authority to designate the PPA as the responsible contracting authority for the conduct of such procurement activity.

The PPA is administered by a Director who is nominated by the Government and appointed by the Assembly. A person may be re-appointed as the Director only once.

### **Public Procurement Review Body (PRB)**

The PRB is an independent review body that shall be responsible for exercising and performing the authority, powers, functions and responsibilities specified in the provisions of PP law. The PRB is responsible for implementing the procurement review procedures established in Title IX of PP law and shall have the authorities and responsibilities specified in that Title.

The PRB consists of a Board of Directors and a Secretariat led by Head of the Secretariat. The PRB is comprised of five members; all members shall be appointed for a term of five years, and may be reappointed only once. Each member of the PRB shall be nominated by the Government and appointed by the Assembly based on a recommendation made by an independent selection body established by the Assembly.

**ANNEX IV:**

Reference list of relevant laws and regulations;

UNMIK Regulation no. 2002/18 on establishment of the Office of the Auditor General of Kosovo

Law no 03/L-075 Law on establishment of the Office of the Auditor General

Law No.03/L –241 on Public Procurement

Reference to AP /NPAA / EP / SAA

See chapter 2.3

Reference to MIPD

See chapter 2.4

Reference to National Development Plan

See chapter 2.5

Reference to national / sectoral investment plans

N/a

## **ANNEX V: Details per EU-funded contract**

### **Component 1 (Service contract)**

The contractor will be expected to create a stronger governance framework in Kosovo and support the operation of the financial management and control systems and the internal audit function. This will be achieved by supporting the CHU for FMC in the Treasury and the CHU for IA in MEF.

### **Component 2 (Twinning contract)**

This twinning project is needed in order to consolidate the progress of the first twinning, but also to build upon those successes, addressing the shortcomings, and taking OAG towards a position where it is ready to stand alone as a sustainable and locally owned modern European SAI.

The twinning partner(s) will be responsible for delivering all the project results. The twinning team will be led by a Project Leader who will have overall management of the inputs of the member state(s). He/she must have good leadership skills and a broad knowledge of policies and processes in the area of external audit, including the control of EU funds.

The team will include:

- A Resident Twinning Advisor (RTA) with preferably the following profile:
- Expert in external audit of public funds, with professional background within a SAI from an EU member state.
- Experience with European and International audit standards and practices.
- Management skills and/or team leading.
- Fluency in English and computer skills.
- Short-term experts with experience and competence matching the project components. They should have relevant university degree, professional experience in the relevant field, expertise with on-the-job-training and knowledge transfer, fluency in English, computer skills and ability to work in team. Short-term experts with specific skills in the following areas are likely to be required: audit-related legal issues, audit methodology and INTOSAI standards, audit of EU funds and resources, audit training, human resource development, information technologies, audit software and computer-assisted audit techniques.

### **Component 3 (Service contract)**

The contractor will be expected to build administrative capacities and coordination mechanisms between the main stakeholders, reduce the scope for corruption through carrying out public procurements according to legislation at central and local levels and informing wider public of the procurement procedures and increased trust in the PP institutions.