Government at a Glance: Western Balkans



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Table of contents

Preface 9

Executive summary 11

Reader's guide 15

Introduction 21

Chapter 1. **Public Governance Fundamentals and European Integration: Towards Convergence for the Western Balkans?** 25

1.1. Introduction. 26
1.2. Functioning of democratic institutions and public administration reform. 28
1.3. Rule of law 35
1.4. Economic growth and competitiveness 40
Conclusion 47

Chapter 2. **Public finance and economics** 51

2.1. General government fiscal balance 52
2.2. General government gross debt 54
2.3. General government revenues 56
2.4. Structure of general government revenues 58
2.5. General government expenditures 60
2.6. Structure of general government expenditures 62
2.7. Government investment 64

Chapter 3. **Public employment** 67

3.1. Employment in the public sector 68
3.2. Gender equality in public sector employment 70
3.3. Gender equality in politics 72

Chapter 4. **Institutions** 75

4.1. Profile of centres of government 76
4.2. Responsibilities of centres of government in policy co-ordination 78
4.3. Responsibilities of the centre of government in strategic planning 80

Chapter 5. **Budgeting practices and procedures** 83

5.1. Fiscal risk management 84
5.2. Parliament's role in budgeting 86
5.3. Budget transparency 88
5.4. Effective budget execution 90
5.5. Financial reporting 92

Chapter 6. **Human resources management** 95
6.1. Delegation of human resources practices 96
6.2. Use of separate human resources management practices for senior civil servants 98
6.3. Learning and development in the civil service 100
Chapter 7. **Public procurement** 103
7.1. Size of public procurement 104
7.2. Strategic use of public procurement 106
7.3. Facilitating access and ensuring a level playing field 108
7.4. Central purchasing bodies 110
7.5. E-procurement 112
7.6. Public procurement and the delivery of infrastructure projects 114
Chapter 8. **Digital government** 117
8.1. Governance of digital government 118
8.2. Digital service design and delivery 120
8.3. Data-driven public sector 122
Chapter 9. **Core government results** 125
9.1. Trust in government 126
9.2. The rule of law 128
9.3. Business environment 130
Chapter 10. **Serving citizens** 133
10.1. Citizen satisfaction with public services and institutions 134
10.2. Access to legal and justice services 136
10.3. Timeliness of civil justice services 138
10.4. Effectiveness and fairness of the justice system 140
10.5. Quality of healthcare 142
10.6. Student performance and equity in education 144
10.7. Quality of e-government 146
Annex A. **HRM practices composite indexes** 149
Annex B. **Classification and definition of occupations** 151
Annex C. **Additional figures accessible online** 153
Glossary 155

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Preface

The economic and political development of the Western Balkans have significant consequences for the European Union (EU) and other neighbouring countries. Home to 18 million people, the region lies at the geopolitically strategic crossroads of Central Europe, the Adriatic and Black Sea regions. Peace and security in the Western Balkans is of utmost importance. In this respect, inclusive economic growth that creates improved living standards and opportunities for all segments of society needs to be vigorously pursued. This cannot be achieved without adherence to the rule of law, nor without well-functioning democratic institutions and public administrations. Despite progress in recent years, much remains to be done. The current global crisis caused by COVID-19 has underscored the need for good governance, as its economic impact will greatly depend on the decision-making qualities of governments.

It is with great pleasure that I introduce a new addition to the regional series of the *Government at a Glance* publication for the Western Balkan region. It follows similar publications for South-East Asia and Latin America and the Caribbean. All six countries and economies included in this study are in various phases of their accession process to the European Union. *Government at a Glance: Western Balkans* and its indicators can help evaluate how close – or how far – these countries are to the norms and the best practices of public administrations in EU and OECD countries. Indeed, the policy chapter focuses on this very issue, reviewing where the Western Balkans stand with respect to the fundamentals of the EU accession process: functioning of democratic institutions and public administration reform, rule of law and economic growth and competitiveness.

Government at a Glance: Western Balkans also includes the most comprehensive set of indicators for the region on public governance, covering finances and employment, government processes, as well as core government results. In this respect, the data presented allows readers to gauge both the design of public governance reforms and their implementation through sound management, comparing the region's countries to each other as well as to OECD and OECD-EU countries.

Starting with the good news, public finances in the Western Balkan region are solid, with the average fiscal balance close to equilibrium and comparatively low public debt (49.2% of GDP, less than half of the OECD average). Noticeable progress has also been made in terms of gender equality: women represent on average 31.6% of parliamentarians, almost the same as in OECD-EU countries (32.2%), and similar results have been achieved in the share of women at ministerial positions. However, a relatively small and open regional economy, with high levels of informality and an average regional unemployment rate in 2018 three times higher than that of the OECD area, can make the region vulnerable to external shocks such as COVID-19.

Most countries in the region are implementing public administration reforms. The progress is quite remarkable in some areas (e.g. administrative services for businesses), but limited in others. In the area of human resources management (HRM), for example, much emphasis is placed on training civil servants. The experience of OECD countries shows how important it is to establish separate HRM practices for senior civil servants, as these positions are crucial for effective public administration.

However, such separate practices are not typical in the Western Balkans. Additional efforts will be required to ensure professional and stable senior civil services comparable to those in OECD countries.

The largest gap between the Western Balkans and the OECD-EU countries is in the area of rule of law. On average 67% of citizens do not trust the judiciary and the courts, compared to 49% in the OECD and OECD-EU countries. Corruption is also a systemic and pervasive problem, and equality before the law has yet to be achieved. In addition, citizens in the region also have a lower level of satisfaction with public services than in OECD-EU countries. For example, only 52% of citizens were satisfied with the health system (68% OECD-EU), and 57% were satisfied with the education system and schools (68% OECD-EU).

Overall, the data show that governments in the Western Balkans are making efforts to bring their public governance systems into the 21st century and closer to the norms and practices of the European Union and the OECD. Much has been done on the legal front to lay the foundations for a well-functioning public sector. Looking ahead, efforts need to focus on the more challenging tasks at hand, this primarily includes implementing and maintaining reforms that will regain the trust of citizens in the rule of law.



Mr. Angel Gurría
Secretary-General of the OECD

Executive summary

The first edition of *Government at a Glance: Western Balkans* presents a dashboard of key indicators on how governments in this region work and perform. These indicators allow governments to compare their performance to each other and to OECD countries, and their practices to those in the EU and OECD . The policy chapter focusses on the fundamentals of the EU accession process as defined by the European Commission: democracy and public administration reform, rule of law and economic governance.

The relative stability of the public finances in the Western Balkan economies is a key factor with regard to establishing the necessary room for manoeuvre in the face of the COVID 19 crisis.

- The average fiscal balance in the region is close to equilibrium; over the past decade it improved by 2.1 percentage points, reaching an average deficit of 0.3% of GDP in 2018.
- Public debt is comparatively low (in 2018, average debt in the Western Balkans was 49.4% of GDP, and 108.6% in the OECD). Nevertheless, public debt has increased by 18 percentage points since 2008.
- Public investment in the region remains high but fell at a faster pace than in OECD and EU countries, averaging 3.9% of GDP in 2018.
- The revenue base is comparatively smaller, partly due to high levels of informality. Western Balkan countries and economies collect on average USD 5 694 PPP per capita compared to USD 17 865 PPP in OECD countries. .

Incorporating a long-term perspective in the budget, enhancing budgetary flexibility and measuring fiscal risks would strengthen fiscal frameworks.

- The re-allocation of funds within spending units is permitted in all Western Balkan economies with some restrictions. However, carry-overs of unused funds are not permitted, in contrast to the OECD, where, under different modalities, carry-overs are practiced for all types of expenditure.
- Half of Western Balkan countries and economies have a central unit responsible for identifying and managing fiscal risks, compared to three-quarters of OECD countries. In the Western Balkans these units focus primarily on identifying external risks (e.g. macroeconomic shocks, changes in interest rates) or risks linked to government guarantees, while in OECD countries they usually measure and disclose such risks.

Legislated quotas for parliamentarians have improved gender equality in public life.

- In 2020, women's representation in lower/single houses of parliaments in the region was 31.6%, in line with the OECD (31.1%) and OECD-EU (32%) averages.
- Women held 27.7 % of ministerial positions on average in 2020, compared to the OECD average of 32.2% and the OECD-EU average of 33.2%.

Centres of government (CoG) have an important role in policy-co-ordination, with more emphasis on formal rules

- All CoGs in the region are involved in preparing the government programme , which is the case in only 59% of OECD-EU countries.
- Compared to OECD and OECD-EU, more emphasis is placed on formal types of policy co-ordination (e.g. cabinet meetings) and less on informal ones (e.g. *ad hoc* meetings).

Separate HRM practices for senior managers are rare

- Centrally defined skills profiles and performance management schemes dedicated to senior managers are lacking.
- All Western Balkan countries and economies have whole-of-government training strategies, compared to slightly more than one-third of OECD and OECD-EU countries. However, there is less emphasis on training plans at the level of individual organizations, while plans for individual employees are used in a similar way to those in OECD and OECD-EU countries.

Public procurement systems and practices put less attention on pre- and post-tendering phases.

- Western Balkan countries and economies engage much less frequently in dialogue with the private sector – only North Macedonia does so on a regular basis. This is a common practice in OECD and OECD-EU countries, especially as part of market research.
- All Western Balkan countries and economies use e-procurement systems to announce tenders, provide tender documents and notify the award, whereas none provide online catalogues or electronic invoicing on their e-procurement systems.

The Western Balkans have taken steps to transition towards digital government

- All Western Balkan countries and economies have assigned organisations to lead and co-ordinate digital government policies, but they have mostly advisory responsibilities and fewer decision-making powers than their OECD counterparts.
- In most Western Balkan countries and economies, the governance and management of public sector data are addressed only as part of open government policies and not in a comprehensive policy on public sector data.

Trust in government has declined since 2007.

- In 2019, one-third of citizens on average had confidence in national government, 4 percentage points lower than in 2007. While trust levels dropped in Bosnia and Herzegovina, Kosovo, Montenegro and North Macedonia, they improved in Albania (4.p.p.) and Serbia (14 p.p.).

There are significantly fewer constraints on government powers.

- The regional average is 0.46 compared to the OECD EU average of 0.77. Similarly, the protection of fundamental rights is evaluated much lower than in OECD and OECD-EU countries.

The region performs fairly well in ensuring a favourable business environment. However, differences within the region are significant.

- North Macedonia is the regional frontrunner in terms of a business-friendly environment, and outperforms the OECD and OECD-EU averages. Bosnia and Herzegovina has the least favourable business environment in the region,

Citizens in the Western Balkans have lower levels of satisfaction with public services, on average, than in OECD-EU countries and there are significant differences across the region.

- In 2019, 52% of citizens were satisfied with the health system, 57% with the education system and 33% with the justice system compared to OECD-EU averages of 68%, 68% and 56%. Citizens are increasing satisfied with the quality of health systems (8 p.p. from 2009 to 2019), while satisfaction with the education system has decreased (by 7 p.p.) and confidence in the justice system has remained stable.
- The quality of health care and education has improved in the region. People have longer and healthier lives and students perform better in standardized reading, mathematics and science tests (PISA). Nevertheless, life expectancy is still four years shorter than in OECD-EU countries, varying from 72 years in Kosovo to 78 years in Albania. Student performance still lags behind OECD-EU countries, although Serbia is not far behind in mathematics.

Reader's guide

In order to accurately interpret the data included in Government at a Glance: Western Balkans, *readers need to be familiar with the following methodological considerations that cut across a number of indicators. The standard format for the presentation of indicators is a double page spread. The first page contains text that explains the relevance of the topic and highlights some of the major differences observed across six countries and economies of the Western Balkan region, namely Albania, Bosnia and Herzegovina, Kosovo, Montenegro, North Macedonia and Serbia, and, where possible, their data are benchmarked against, the OECD and the OECD-EU data. This is followed by a "Methodology and definitions" section, which describes the data sources and provides important information necessary for interpreting the data. Additional information regarding country data can be found in the specific figure notes. Closing the first page is the "Further reading" section, which lists useful background literature providing context for the data displayed. The second page showcases the data. The figures show current levels and, where possible, trends over time. A glossary of the main terms used in the publication can be found in the final chapter.*

Country coverage

Government at a Glance: Western Balkans includes data for six countries and economies of the Western Balkan region – Albania, Bosnia and Herzegovina, Kosovo, Montenegro, North Macedonia and Serbia – and, for the purpose of this publication, the designation "Western Balkans" refers to these six. An invitation letter co-signed by the Director of the OECD Public Governance Directorate and the Director for Strategy and Turkey of the EC Directorate General for Neighbourhood and Enlargement Negotiations (DG NEAR) was sent to each government in January 2019. With formal acceptation letters to participate from the governments, five OECD survey instruments were sent out in May 2019 to collect data on relevant public management practices, namely on

- Centre of government
- Budget practices and procedures
- Strategic human resources management
- Public procurement
- Digital government.

All six Western Balkans have submitted their responses, and they are reflected accordingly in chapters 4-8. In the case of Bosnia and Herzegovina, the Public Administration Reform Coordinator's Office (PARCO) coordinated the data collection exercise between the State level, the Federation of Bosnia and Herzegovina, Republika Srpska, and the Brcko District, and submitted one representative country response. The data for Bosnia and Herzegovina in chapters 4-8 reflects this consolidated country response unless specified otherwise.

Data on OECD countries were sourced from OECD data collection rounds from different years, which are specified in figure notes and/or sources.

Data sources and features

Most of the data used in *Government at a Glance: Western Balkans* are collected from government officials by the OECD via specifically designed surveys. The deadline for submitting responses was 28 June 2019. As such, they represent either official government statistics or the country's own assessment of current practices and procedures as of June 2019. To the extent possible, OECD data collection instruments use standardised definitions and common units of measure. However, bias can occur in that countries may interpret and answer questions differently and/or may not be entirely objective in their responses. In general, the direction of the bias is known, but not necessarily its extent. To try and minimise these biases, the OECD Secretariat has cleaned and verified the collected data by following up with governments when there were potential inconsistencies or outliers. This has been done by benefiting from the OECD's knowledge acquired through previous works especially the expertise of the joint OECD-EU SIGMA Programme. In addition, respondents were asked to provide additional evidence to validate their answers which, in turn, have been verified with other external and additional sources, whenever available. Two workshops were organised at the OECD headquarters in April 2019 and October 2019, with the objectives of facilitating the data collection and validating the survey data, respectively. In particular for the data validation workshop, government officials responsible for the survey areas participated to discuss and validate the survey responses together with OECD staffs.

Data are also drawn from other international organisations such as the *International Labour Organization* (ILO) and the *International Monetary Fund* (IMF). The public finance and economics data for Western Balkans countries and economies are based on the IMF's *World Economic Outlook (IMF WEO)* and the IMF's *Government Financial Statistics (IMF GFS)* databases. Data from the *IMF WEO* were extracted in February, 2020 corresponding to the October 2019 update. Data from the *GFS* database were extracted on *February 19th, 2020*. Moreover, for the OECD and the EU28 averages data were based on the *System of National Accounts* (SNA), and were extracted from the *Government at a Glance* online database representing the last available update: *14 January, 2020* (financial government accounts: *21 January, 2020*). In many cases, data on public finances are presented for 2008 and 2018, showcasing the year of the beginning of the economic crisis as well as the latest actual year available.

The public employment data for Western Balkans, and the OECD and OECD-EU averages were extracted from the ILO dataset ILOSTAT on *19 February, 2020*.

Despite the significant accomplishments of international organisations in harmonising data among the different statistical systems, several differences exist in different instances, which impact some of the indicators analysed. As a consequence, the methodological sections contain specific notes whenever specific methodological considerations need to be taken into account.

Indicators included in the Core Government Results chapter and Serving Citizens chapter are resulting from different sources, including the public opinion polls of *Gallup World Poll*, World Justice Project (WJP) database, World Bank's Doing Business database, Council of Europe European Commission for the Efficiency of Justice (CEPEJ) database, World Health Organisation – Global Health Observatory data and Universal Healthcare Service Coverage Index, the OECD 2018 PISA database, and European Commission's eGovernment Benchmark.

Country codes (ISO codes)

The International Organization for Standardization (ISO) defines three letter codes for the names of countries, dependent territories and special areas of geographical interest.

The table below presents the codes used for the geographical display of some figures in this publication in line with the ISO codes and, where there is no official ISO code, the OECD practices:

Countries and economies of the Western Balkans region	
Albania	ALB
Bosnia and Herzegovina	BIH
Kosovo *	XKV
Montenegro	MNE
North Macedonia	MKD
Serbia	SRB

* With regard to Kosovo, see note on page 3.

Furthermore, on a few occasions, the following codes are used to display individual Bosnia and Herzegovina responses.

Bosnia and Herzegovina – State level	BIH_State
Bosnia and Herzegovina – Federation of Bosnia and Herzegovina	BIH_FBiH
Bosnia and Herzegovina – Repulika Srpska	BIH_RS
Bosnia and Herzegovina – Brcko District	BIH_BD

Western Balkans, OECD, OECD-EU and EU28 averages and totals

Colombia was not an OECD Member at the time of preparation of this publication. Accordingly, Colombia does not appear in the list of OECD Members and is not included in the zone aggregates.

For the OECD, OECD-EU and EU28 averages and totals, data are those published in *Government at a Glance, 2019* and/or in the Government at a Glance online data set.

Averages

In figures and text, the Western Balkans, OECD, OECD-EU and EU averages are presented.as unweighted, arithmetic mean.

When a figure depicts information for one or more years, the Western Balkans average includes all countries and economies with available data (unless specified otherwise). For instance, a Western Balkans average for 2018 includes all current Western Balkan countries and economies with available information for that year.

In the case of *National Accounts data,* the Western Balkans, OECD and EU28 averages are presented and refer to the weighted averages, unless otherwise indicated. For the Western Balkans and OECD averages, the method of aggregation for the calculation of the indicators expressed as ratios (e.g. government expenditures in terms of GDP) use the denominator as weight (in this case the GDP, market prices, which is expressed in PPP). Averages for the EU28, which are those published by Eurostat and OECD, are calculated instead using Eurostat's aggregation method which involves the conversion of national currency data into the euro using the average exchange rate of the period.

The EU aggregate presented in this publication refers to the OECD-EU group of countries that are both members of the OECD and European Union or in the case of *National Accounts data* to the EU28 member countries of the European Union. In the EU aggregate, the United Kingdom is included. In future publications, as soon as the time series presented extend to periods beyond the UK withdrawal, the "European Union" aggregate will change to reflect the new EU country composition. Interested readers may refer to the Eurostat website for further information on Eurostat's plans for disseminating EU aggregates and to the Eurostat database for the actual series.

Totals

Western Balkans, OECD and OECD-EU totals are commonly found in tables and represent the sum of data in the corresponding column for Western Balkans, OECD and OECD-EU countries for which data are available. In some occasions, these totals are presented in percentages out of the total number of countries and economies where data is available. In such cases, the section of table is presented with the name of the region (Western Balkans, OECD and OECD-EU) instead of Western Balkans Total, OECD Total, and OECD-EU Total.

Online supplements

Government at a Glance: Western Balkans also offers access to StatLinks, a service that allows readers to download the corresponding Excel files of the data. StatLinks are found at the bottom right-hand corner of the tables or figures and can be typed into a web browser or, in an electronic version of the publication, clicked on directly.

In addition, supplementary materials – country factsheets and an online annex on contextual factors – are available online at *http://www.oecd.org/gov/government-at-a-glance-western-balkans-a8c72f1b-en.htm*.

Country factsheets that present key data by country and economy compared with the Western Balkans and OECD averages (and, in some occasions, OECD-EU averages) were prepared for the six countries and economies of the Western Balkan region.

Per capita indicators

Some indicators (e.g. expenditures, revenues and government debt) are shown on a per capita (e.g. per person) basis. The underlying population estimates are based on the notion of residency. They include persons who are resident in a country for one year or more, regardless of their citizenship, and also include foreign diplomatic personnel and defence personnel together with their families, students that are studying and patients seeking treatment abroad, even if they stay abroad for more than one year. The one-year rule means that usual residents who live abroad for less than one year are included in the population, while foreign visitors (for example, vacationers) who are in the country for less than one year are excluded. An important point to note in this context is that individuals may feature as employees of one country (contributing to the gross domestic product of that country via production), but residents of another (with their wages and salaries reflected in the gross national income of their resident country).

Purchasing power parities

Purchasing power parity (PPP) between two countries is the rate at which the currency of one country needs to be converted into that of a second country. This conversion is done to ensure that a given amount of the first country's currency will purchase the same volume of goods and services in the second country as it does in the first. In consequence, when converted by means of PPPs, expenditures across countries are in effect expressed at the same set of prices enabling comparisons across countries that reflect only the differences in the volume of goods and services purchased.

The PPP index used for the Western Balkans is the same that used by the IMF World Economic Outlook. The International Comparisons Program is a global statistical initiative that produces internationally comparable PPP estimates. The PPP exchange rate estimates, maintained and published by the World Bank, the OECD and other international organisations, are used by the WEO to calculate its own PPP weight time series.

Composite indicators

The publication includes two descriptive composite indicators in narrowly defined areas. These composite indexes are a practical way of summarising discrete, qualitative information.

The composites presented in this publication were created in accordance with the steps identified in the Handbook on Constructing Composite Indicators (Nardo et al., 2008).

Details about the variables and weights used to construct the HRM practices composite indexes are available in Annexes A. While the composite indicators were developed in co-operation with OECD countries and are based on theory and/or best practices, the variables included in the indexes and their relative weights are based on expert judgments and, as a result, may change over time.

Signs and abbreviations

. .	Missing values
x	Not applicable (unless otherwise stated)
CA	Contracting authority
CEPEJ	European Commission for the Efficiency of Justice
CoG	Centre of government
CPB	Central purchasing body
ENCJ	European Network of Councils for the Judiciary
ERP	Economic Reform Programme
ESA	European System of Accounts
EULEX	European Union Rule of Law Mission in Kosovo
EUR	Euros
FA	Framework agreement
GDP	Gross domestic product
GFS	Government Finance Statistics
GFSM	Government Finance Statistics Manual
GHO	Global Health Observatory
HRM	Human resources management
ILO	International Labour Organization
IMF	International Monetary Fund
IPU	Inter-Parliamentary Union
NDGS	National digital government strategy
PFM	Public financial management
PISA	OECD's Programme on International Student Association
PPP	Purchasing power parities
PPP	Public Private Partnerships
SAA	Stabilisation and Association Agreements
SAI	Supreme Audit Institution
SCS	Senior civil servants
SME	Small and medium-sized enterprises
SNA	System of National Accounts
TED	Tenders Electronic Daily
UHC	Universal healthcare
UNMIK	United Nations Interim Administration in Kosovo
USD	US Dollars
VAT	Value added tax
WEO	World Economic Outlook
WHO	World Health Organization
WJP	World Justice Project

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OECD/European Union/JRC (2008), *Handbook on Constructing Composite Indicators: Methodology and User Guide*, OECD Publishing, Paris, *https://doi.org/10.1787/9789264043466-en*.

Introduction

The main objective of the *Government at a Glance* series is to provide reliable and internationally comparable data on government activities and their results. The indicators in *Government at a Glance* are becoming themselves a measuring standard in many fields of public governance and have extended beyond OECD countries. By broadening the scope to other regions in the world, such as Western Balkans, the publication allows the countries and economies of the Western Balkan region to benchmark their governments' performance within the region and in relation to the OECD and, specifically in this edition, the OECD-EU. In addition, it allows governments to track their own and international developments over time, and provides evidence to their public policy making. This publication covers six countries and economies of the Western Balkan region which are Albania, Bosnia and Herzegovina, Kosovo, Montenegro, North Macedonia and Serbia.

Government at a Glance: Western Balkans recognises that governments are major actors in modern societies. Every citizen throughout his or her life interacts with governments from the issuance of birth certificates to the provision of health, education and social benefits. Furthermore, as societies reach higher development levels, expectations of quality public services tend to increase, while their objectives become more complex. Good governance is critical to long-term economic, social and environmental development. The ability of governments to operate effectively and efficiently depends in part on their management policies and practices.

Indicators on government activities and public management practices

The Western Balkans are interested in collecting information to identify how public governance and, more specifically, public management practices contribute to a government's ability to achieve its objectives. *Government at a Glance: Western Balkans* is built on the following framework, which describes the public "production" process and identifies five types of indicators: 1) contextual factors, 2) inputs, 3) processes, 4) outputs and (5) outcomes. The current edition includes indicators on all of these five areas.

Contextual factors

An online annex is available which presents contextual information describing some key features of the political and administrative structure of the six countries and economies of the Western Balkan region included in the publication. Situating policies and indicators within this contextual background can help us to better understand differences among countries and economies, and identify those with similar structures that might serve as better comparators for benchmarking purposes.

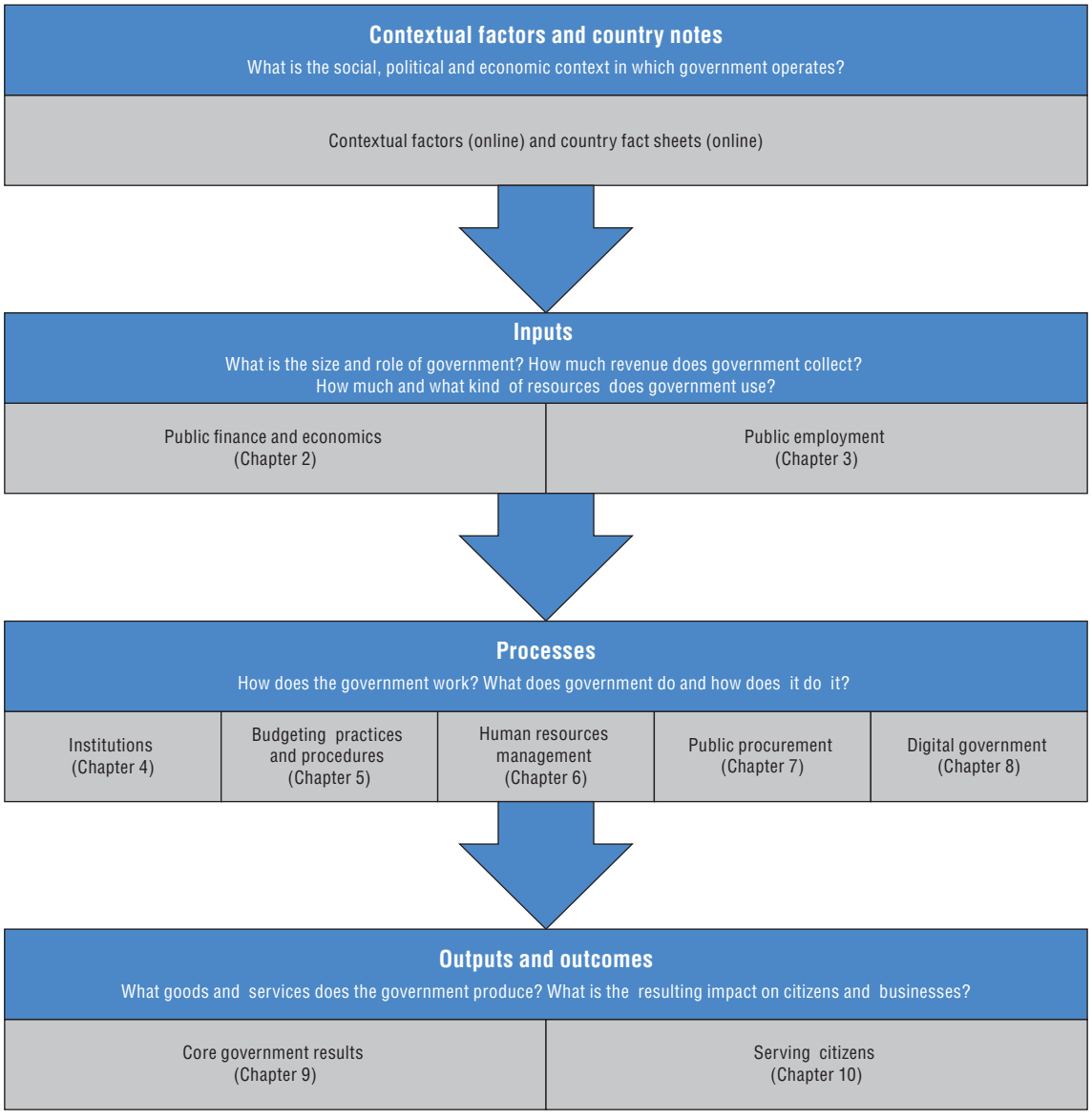
Inputs

Input indicators include data on government revenues, expenditures, employment and workforce characteristics. These are the main components of the inputs to government production function and provide insight into the incentives and constraints that governments face in determining what types of goods and services to provide. Furthermore, these data allow for a comparison of the proportion of the economy devoted to producing different goods and services, as well as the difference in the mix of inputs used for production. For instance, as labour is a key input in the government production process, the size of the public sector may affect government productivity and its capacity to provide goods and services.

Processes

Process indicators refer to the public management practices and procedures undertaken by governments to implement policies. They describe how governments implement policies and how inputs are transformed into outputs and outcomes. This first edition for the region contains information on processes such as budgeting, human resource management, public procurement and digital government practices to allow countries to evaluate the effects of recent reforms, and identify new strategies to improve productivity. For example, effective human resource management is key for aligning people management with the strategic goals of public sector organisations. Furthermore, digital government can improve government efficiency and effectiveness and increase public trust by using new technologies to boost the quality and tailor the provision of public services.

Figure 1. **Conceptual framework for Government at a Glance: Western Balkans**



Indicators of outputs and outcomes

The dividing line between outputs and outcomes can be blurry. While outputs refer to the quantity and type of goods and services produced by governments, outcomes show the effects of policies and practices on citizens and businesses. The success of a given policy should be measured, at a first stage, by outputs, but should ultimately be judged by the outcomes it achieves. Generally speaking, outcomes refer to the effects of public programmes and services on citizens, in terms of welfare gains, health gains, educational/learning gains, and so on. While these outcomes can certainly be affected by the quality of programmes and services provided, they can also be affected by other factors, such as the socio-economic background of the population and individual behavioural factors.

In *Government at a Glance: Western Balkans*, measures of outputs and outcomes are provided in two distinct chapters. Notably, chapter 9 on core government results focuses on whole-of-government aspects, and chapter 10 on serving citizens follows a sectoral approach to measuring the outputs and outcomes of public sector activities.

Structure

Government at a Glance: Western Balkans starts with a chapter analysing the current public administration practices and reforms of the region in the view of the EU integration perspective. Chapters 2-10 provide data on the following areas of public administration: Public Finance and Economics, Public Employment, Institutions, Budgeting Practices and Procedures, Human Resources Management, Public Procurement, Digital Government, Core Government Results, and Serving Citizens.

All data and indicators are accessible online

All data collected by the OECD Public Governance Directorate for the production of *Government at a Glance: Western Balkans* are available online on the OECD website. Readers interested in using the data presented in this publication for further analysis and research are encouraged to consult the full documentation of definitions, sources and methods presented in the publication and online. This database includes both qualitative and quantitative indicators on public sector inputs, processes, outputs and outcomes.

Chapter 1

Public Governance Fundamentals and European Integration: Towards Convergence for the Western Balkans?

1.1. Introduction

In 2020, the European Commission (EC) presented its proposals for an enhanced accession process, to provide a more credible EU perspective for the Western Balkans. At the core of the revised EU accession process is an "even stronger focus on fundamental reforms, starting with the rule of law, the functioning of democratic institutions and public administration as well as the economy of the candidate countries" combined with a merit-based approach based on objective criteria for accession (EC, 2020[1]).

This chapter provides a snapshot of where countries and economies in the Western Balkan region stand with respect to the three fundamentals for the EU-enlargement process. It draws on new data collected in 2019 based on the standard OECD Government at a Glance surveys, which for the first time allows direct comparison of the Western Balkans in all fundamental areas with OECD members, including those that are also members of the EU (OECD-EU). Key findings from the 2017 and 2019 reviews conducted by SIGMA (Support for Improvement in Governance and Management) are also presented in the section related to public administration reform.

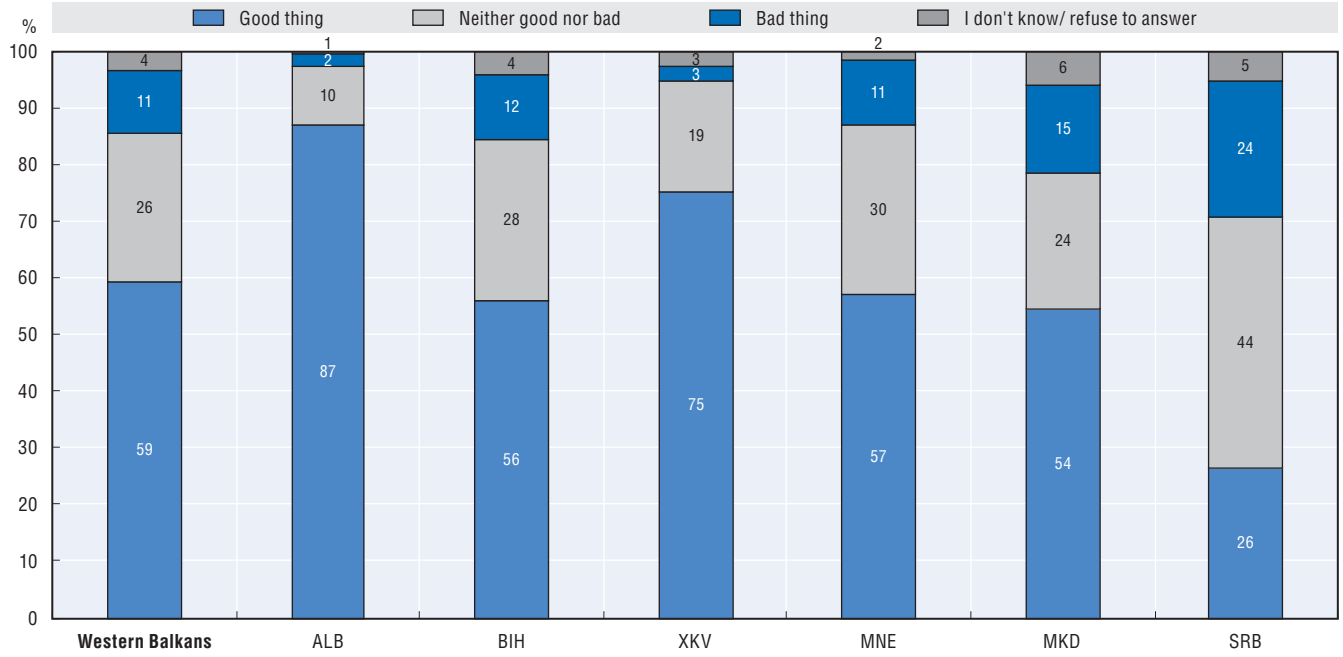
This first edition of *Government at a Glance, Western Balkans* benchmarks countries from the region with EU and OECD countries on government practices, policies and public governance outputs, recognised as OECD Principles and Recommendations of Public Governance.[1] The publication provides sound evidence on the size of the "convergence gap" in specific areas of public governance, such as public finance and economics (chapter 2), public employment (chapter 3), centre of government (chapter 4), budgeting practices and procedures (chapter 5), HRM (chapter 6), public procurement (chapter 7), and digital government (chapter 8); core government results (chapter 9); and serving citizens (chapter 10).

The Western Balkan region is located at the doorstep of the EU. With a combined population of nearly 18 million people, a territory the size of Italy, and a geopolitically strategic location at the crossroads of Central Europe, the Adriatic and Black Sea regions, the region has for centuries played an integral role in European politics, business and commerce. The Stabilisation and Association Agreements have further integrated the Western Balkans and EU economies (as explained further below in the section on economic criteria). In addition, transnational crises relating to migration or the recent COVID-19 pandemic illustrate how interdependent EU and bordering countries are on many public policy issues in the 21st century. This publication also provides insights into how resilient the public governance systems in the Western Balkans are in the face of the COVID-19 challenges for public finance, public employment, digital service delivery, etc.

Populations from the Western Balkans region support EU membership, with more than half on average viewing EU accession favourably. This is a rising trend, from a regional average of 42% in 2014 to 59% in 2019, although support in Serbia has fallen in recent years. Overall, EU membership is associated with economic prosperity, freedom to travel and study, and a guarantee for peace and safety (RCC, 2019, p. 38[2]). Governments in the Western Balkans are equally committed to accession, indicated best by the resolution after 26 years of deadlock of the "Macedonia" naming issue.

The EC's progress reports note the level of preparedness of each Western Balkan country. The EC's five-point scale has been converted into numerical values and summarised for the region in the table below. On average, countries are placed lower in areas related to the rule of law, and there is greater variation between countries in the areas relating to economic criteria.

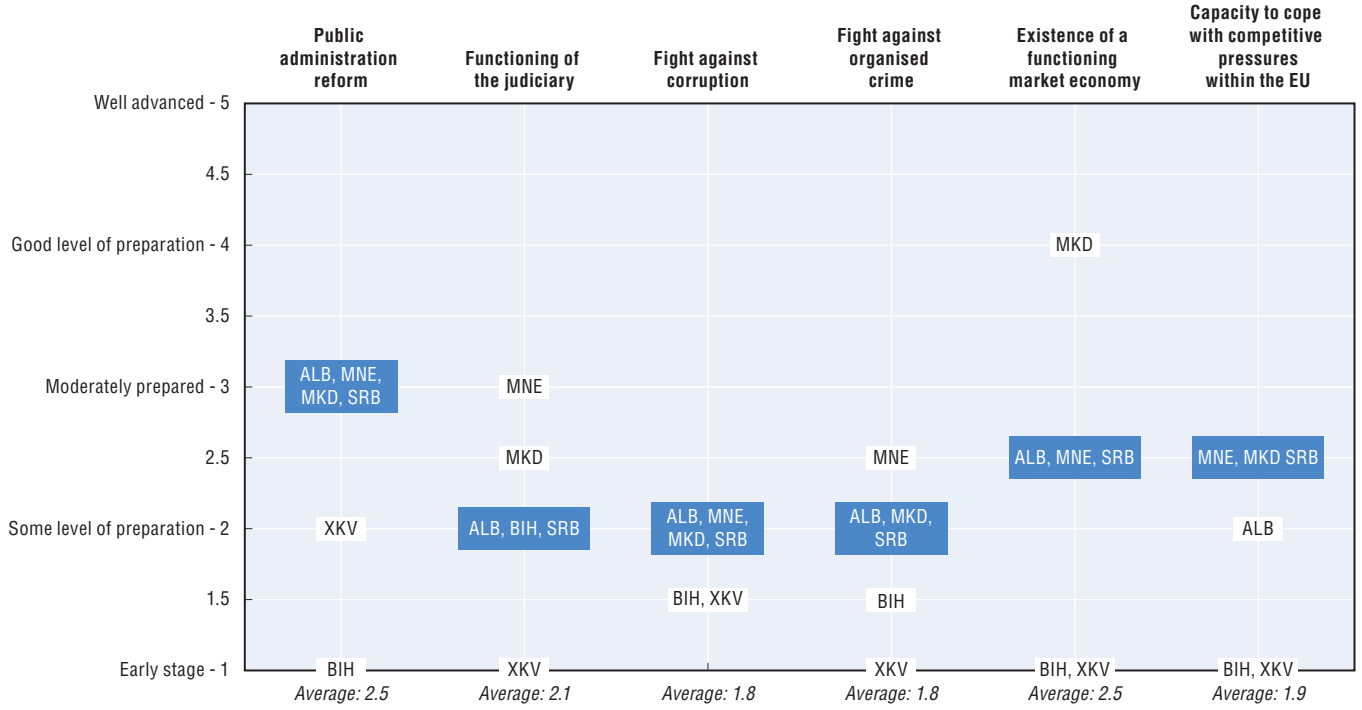
Figure 1.1. **Views on EU membership by Western Balkan populations, 2019**



Source: Regional Cooperation Council (RCC) (2020), Balkan Barometer (database), *https://www.rcc.int/seeds/results/2/balkan-public-barometer*.

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Figure 1.2. **The European Commission's assessment of preparedness for Western Balkans, 2019**



Note: When the assessment of the EC falls between two categories, e.g. "some level of preparation/moderately prepared" this is shown as a fraction (2.5).

Source: Data drawn from EU 2019 Progress Reports, *https://ec.europa.eu/neighbourhood-enlargement/countries/package_en*.

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Three characteristics cut across and affect all these fundamental areas in the Western Balkans: low trust in institutions, high levels of informality and policy capture. (Transparency International, 2016[3]; Hellman, Jones and Kaufmann, 2000[4]; EC, 2018[5]). Policy capture reduces trust and promotes informality. These characteristics are often found in contexts where justice and law enforcement institutions are weak, political systems are heavily influenced by private interests, regulatory frameworks for policy making are dysfunctional, and media and citizens are unable to check the State. Together, they lower economic competitiveness and make public and democratic governance reforms extra challenging (OECD, 2017[6]).

The rest of the chapter is structured according to the three fundamentals for the EU Enlargement process: functioning of democratic institutions and public administration reform; rule of law; and economic growth and competitiveness. The chapter illustrates that these three fundamental areas are closely interlinked. Although they can be conceptually separated, reforms in one area depend on established foundations in the others.

1.2. Functioning of democratic institutions and public administration reform

In its 2014 Enlargement Strategy, reflecting on the experience with previous rounds of enlargement where public governance had been a blind spot, the EC first created the notion of "fundamentals first" and stressed that three pillars of EU integration are closely interlinked: rule of law, economic governance and public administration reform. It was also acknowledged that democratic governance had previously been narrowly defined to focus on the mechanisms of democratic elections rather than the existence of solid democratic institutions, norms and practices (EC, 2014[7]).

The 2018 Enlargement Strategy re-emphasised the need to address fundamental reforms in the region: "Addressing reforms in the area of rule of law, fundamental rights and good governance remains the most pressing issue for the Western Balkans. It is also the key benchmark against which the prospects of these countries will be judged by the EU." (EC, 2018, p. 4[5]) With the EC Communication of February 2020, titled "Enhancing the accession process - A credible EU perspective for the Western Balkans", the EC also reorganised its own internal structures to prioritise the "fundamentals first" approach: "Credibility should be reinforced through an even stronger focus on the fundamental reforms essential for success on the EU path. These fundamentals will become even more central in the accession negotiations. Negotiations on the fundamentals will be opened first and closed last and progress on these will determine the overall pace of negotiations." (EC, 2020, pp. 2-3[1]). The old acquis chapter structure has been reconfigured to allow the fundamentals to take priority, and specific roadmaps for each of the three fundamentals will be developed.

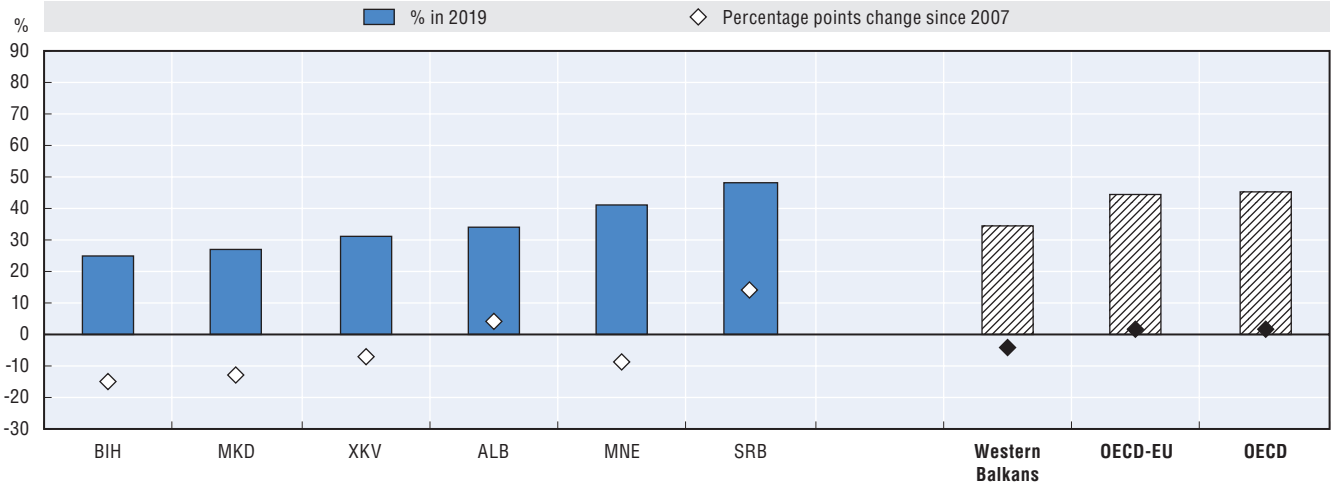
Functioning of democratic institutions

The 1993 Copenhagen criteria (the rules that define whether a country is eligible to join the European Union) emphasise democratic governance, but in the first rounds of EU accession, the EC was mainly focused on assessment criteria related to the rule of law and a functioning market economy. So-called political criteria for democratic governance focussed on issues such as having free elections with secret ballots, the right to establish political parties, etc. The new 2018 Enlargement strategy and the 2020 Communication signal for the first time in concrete terms that the functioning of democratic institutions go beyond the rule of law and fundamental rights.

There is no set of established standard indicators in this area, Trust in democratic institutions seems to be an appropriate proxy for their legitimacy and efficacy. Trust is not only an outcome indicator but also a crucial policy enabler. Governments cannot function effectively without a degree of public trust. The less public trust, the less able a government is to undertake ambitious, costly or long-term reforms. Robust levels of trust are thus a necessary condition for the kind of structural, far-reaching reforms that most Western Balkan countries have embarked on for the European Integration journey.

Trust in governments is considerably lower in the Western Balkans compared to countries that are members of the OECD and the EU. Another worrying trend is that younger people in the Western Balkans trust their governments less on average compared to their OECD and OECD-EU counterparts (see Chapter 9). Serbians have the highest level of trust as 48% of the citizens reported that they have confidence in their national government. People in Bosnia and Herzegovina have least confidence in their national government (23%). Trust has been declining since 2007 across the region, on average by 4 p.p. Citizens of Bosnia and Herzegovina and North Macedonia lost most confidence in their national government since 2007 (15 and 13 p.p.), whereas Serbian citizens gained confidence (14 p.p.). Confidence in OECD and OECD-EU governments also declined after 2007, but rose again by 2019 (reaching 45% and 44% respectively)

Figure 1.3. **Trust in national governments in Western Balkans remains lower than in OECD, 2007 and 2019**



Note: Data refer to the percentage who answered "yes" to the question: "Do you have confidence in national government?" The question on confidence in the national government does not differentiate between politicians and the bureaucracy nor does it specify which parts of national government are assessed.

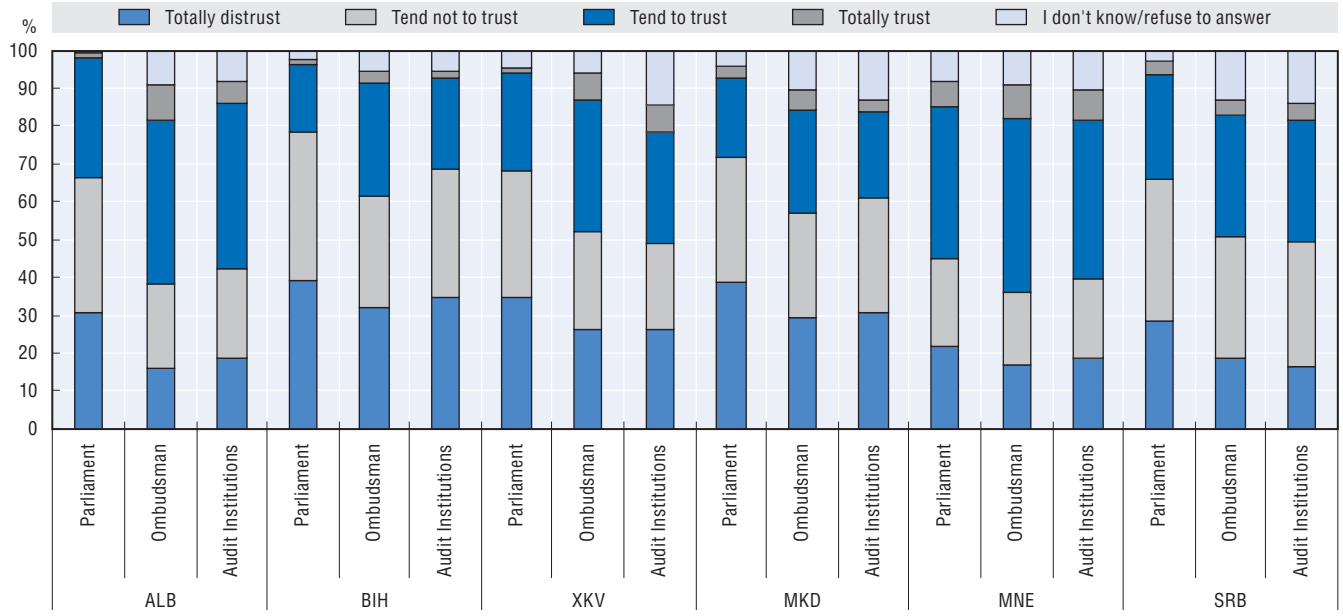
Source: Gallup World Poll (database).

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Trust in parliaments is also low in the region. About 60% of the population tend not to trust or totally distrust the parliament (RCC, 2020[8]). There is no directly comparable dataset in this area, but distrust in parliaments appears to be at the same level on average in EU member countries where approximately 60% tend not to trust their national parliaments. However, there is significant variation within the EU, from Sweden and Denmark where only 26% of the population distrust the parliament to Croatia and Bulgaria where respectively 84% and 72% distrust parliaments (EC, 2019, pp. 44, 50[9]). Oversight institutions, such as the Ombudsperson and Supreme Audit institution consistently enjoy higher levels of public trust in the Western Balkans than governments, parliaments and courts.

Citizens' low levels of trust in democratic institutions in the Western Balkans correspond with expert assessments of the 2018 Global State of Democracy indices conducted by the International Institute for Democracy and Electoral Assistance (IDEA). On a scale of 0-1 where 1 is the best, Western Balkan countries on average earned a score of 0.60 in "clean elections" compared to 0.84 and 0.85 for OECD and OECD-EU countries. For "sub-national elections" the Western Balkan region stood at 0.52 and OECD and OECD-EU at 0.76 and 0.78, respectively. Similar size gaps are found in areas such as "effective parliaments", "media integrity", and "civil society participation". (IDEA, 2020[10])

Figure 1.4. **Trust in parliaments, ombudsperson institutions and supreme audit institutions in the Western Balkans, 2019**



Source: Regional Cooperation Council (RCC) (2020), Balkan Barometer (database), *https://www.rcc.int/seeds/results/2/balkan-public-barometer*.

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Trust in public institutions is influenced by many factors along two foundations: first, citizens must believe that their government has the competence, expertise, technical knowledge and capacity to make the best judgement and deliver services (responsiveness and reliability); second, governments must be impartial and fair in their decision-making, and they must listen and consult with citizens in the process (integrity, openness, fairness) (OECD, 2017[11]; Rothstein, 2011[12]). Chapters 2-8 show how the countries in the Western Balkan region have established many regulations and institutions similar to OECD and OECD-EU countries in different areas of public governance; however, often their implementation is lagging. And when it comes to performance and effectiveness in core government results (chapter 9) and in delivering services to citizens (chapter 10) there are significant differences, which can explain the low levels of trust. For example, satisfaction with basic health and education services as well as objective measures of the quality of healthcare and education systems are significantly and consistently lower in the Western Balkans compared to OECD and EU countries.

Public administration reform

The concept of good administration has been gradually defined by EU countries and is included in the EU Charter of Fundamental Rights, Article 41. The notion of a European Administrative Space was set out by SIGMA, a joint initiative of the OECD and the EU, in 1999 (OECD, 1999[13]). It included components such as reliability, predictability, accountability and transparency, as well as technical and managerial competence, organisational capacity, financial sustainability and citizen participation. The EC outlines six key areas for public administration reform as follows:

1. Strategic framework for public administration reform — this includes the political commitment to the reform process, including political leadership and technical coordination and monitoring of implementation.
2. Policy development and coordination — this includes strategic planning, functioning of the centre of government, policy co-ordination and policy development and analysis.
3. Public service and HRM — this includes organisation and functioning of the public service, including depoliticisation, merit-based recruitment and promotion, training and professionalisation.

4. Accountability — this includes transparency of administration, including access to information and the possibility of administrative and legal redress.
5. Service delivery — this includes improving services for citizens and business, including better administrative procedures and e-government services
6. Public financial management (PFM) — this includes a commitment to a more comprehensive approach to improving management of public finances and the overall budgetary process through preparation and implementation of multi-annual PFM programmes and engaging in a PFM policy dialogue (EC, 2014, pp. 4-5[7]).

Through the SIGMA programme, the Principles of Public Administration were developed to set standards within each of these areas for the EU integration process (OECD, 2017[14]). The capacities and performance of public administrations have gradually improved since 2015 when SIGMA established a baseline against a set of standard indicators for the Principles of Public Administration (SIGMA, 2020[15]). However, progress has been incremental and uneven. No countries have leapfrogged to a state where their public administration systems are at the same fundamental level as the majority of EU member countries. This is not unexpected, as the fastest reformers in the 20th century took decades to achieve basic governance transformation in the areas of bureaucratic quality, government effectiveness, control of corruption and the rule of law (World Bank, 2011, p. 11[16]).

SIGMA's methodology uses a scale of 0-5 (5 being the best), in line with the EC's scale as shown above. The point allocation is constructed so that a value of 3 cannot be achieved without showing that implementation of key processes is happening in practice. Many countries still struggle to reach 3 on average for the different areas. The best performing areas are public service and HRM and service delivery. As shown in chapters 9 and 10, improvements have mainly been for businesses services, not services to citizens.

The PFM area is unpacked with its sub-areas, as the best average scores are found in two of those. The areas of external audit and public procurement come closest to full adherence to the Principles of Public Administration (value of 5) but even in these areas significant efforts are needed to converge with OECD and EU standards.

Table 1.1. **Performance in public administration areas – wide variation across Western Balkans, 2017 and 2019**

	Strategic framework for PAR	Policy making	Public service and HRM	Accountability	Service Delivery	PFM	*Budget management*	*Public Procurement*	*External audit*
ALB	2.5	2.4*	3.4	2.6	3.3	2.8	2.6	2.8	3.5
BIH	1	1.3	1.6	1.8	1	1.7	1.2	2.2	2.5
XKV	2.5	2.8	3	2.6	3*	2.9	2.7	3	3.5
MNE	2.3	3.1	2.6	3.4	3*	2.6	2.4	2.6*	3.5
MKD	0.8	1.8	2.8*	2.6	3	2.8	2.4	3.4*	3
SRB	1.8	2.7	3*	2.6	3*	2.9	2.3	3.6	3.5
Western Balkans	1.8	2.4	2.7	2.6	2.7	2.6	2.3	2.9	3.3

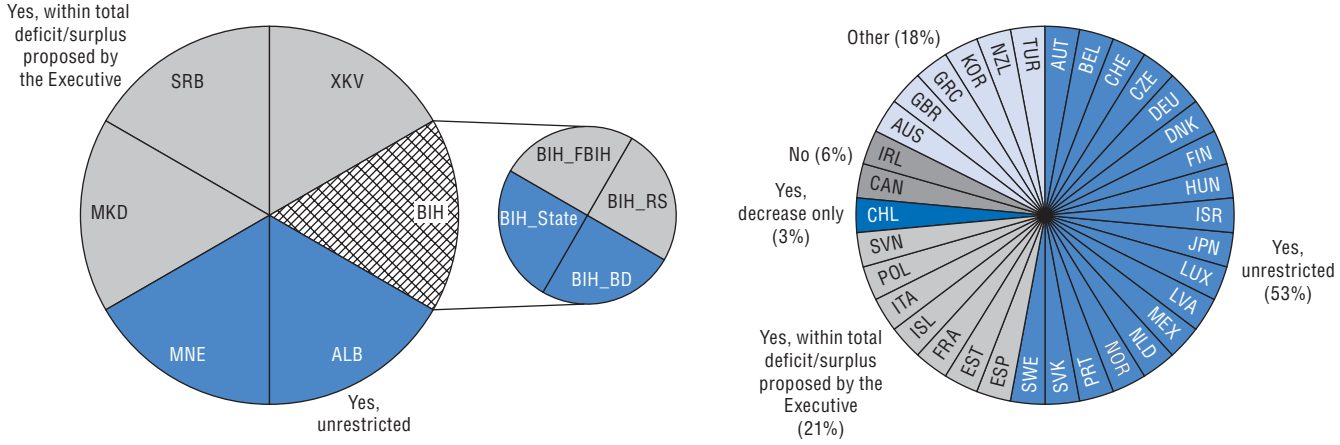
Note: Blue indicates higher averages and grey lower averages. Indicator averages by areas of the Principles of Public Administration. The framework consists of 52 indicators, composed of more than 340 individual sub-indicators, triangulating different data sources to credibly measure the state of play in a public administration and progress in implementing reforms. For more information consult the Methodological Framework for the Principles of Public Administration (OECD, 2019[17]). The table includes information from 2017 and 2019 assessments (latest available values). Averages based on 2019 values are marked with an asterisk. SIGMA's 2019 assessments did not cover all countries and areas unlike in 2017, so results may be slightly positively biased where data is more recent (2019 values are marked with an asterisk in the table). All countries assessed in the service delivery area in 2019 - Kosovo, Montenegro and Serbia - made significant improvements compared to 2017 (42% increase in scores). All countries assessed in the public service and HRM area in 2019 – North Macedonia and Serbia – also significantly improved (29% increase in scores).

Source: Own elaboration based on data drawn from SIGMA 2017 and 2019 monitoring reports, *http://www.sigmaweb.org/publications/monitoring-reports.htm*.

External audit is the only sub-area where the regional average is above 3, signalling that generally the quality of the legislative and regulatory framework is adequate and to progress countries need to improve key implementation practices and reach outcomes that matter for external stakeholders.

One example is the implementation rate of recommendations from the Supreme Audit Institutions (SAIs). In 2017, the regional average for the Western Balkans, excluding Bosnia and Herzegovina where data was not available, was 50%, ranging from 30% (Kosovo) to 75% (Serbia) (SIGMA, 2020[15]). Comparable models of SAIs in EU member countries report implementation rates ranging from 53% to 94%.[2] The relatively strong performance of external audit is also reflected in its contribution to budget management, where the timeliness of submission of the SAI report to parliament, and indeed the timeliness of the parliamentary discussion of that report, is generally quite strong in Western Balkan countries. In contrast, parliamentary ex-ante scrutiny of the annual budget is lacking across the region. Figure 5 shows that parliaments in the region generally have less formal powers in amending the budget compared to OECD and OECD-EU countries. Chapter 5 also shows that parliaments in the region are less involved in the budgetary process for key items such as the report on fiscal risks and the pre-budget fiscal policy statement compared to the OECD.

Figure 1.5. **Formal powers of the legislature to amend the budget proposed by the executive, 2019**



Source: OECD (2019), 2019 Survey for the Western Balkans on Budget Practices and Procedures; For the OECD data, OECD (2018), OECD Budget Practices and Procedures Survey

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The public procurement sub-area average comes close to 3, with more variation between countries than external audit. Competitive procedures are used frequently in the Western Balkans. However, contracts are mainly awarded based on lowest price as the sole criterion, whereas in most of the EU countries other criteria (related to strategic outcomes and quality) are more common, according to DIGIWHIST data. The average number of bids per tender is lower for the Western Balkan region compared to the EU average.

Table 1.2. **Public procurement performance indicators, 2018**

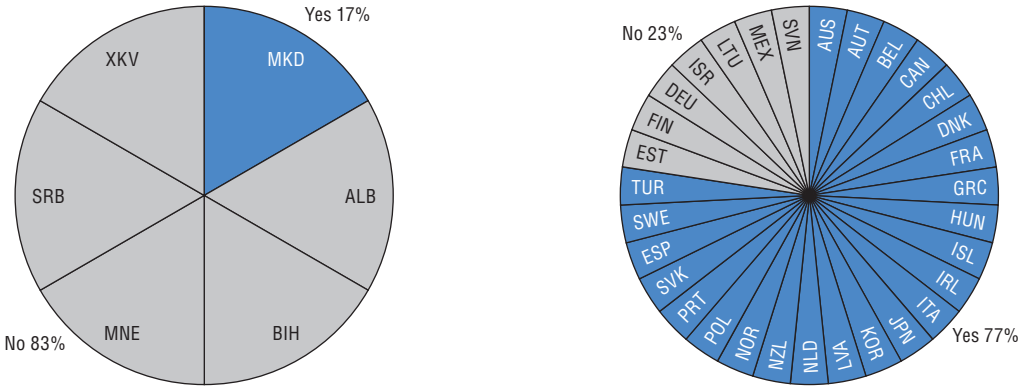
	ALB	BIH	XKV	MNE	MKD	SRB	Western Balkans	EU
Number of contracts awarded by competitive procedure (%)	84	97	92	98*	97.5	91	94	74
Number of competitive procedures awarded by acquisition price only (%)	82	26	99	98*	99	89	94	40
Average number of tenders per competitive procedure	3	2.4	5	3	3.5	2.5	3	4.3

Source: Data for the Western Balkan region are based on 2018 annual reports from public procurement offices. Values with an asterisk are from 2017 SIGMA monitoring reports. The EU average has been calculated by DIGIWHIST, an EU's research project funded by Horizon2020. Indicators are calculated using publicly available public procurement announcements on Tenders Electronic Daily (TED) and, where available, also on official national procurement portals. The public procurement data used for the analysis of TED notices comes directly from the TED database accessible at *ftp://ted.europa.eu/* in XML format. See *http://digiwhist.eu/* for more information. Data collection algorithms are accessible here: *https://github.com/digiwhist/backend* and the human-readable methods descriptions here: *https://opentender.eu/at/about/how-opentender-works*.

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Data also show a clear difference in approach when it comes to public procurement authorities having regular dialogue with the private sector. Only North Macedonia has regular dialogue with economic operators in the region, as opposed to 77% of OECD countries.

Figure 1.6. **Regular dialogues with the private sector, 2019**

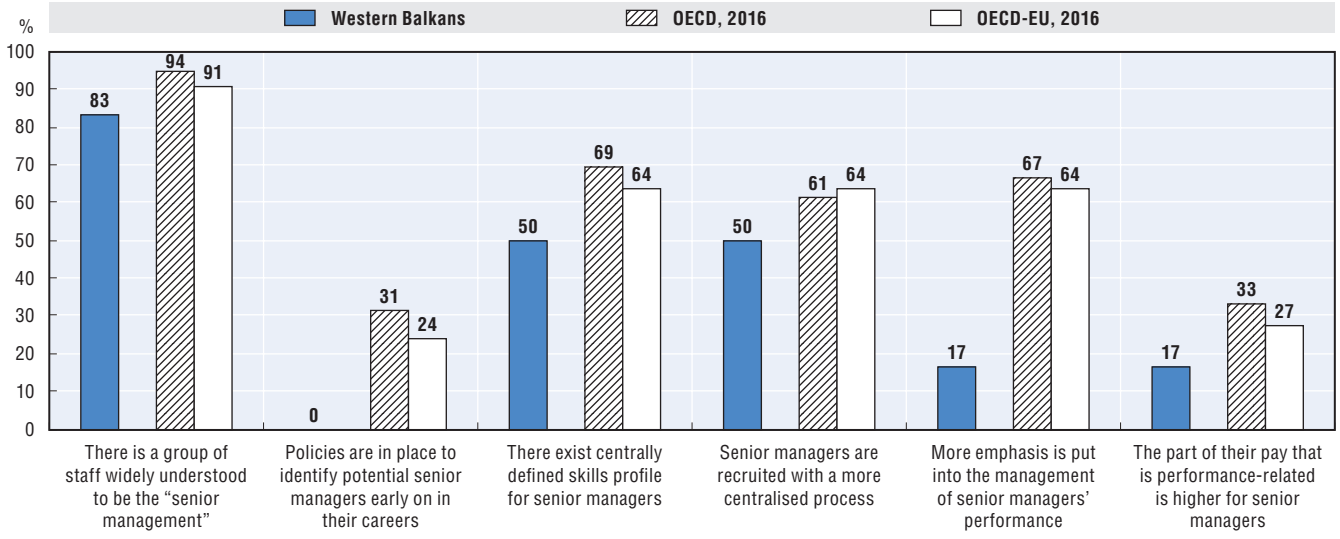


Source: For the data on the Western Balkan region, OECD (2019), 2019 Survey for the Western Balkans on Public Procurement; For the OECD data, OECD (2018), 2018 OECD Survey on the Implementation of the 2015 OECD Recommendations on Public Procurement

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As mentioned, public service and HRM is one of the best performing areas overall. Nevertheless, as shown in Figure 7, there is room for improvement, for example in developing policies to create a dedicated group of senior managers, having centrally-defined skill profiles for this group and placing more emphasis on performance management (See more in Chapter 6). A regional success story here is that the share of women in national parliaments rose from 23% in 2012 to 32% in 2020 across the Western Balkan region. The average is now on par with the average levels for OECD and OECD-EU countries. This was promoted by the introduction of gender quotas in all Western Balkan parliaments. Similar positive development has been demonstrated for ministerial positions. In 2012, only 9.5% of ministers were women on average for the region. In 2020, the percentage rose to 28 (See more in Chapter 3).

Figure 1.7. **Extent to which separate human resources management practices are used for senior managers in central government –, Western Balkans, OECD and OECD-EU, 2019 or latest available year**



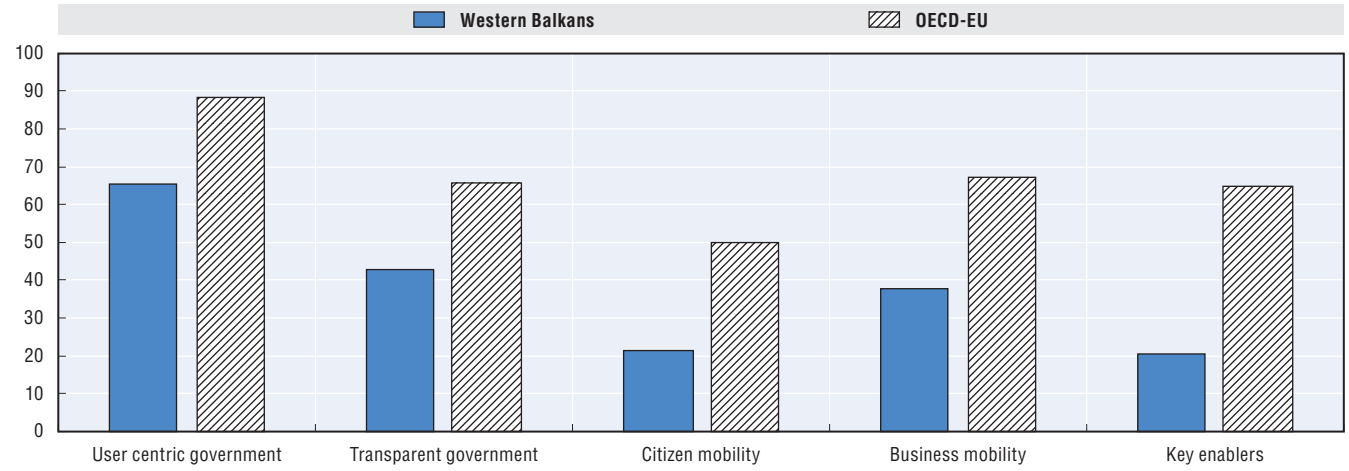
Source: OECD (2019), 2019 Survey for the Western Balkans on Strategic Human Resources Management in Central/Federal Government; For the OECD average and the OECD-EU average, OECD (2016), Strategic Human Resources Management Survey.

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The countries in the Western Balkan region are performing their best in services to businesses making improvements in particularly digital services (see Chapter 9). However, there has been less gains in citizen-oriented services. Figure 8 shows that the Western Balkans fall behind their EU neighbours in e-government services, regardless of whether it relates to user-centric government, transparency, citizen mobility, business mobility or key enablers. Chapter 8 compares the situation in the Western Balkans with OECD and OECD-EU countries in more detail for a range of such key enablers. For example,

as shown in Figure 9, organisations that lead and coordinate digital government policies in the Western Balkans less frequently have a mandate to use hard policy levers, e.g. their ability to carry out ex-ante revisions and evaluation of ICT projects is limited.

Figure 1.8. **EU eGovernment Benchmark scores are lower in all areas for the Western Balkans, biannual average 2017-2018**

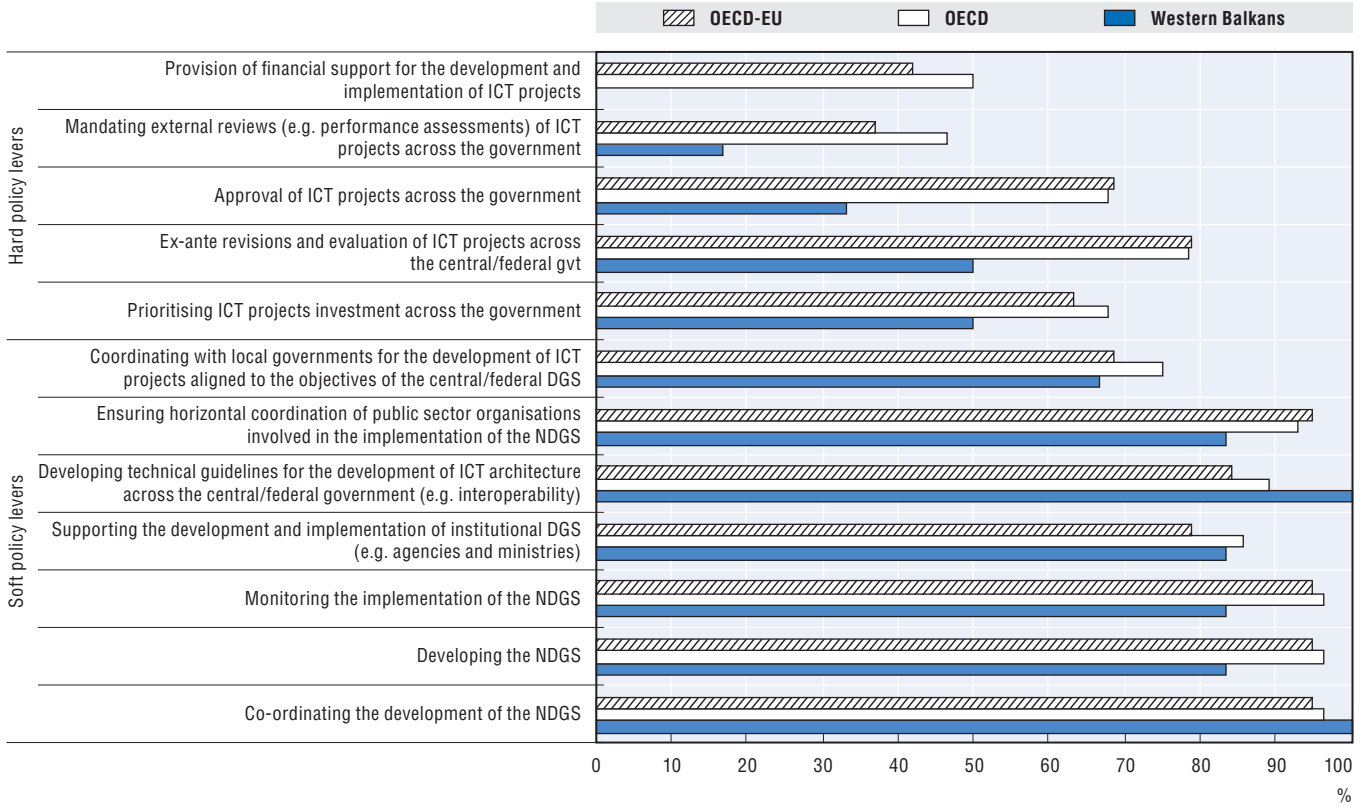


Note: Bosnia and Herzegovina and Kosovo are not included in the EU eGovernment benchmark.

Source: European Commission eGovernment Benchmark 2019, *https://ec.europa.eu/digital-single-market/en/news/egovernment-benchmark-2018-digital-efforts-european-countries-are-visibly-paying*.

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Figure 1.9. **Main advisory and decision-making responsibilities of the public sector organisation leading and coordinating digital government policies, 2019**



Note: NDGS=National Digital Government Strategy.

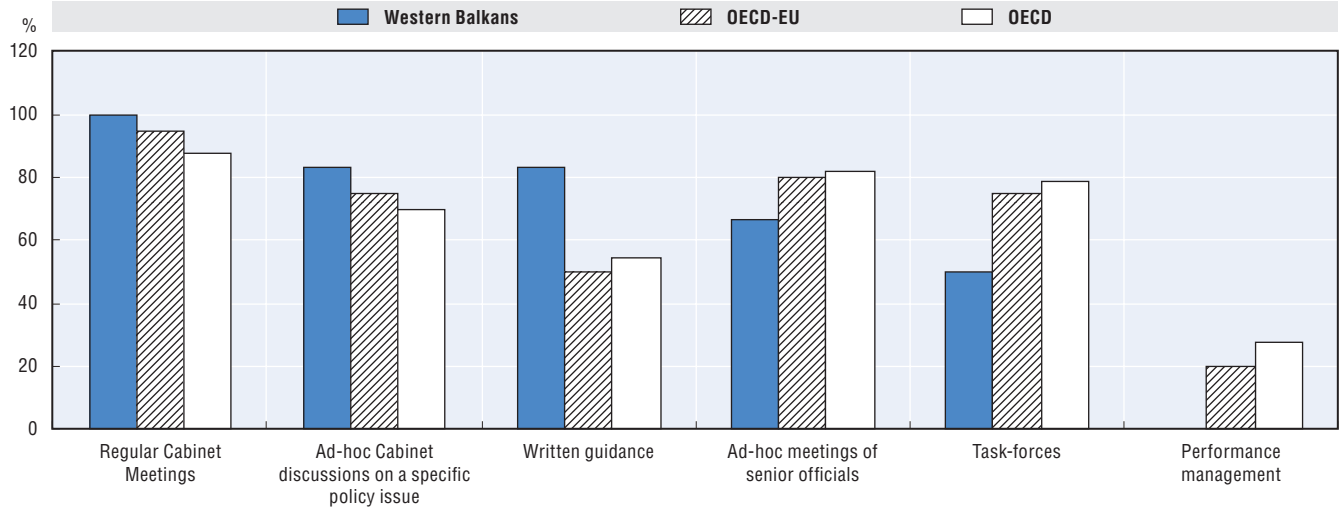
Source: For data on the Western Balkan region, OECD (2019), Survey for the Western Balkans on Digital Government; For data on OECD, OECD (2019), Survey on Digital Government.

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The Digital Agenda for the Western Balkans, one of the EC's six flagship initiatives in the 2018 Western Balkans Strategy, aims at better connectivity, digital skills, as well as performance in eGovernment, eProcurement and eHealth services (EC, 2018[5]). The data shows a clear need for such initiatives in the region.

The convergence gap for the policy making area is arguably one of the largest. All countries in the Western Balkan region have established the regulatory and institutional frameworks for most of the critical Centre-of-Government (CoG) functions, which are essential for effective policy making and co-ordination (see Chapter 4). However, Figure 10 shows that policy co-ordination in the Western Balkans takes place mostly in a formal, rule-based setting (such as cabinet meetings) rather than in informal ones (such as ad-hoc meetings and task forces). In addition, no Western Balkan country uses performance management as an instrument.

Figure 1.10. **Main institutional instruments or initiatives used by the centre of government to ensure policy co-ordination, 2019**



Source: OECD (2019), Questionnaire for the Western Balkans on Organisation and Functions of the Centre of Government; OECD (2017), OECD Survey on Organisation and functions of the Centre of Government

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Countries in the Western Balkan region struggle to implement fully and consistently many of the CoG functions, as evidenced by the 2017 SIGMA monitoring reports. One of those challenges relates to the accessibility of legislation. Fifteen of 21 EU countries analysed by SIGMA provide online access to both primary and secondary legislation free of charge, including in consolidated format (amendments, if any, are embedded in the original text). None of the countries in the Western Balkan region provide this to citizens.[3] (SIGMA, 2020[15])

1.3. Rule of law

The rule of law is a fundamental value for the EU, enshrined in the European Convention on Human Rights and the Charter of Fundamental Rights of the EU. In 1993, the Copenhagen criteria cemented the key requirements for accession to the EU in this area. As expressed by former EC President Jean-Claude Juncker in his 2018 State of the Union Address: "The European Union is a community of law. Respecting the rule of law and abiding by Court decisions are not optional." According to the EC, countries that want to join the EU must ensure that:

- their judiciary is independent and impartial. This includes, for example, guaranteed access to justice, fair trial procedures, adequate funding for courts and training for magistrates and legal practitioners;
- their government and its officials and agents are accountable under the law and that political leaders and decision-makers take a clear stance against corruption; and

- the process by which laws are prepared, approved and enforced is transparent, efficient, and fair. Laws must be clear, publicised, stable, fair, and protect fundamental rights. (EC, 2020[18])

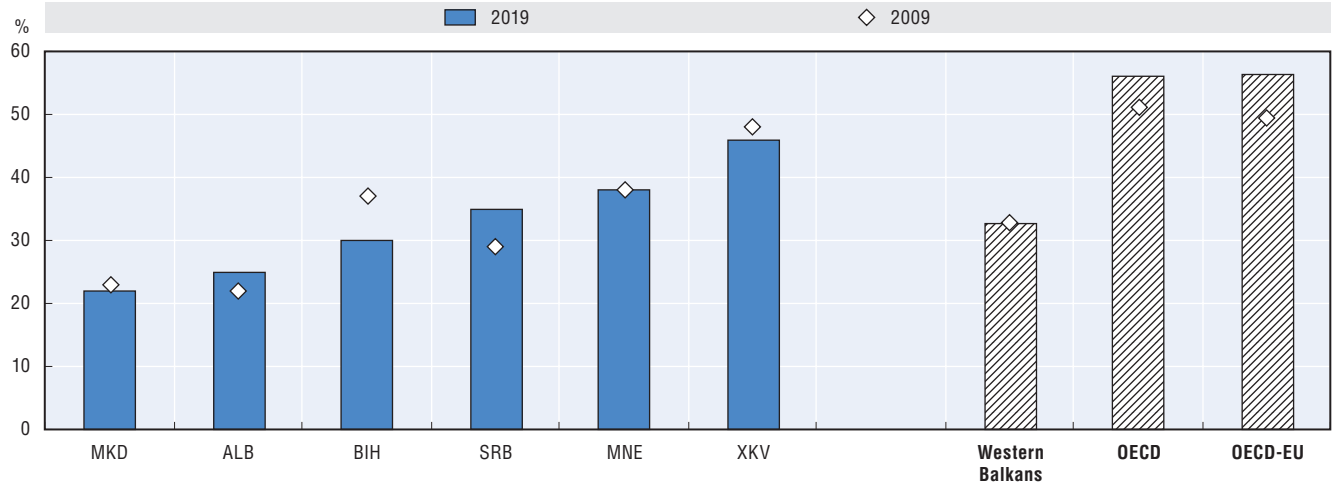
Recent evidence confirms the business case for access to justice, and the interlinkages with broader public governance reforms: "investments in access to justice can be a channel towards better governance, by tackling local situations of corruption and injustice, closing the gap between formal and actual rights, and triggering legal and institutional change – particularly when bottom-up solutions are implemented jointly with top-down reforms" (OECD and World Justice Project, 2019[19]),

In 2018, the EC provided the following assessment of the rule of law area in its regional strategy paper for the Western Balkans: "Today, the countries show clear elements of state capture, including links with organised crime and corruption at all levels of government and administration, as well as a strong entanglement of public and private interests. All this feeds a sentiment of impunity and inequality. There is also extensive political interference in and control of the media. A visibly empowered and independent judiciary and accountable governments and administrations are essential for bringing about the lasting societal change that is needed" (EC, 2018, p. 3[5]). In addition, the EC emphasised that "strengthening the rule of law is not only an institutional issue – it requires societal transformation" (EC, 2018, p. 4[5]). In 2018, all countries were seen by the EC to be at "an early stage" (value 1) when it comes to the fight against corruption and the fight against organised crime. As shown above, all countries except Kosovo improved to show "some level of preparation" (value 2) in 2019, with Montenegro even reaching "moderately prepared" (value 3).

Confidence in the judiciary system and courts

Confidence in the judiciary system and courts is established through accessible, fair and transparent justice services and adequate legal assistance (OECD, 2017, pp. 141-149[11]). On average, confidence of the Western Balkan populations is far below those of the OECD and the EU. The average rate for Western Balkan region is 33%, with North Macedonia registering the lowest rate at 22%. There is wide variation across OECD and OECD EU countries, from Chile at 24% to Denmark at 89%. However, the OECD and OECD EU averages are 23 p.p. higher than the Western Balkan region. Within the region, the judiciary is the least trusted of the branches of government (RCC, 2020[8]). This is in stark contrast to the situation in the EU where the justice system is significantly more trusted than national governments and parliaments (EC, 2019, p. 56[9]).

Figure 1.11. **Citizen confidence in the judiciary system and the courts, 2009 and 2019**



Note: Data refer to the percentage of people who answered "yes" to the question: "In this country, do you have confidence in the judicial system and courts?".. Data for Bosnia and Herzegovina and Serbia refer to 2018 rather than 2019.

Source: Gallup World Poll (database).

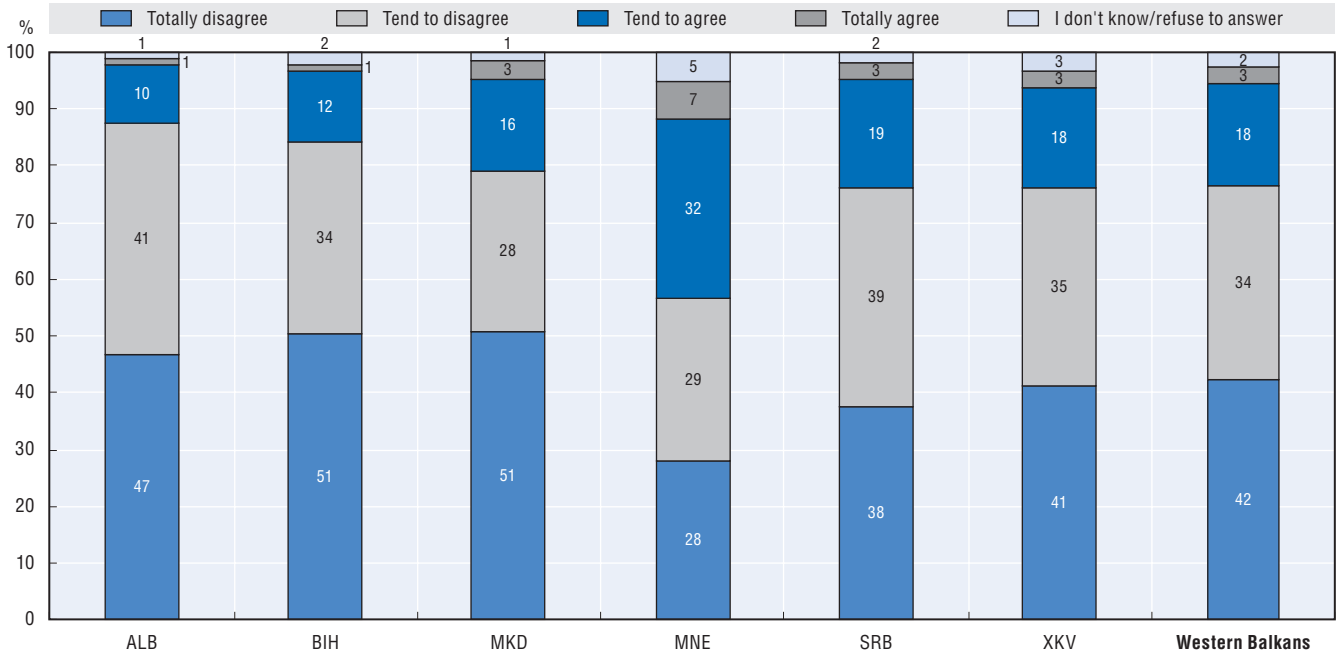
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The population in Kosovo has more confidence in the judiciary system and the courts than its counterparts in the region, and some OECD and OECD-EU countries. This is—at first glance—contradictory to the EC's view of the level of preparedness, but not to the World Justice Project (WJP) Rule of Law index (see below). The high confidence in the judiciary systems in Kosovo has been stable since 2009. This corresponds with the significant international presence and support in this area, through institutions such as the European Union Rule of Law Mission in Kosovo (EULEX) and the United Nations Interim Administration Mission in Kosovo (UNMIK).

Equality before the law, fundamental rights, and judicial independence

In the Western Balkans, the lack of trust is linked with the widespread public perception that the judiciaries are not independent from politics and therefore cannot effectively scrutinise governments or hold them accountable to citizens (RCC, 2019, pp. 97-98[2]). The constitutions of the countries in the Western Balkan region provide a legal guarantee of equal protection for their citizens. All state organs must enable access to justice for all of their citizens. In that sense, fundamental rights should be *de jure* ensured (Hoxhaj, 2018[20]). However, two-thirds of the people in the region do not believe that the law is applied to everyone equally. This is an improvement from 2015 where the rate was 83% (RCC, 2019, p. 95[2]). Nevertheless, the public perception of unfairness and lack of confidence in the rule of law is striking.

Figure 1.12. **Citizen views on equality before the law, 2019**



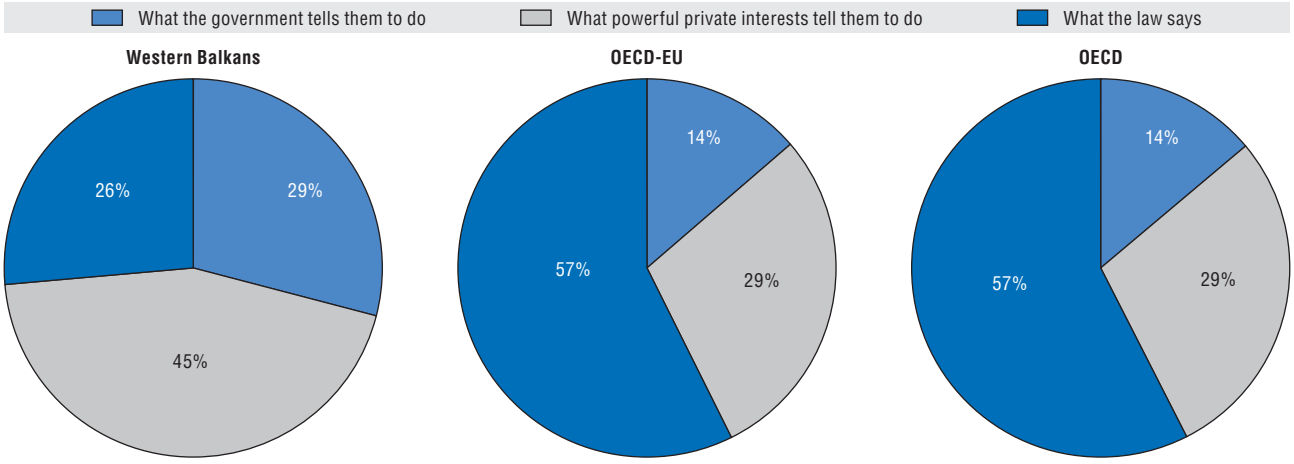
Note: Data refer to the answers to the question: "Do you agree with the following statement? The law is applied to everyone equally"

Source: Regional Cooperation Council (RCC) (2020), Balkan Public Barometer database, *https://www.rcc.int/seeds/results/2/balkan-public-barometer*.

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Judges are not widely regarded as independent by Western Balkan populations. On average, only 26% believe that most judges decide cases according to what the law says (the lowest percentage is recorded in Albania: 17%). People are more likely to believe that judges decide cases on the basis of what powerful private interests tell them to do (45%) or what the government tells them to do (29%). Perceptions vary across OECD and EU countries, with the highest share of the population believing that judges decide cases according to the law at 89% in Denmark, but on average more than half of OECD populations believe that judges decide cases according to the law.

Figure 1.13. **Citizens views on judges' influences for deciding cases, 2019**



Note: Data refer to the answers to the question: In your opinion, most judges decide cases according to: (a) What the government tells them to do; (b) What powerful private interests tell them to do; (c) What the law says. Data for Iceland, Israel, Latvia, Lithuania, Luxembourg, Montenegro, the Slovak Republic and Switzerland are not available.

Source: World Justice Project (2020), General Population Poll 2017, 2018 & 2019.

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Citizens' lack of confidence in judiciaries and beliefs that the law is not applied equally in their countries mirrors the assessment of independent legal practitioners and experts that fundamental checks-and-balances are not working adequately in the Western Balkans. The WJP Rule of Law index assesses performance based on experiences and perceptions derived from more than 130 000 household surveys and 4 000 legal practitioner and expert surveys worldwide across eight factors: Constraints on Government Powers, Absence of Corruption, Open Government, Fundamental Rights, Order and Security, Regulatory Enforcement, Civil Justice, and Criminal Justice.

Figure 14 shows that there are significantly less constraints on government powers in the Western Balkan region than in OECD and OECD-EU countries. The regional average is 0.46 compared to the OECD-EU average of 0.77. Similarly, the protection of fundamental rights in Western Balkans is evaluated much lower than in OECD and OECD-EU by WJP experts. Further analysis is provided in Chapter 9.

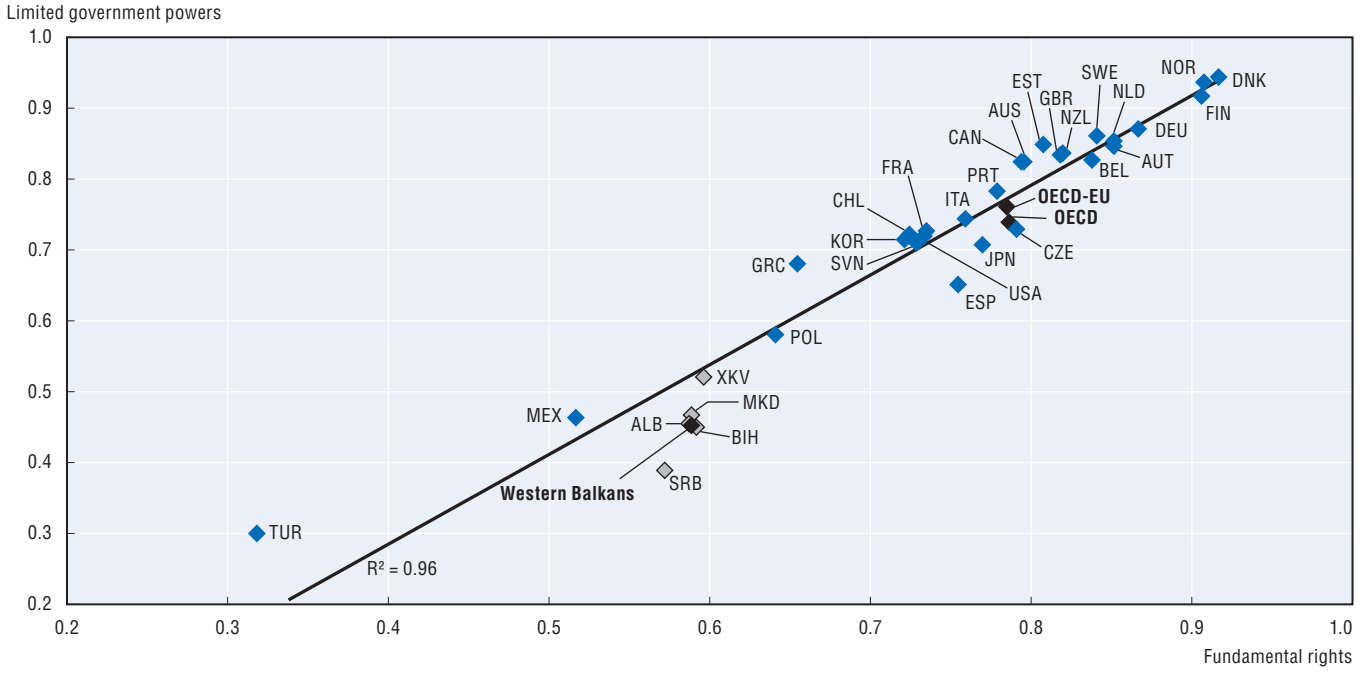
The overall WJP index ranking is provided in Figure 14. Overall, the region is faring far below OECD and EU countries. Over the last five years, Bosnia and Herzegovina experienced an annual percentage drop of -2.1% on average, placing it amongst the six countries worldwide that saw the largest declines, together with Egypt, Venezuela, Philippines, Cameroon, and Hungary (WJP, 2020[21]).

Corruption

Rule of law is about more than independent and efficient courts. The activity and decisions of those holding functions of authority matter greatly, in both the public and the private sectors, including governments and public administrations, and their judicial control by the administrative and constitutional justice systems, parliaments, ombudsperson institutions, supreme audit institutions, etc. Thus, public integrity matters for the rule of law. A merit-based and professional civil service can reduce corruption risks and counterbalance clientelism (Dahlström, Lapuente and Teorell, 2012[22]). A study by the Regional School of Public Administration shows slight improvements on recruitment procedures from 2015 to 2019, and a survey of personnel managers from public sector institutions indicates that political influence in civil service recruitments slightly decreased over the same period in the region (Meyer-Sahling et al., 2019[23]). Nonetheless, the majority of citizens in the region feel that connections are more important than hard work to succeed in the public sector (RCC, 2020[8]).This is a larger proportion than in EU member countries, although EU member countries also show variation. In the EU, the same measure of meritocracy is positively related to the strength of the rule of law,

low levels of perceived corruption, impartiality of the public sector and the length of EU membership (Charron, Dahlström and Lapuente, 2016[24]). On average, 75% of people living in the Western Balkans consider corruption to be widespread throughout government. Serbia has the lowest level of perceived corruption, at 55%, only slightly above the OECD and OECD-EU averages at 53%.

Figure 1.14. **Rule of Law Index - constraint on government powers and fundamental rights, 2020**

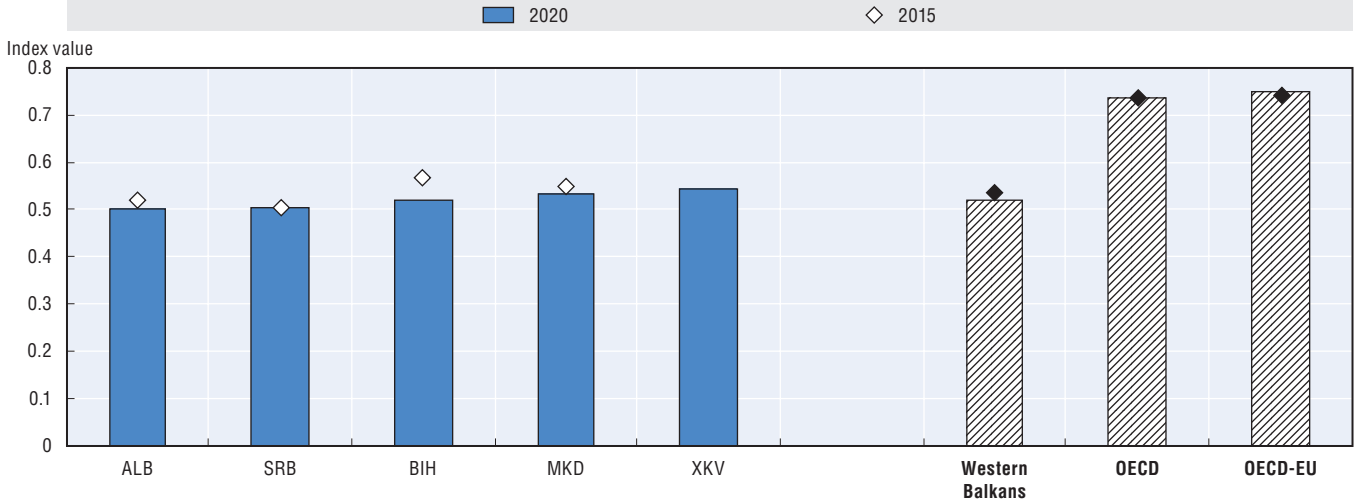


Note: Data for Montenegro are not available.

Source: World Justice Project (2020), Rule of Law Index 2020.

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Figure 1.15. **Rule of Law Index – overall scores, 2015 and 2020**

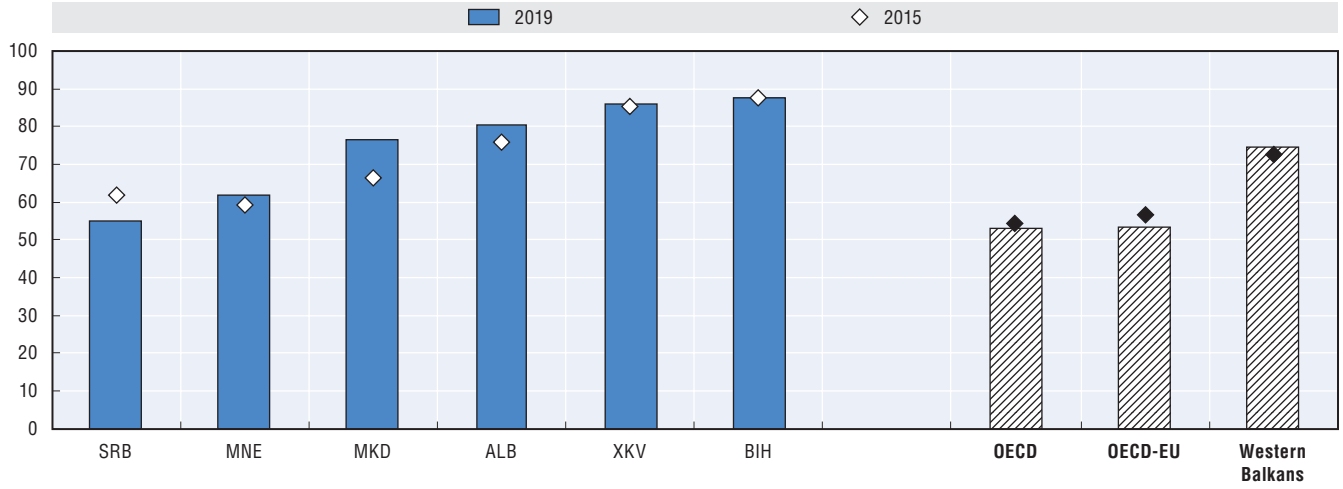


Note: Data for Kosovo are only available for year 2020.

Source: World Justice Project (2020), Rule of Law Index 2020.

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Figure 1.16. **Western Balkan populations consider government corruption to be more widespread, 2015 and 2019**



Note: Data refer to the percentage who answered "yes" to: "Is corruption widespread throughout the government in this country, or not?"
Source: Gallup World Poll 2019 and 2015 (database).

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Evidence on the drivers of trust for OECD countries shows that public integrity and perception of corruption are crucial determinants of trust in government (Murtin, 2018[25]). This illustrates how interlinked the EU integration fundamentals are. Lowering levels of corruption in the Western Balkans will take more than the efforts of law enforcement and judicial institutions. Behavioural change must come from politicians, civil servants, citizens and businesses.

1.4. Economic growth and competitiveness

The economic criteria for EU integration have been stable since they were agreed at the June 1993 European Council meeting in Copenhagen (Copenhagen criteria). Broadly speaking, the criteria require countries to (a) have a functioning market economy, and (b) show capacity to cope with competitive pressures and market forces within the EU (EC, 2020[26]).

The EU is the leading trade partner for all the Western Balkan economies, accounting for over 72% of the region's total trade. The total trade between the EU and the Western Balkan countries exceeded EUR 54 billion in 2018, which is twice as much as in 2006. Over the past decade, the economies of the Western Balkans region increased their exports to the EU by 130% against a more modest increase of EU exports to the region of 49% (EC, 2020[27]). This economic integration has been promoted by the Stabilisation and Association Process, through which the EU has concluded bilateral free trade agreements, known as Stabilisation and Association Agreements (SAAs) with each of the Western Balkan economies: North Macedonia (2004), Albania (2009), Montenegro (2010), Serbia (2013), Bosnia and Herzegovina (2015) and Kosovo (2016). The SAAs are the main vehicles for alignment with the EU *acquis* and integration into the EU market.

The EU and Western Balkan economies jointly adopt policy guidance at ministerial level in May of each year through the framework of Economic Reform Programmes (ERP). The ERPs set out a medium-term macro-fiscal policy framework and a structural reform agenda to promote competitiveness and economic growth. Economies in the Western Balkan region have made concerted efforts through the ERPs to reform their economies and economic governance, and can show positive trends for macroeconomic stability, unemployment rates, business environment and increasing economic integration with the EU. The sub-sections below show key data points for economic growth and competitiveness respectively.

Despite the progress, the EC's 2018 regional strategy paper still found that "critical parts of the region's economies are uncompetitive, with too much undue political interference and an underdeveloped private sector. None of the Western Balkans can currently be considered a functioning market economy nor to have the capacity to cope with the competitive pressure and market forces in the union. In spite of all progress on reforms, many structural issues remain, which in turn affect labour markets and notably employment opportunities for younger people" (EC, 2018, p. 3[5]). Nevertheless, in the 2019 EU progress report North Macedonia was upgraded to "well advanced" (4 out of 5) for the existence of a functioning market economy, and there has generally been tangible improvements in reducing unemployment, improving the business environment and controlling government debt. Still, real GDP growth rates are positive but declining, and share of exports to GDP is still relatively low.

Citizens in the Western Balkans see unemployment (60%), the overall economic situation (47%) and corruption (26%) as their biggest issues. The populations of Serbia and North Macedonia view the economic situation as more worrying than unemployment, but otherwise these three issues are consistently listed across the region (RCC, 2019, p. 27[2]). Businesses rank the following factors as most problematic for the growth and operation of their businesses, by order of importance:

- Macroeconomic instability
- Anti-competitive practices of other competitors
- Tax administration and tax rates
- Corruption
- Availability of labour

Table 3 facilitates a comparison between the Western Balkan economies and the averages of the OECD and OECD-EU economies with regard to a number of key economic indicators. It also shows the gap that remains before they are fully prepared for EU integration. For example, GDP per capita on average for the Western Balkan region in 2018 was $15,465, which was about one-third of the OECD average of $46,176. Furthermore, the average unemployment rate for the region was 18.2%, considerably higher than the OECD average of 6.1%. The contribution of exports to GDP was 42% whereas for the OECD average it was 56% and for EU countries that also are members of the OECD, the average was even higher at 68%. This shows the progress that the small economies of the Western Balkans need to make as they work towards EU integration. On the other hand, it is notable that fiscal deficits are low, with only Montenegro recording a deficit in excess of 3% in 2018 and Serbia actually recording a surplus. The debt to GDP ratio for the region was less than 50%, and only in Albania and Montenegro was it higher than 60%. This compares favourably to the OECD average debt to GDP ratio of 108%. Overall, the relative stability of the public finances in the Western Balkan economies provides room for manoeuvre in the face of the COVID 19 crisis.

Table 1.3. **Key economic indicators, 2018**

	GDP per capita, current prices PPP	GDP real annual average growth rate, 2008-2018	Unemployment	Exports, % GDP	General government fiscal balance, % GDP	General government gross debt, % GDP
Albania	13 327	2.72	12.2	32	-1.63	69.9
Bosnia and Herzegovina	13 583	1.66	18.4	41	1.73	34.3
Kosovo	11 664	3.49	29.6	26	-2.86	17
Montenegro	19 172	1.81	15.2	43	-6.3	72.6
North Macedonia	15 715	2.09	20.7	60	-1.76	40.5
Serbia	17 552	1.19	13.3	51	0.81	54.5
OECD	46 175	1.6	6.1	56	-2.86	108.6
EU28/OECD-EU*	44 669	1.01	6.9*	68*	-0.72	
Western Balkans	15 465	1.75	18.2	42	-0.27	49.4

Note: Data marked with an asterisk refer to the OECD-EU average. Regional averages of unemployment and exports as a share of GDP are simple averages of the region.

Source: IMF (2020), World Economic Outlook Database 2019, October; data for ratio of exports to GDP is drawn from the World Bank (2019), World Development Indicators 2019.

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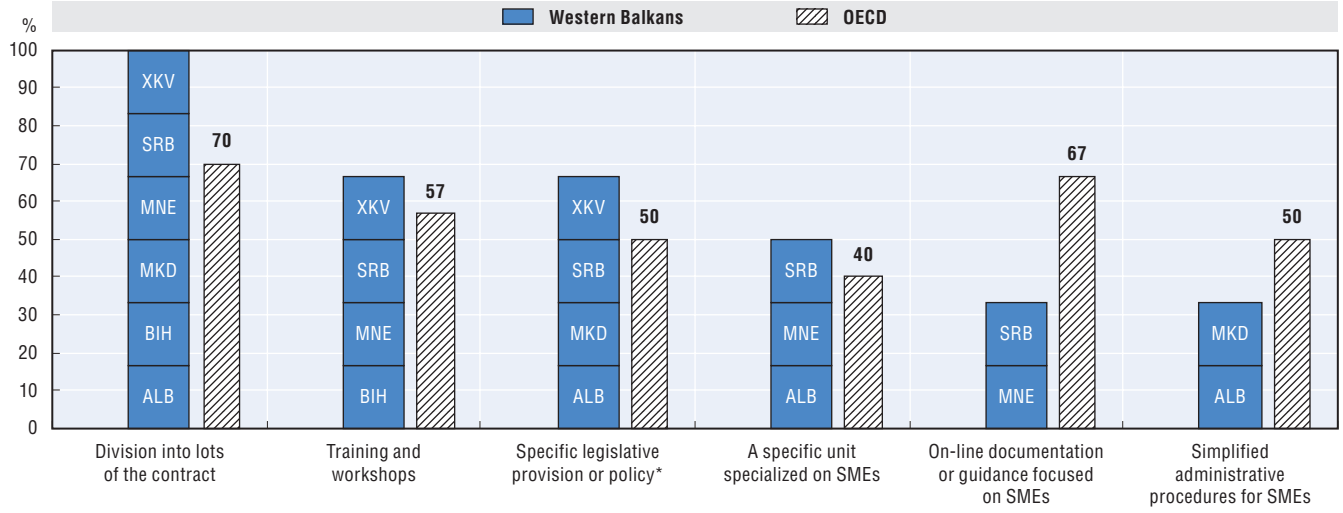
Economic growth

Throughout the region, human capital and labour market deficiencies have put persistent challenges to the underpinnings of economic growth. The Western Balkan economies' labour markets have generally exhibited high rates of unemployment, especially among the young, as well as high levels of long-term unemployment, persistent gender gaps, and a substantial informal sector. This situation is further exacerbated by the high levels of emigration of skilled labour. Moreover, relatively poor enforcement of competition policy – particularly in the highly concentrated banking, utilities and transport sectors – have to some extent undermined fair market conditions. Cumbersome state-owned enterprises and feeble anti-corruption enforcement have continued to be persistent structural obstacles to economic competitiveness. Economic policies have also failed to facilitate economic growth in an environmentally friendly way, undermining public health and long-term competitiveness. Comparatively low expenditures on sciences, technology and innovation and weak support for technology diffusion as well as weak linkages between business and academia have continued to challenge the prospective of sustainable economic growth. To leave the middle-income trap, the Western Balkan economies need to further transition to higher value-added products and services underpinned by innovation (OECD, 2018[28]).

Economic growth in the Western Balkans is driven by small and medium-sized enterprises (SMEs) and entrepreneurs. SMEs make up 99% of all firms in the region, generate around 65% of total business sector value added and account for approximately three-quarters of total business sector employment. Micro enterprises account for 90.4% of all enterprises in region, ranging from 88% in Albania to 96% in Serbia (OECD et al., 2019, pp. 3, 39[29]).

Public procurement authorities in the Western Balkan region have therefore initiated a range of supportive measures for SMEs as shown in Figure 14. However, more can be done to provide online documentation or guidance focused on SMEs and simplified administrative procedures for SMEs.

Figure 1.17. **Approaches in place to support participation of SMEs in public procurement, 2019**



Source: For the data on the Western Balkan region, OECD (2019), 2019 Survey for the Western Balkans on Public Procurement; For the OECD data, OECD (2016), Survey on Public Procurement.

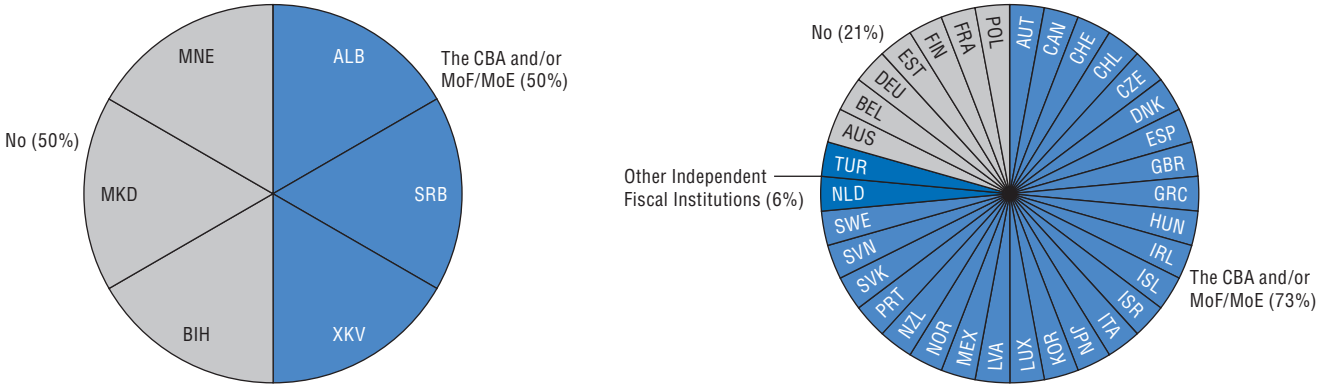
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The most commonly cited barriers to economic growth in the region are a lack of business finance, overregulation, political instability and corruption. Such impediments encourage informal activity and hit SMEs particularly hard. Ineffective state-owned enterprises also reduce productivity (OECD, 2018[28]; Sanfey and Milatovic, 2018[30]). This perhaps helps explain why SMEs make a significantly smaller contribution to business sector employment, value added and total exports than their proportional representation in the economy (OECD et al., 2019, pp. 41-50[29]).

Both the SIGMA monitoring reports and the data collected for this publication show that Western Balkan countries have improved their medium-term budgetary frameworks, which was a key focus of the ERP process. However, going forward, attention should be paid to management of fiscal risks. Three-quarters of OECD countries have a central agency or unit responsible for identification and management of fiscal risks. Only half of the economies in the Western Balkan region have such a body. As shown in chapter 5, only North Macedonia has centrally-defined criteria for deciding which fiscal risks need to be measured and monitored; this is the case in one-third of OECD countries.

In addition, Chapter 5 shows significant discrepancies in budget execution practices related to budget carry-overs.[4] Carry-overs are not permitted in any of the Western Balkan economies for any type of expenditures. In OECD countries different carry-over modalities are practiced for all types of expenditures. In about three-quarters of OECD countries, carry-overs are allowed for investment and operational spending, more than half allow them for discretionary spending while only about 40% permit them in the case of mandatory spending.

Figure 1.18. **Central unit or agency responsible for identification and management of overall fiscal risks, 2019**



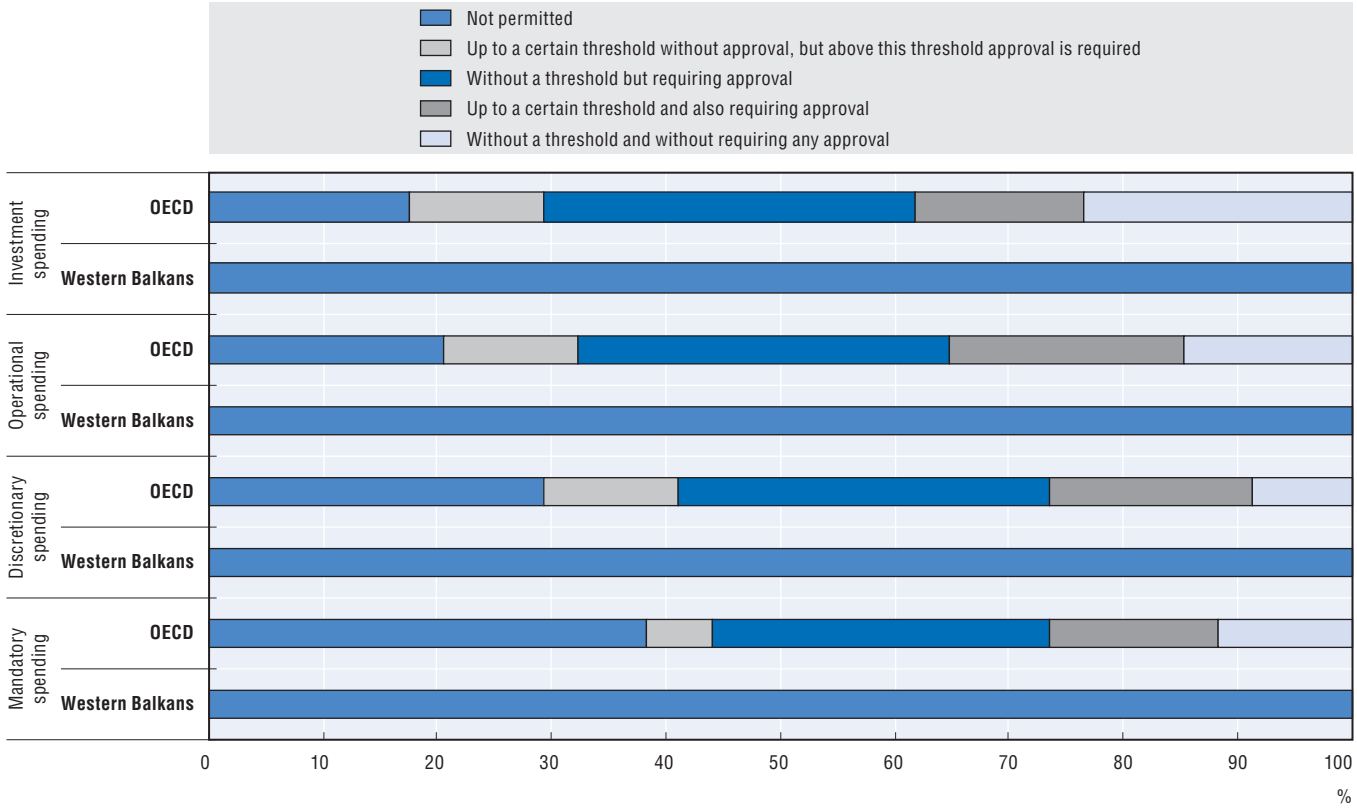
Source: OECD (2019), 2019 Survey for the Western Balkans on Budget Practices and Procedures; For the OECD data, OECD (2018), OECD Budget Practices and Procedures Survey.

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All Western Balkan economies have real GDP growth rates that are higher than the OECD and OECD-EU average rate, and they have been on an upward trajectory in the past decade. Nevertheless, compared to the GDP per capita values, these growth rates would not allow the economies in the Western Balkan region to reach convergence with EU counterparts in the near future (Sanfey and Milatovic, 2018[30]). The gap has been closing very slowly with an average of slightly more than 2.1% growth rate for the Western Balkans comparing to an average of just 1% for EU28 countries. This represents a very slow rate of economic convergence with the EU.

Economies in the Western Balkan region have, on average, managed to reduce their fiscal deficit to 1.5% in 2018, compared to 4.1% in 2019, fulfilling the Maastricht criteria. Increased fiscal revenues came as a result of tax reforms (raising multiple tax rates) and improved economic performance, which fuelled VAT and labour tax revenues (RCC, 2019[2]). The increased revenues did not lead to an unsustainable increase in expenditures and, as a result, public finances are generally on a much sounder trajectory even in those countries that have a debt ratio that is higher than the average. For example, in Serbia the debt ratio has fallen from 73.0% in 2016 to 54.5% in 2018. This was mainly due to significant efforts from 2015 to both lower expenditures (wages and pension cuts) and strengthen tax and financial discipline (reduced shadow economy), and to create a favourable macroeconomic environment. In Albania, the public debt ratio has stabilised at around 70%, having been on an upward trajectory prior to 2017; this stabilisation was a consequence of fiscal rules and principles being enshrined in legislation to support a counter-cyclical fiscal policy. Although the debt-to-GDP ratio for Montenegro stood at 72.6% at the end of 2018, authorities are also attempting to stabilise public finances with a retrenchment programme that the government endorsed in 2016.

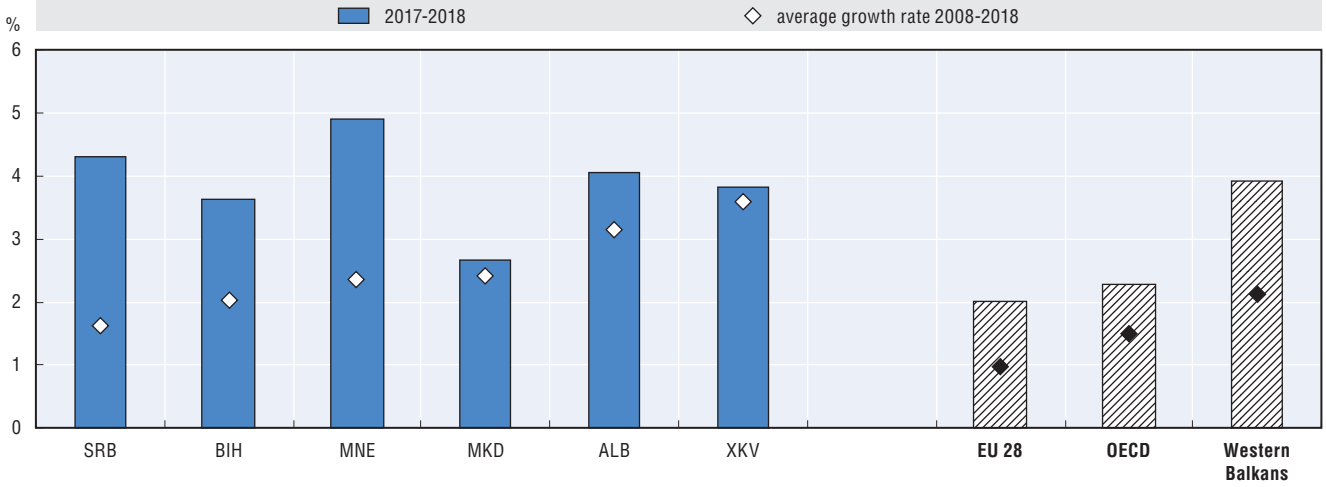
Figure 1.19. **Carry-over of unused funds or appropriations, 2019**



Source: OECD (2019), 2019 Survey for the Western Balkans on Budget Practices and Procedures; For the OECD data, OECD (2018), OECD Budget Practices and Procedures Survey.

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Figure 1.20. **GDP real growth, 2008-2018**



Note: Countries are ranked in ascending order of the average GDP growth rate. For more information on country specific notes please refer to: *https://www.imf.org/external/pubs/ft/weo/2019/02/weodata/index.aspx*.

Source: IMF, World Economic Outlook database (IMF WEO) (October 2019). Data for the OECD average: OECD National Accounts Statistics (database).

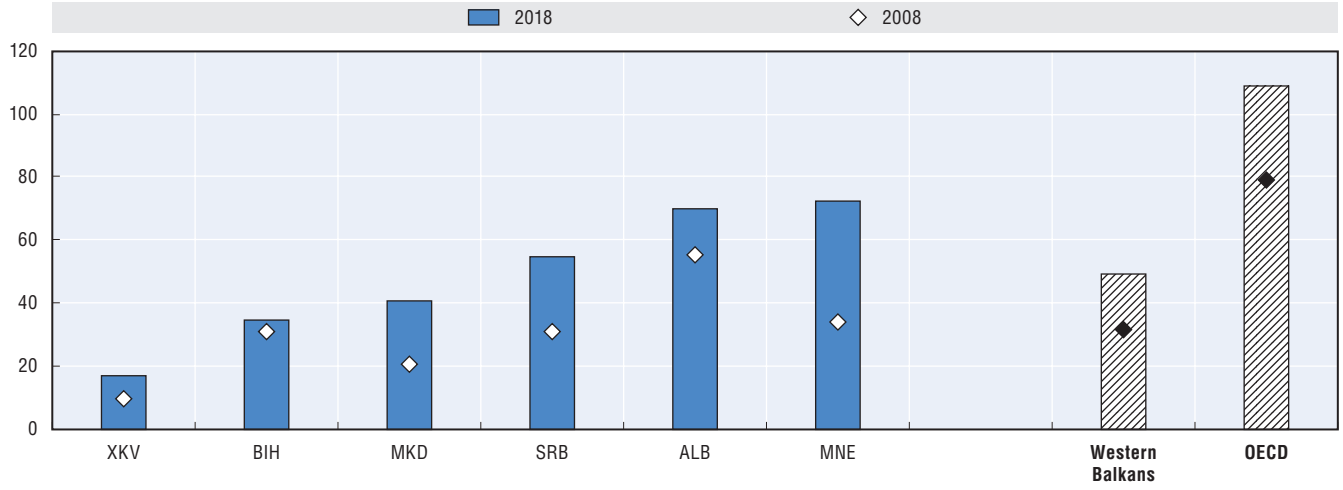
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While stabilising public finances is a positive development in the region, it should be noted that transparency surrounding public expenditure arrears and the process of eliminating those arrears could be improved. This is an important matter to be addressed. Failure to meet contractual commitments on time has implications for the wider economy and for business in particular. If governments fail to

make payments in a timely manner this can have a cascade effect with contractors failing to make payments to their suppliers and so on. It is also notable that enforcing contracts is seen as a particular challenge for businesses in the Western Balkan region.

Unemployment in the region is down to 18.2% in 2018 on average, having been just under 25% in 2012. This is one of the most significant positive changes over this period. It is also notable from Figure 22 that all economies in the Western Balkan region have reduced unemployment since 2008. However, further gains are needed to converge with the OECD-EU, where the unemployment rate stood at 6.9% at the end of 2018. Furthermore, unemployment rates are decreasing not only due to job creation, but also because of low activity rates (52.7% in 2017 compared to 73.3% in the EU) and increasing emigration of the working age population (RCC, 2019[2]). As shown in chapter 3, although the share of public employment to total employment is higher in the Western Balkan region (27.2%) compared to OECD countries on average (21.1%) and OECD-EU countries (23.7%), it is positive that the annual average total employment rate increased faster (1.8%) than the public employment rate (0.1%) over the period 2011-2018.

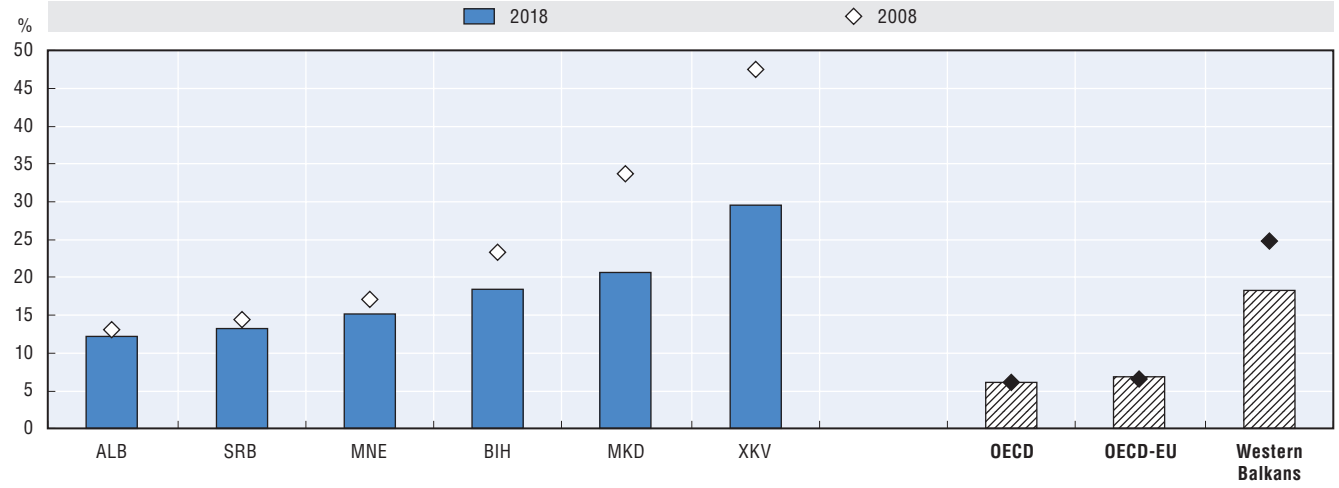
Figure 1.21. **General government gross debt to GDP, 2008 and 2018**



Source: IMF (2020), World Economic Outlook Database

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Figure 1.22. **Unemployment as a share of labour force, 2008 and 2018**



Source: IMF (2020), World Economic Outlook Database, October 2019; Data for Kosovo drawn from National Statistics Office and data for Montenegro is drawn from World Bank (2019), World Development Indicators 2019.

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Competitiveness

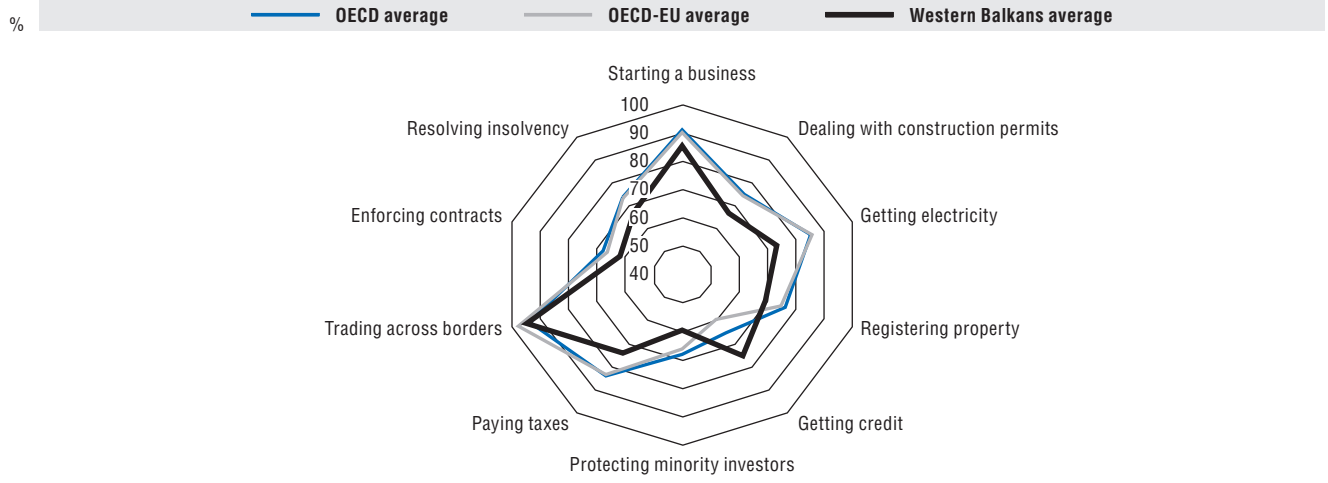
Owing to the limited domestic market size of small economies such as those in the Western Balkans and the limited purchasing power of their populations, stronger growth in tradable sectors will have to be found primarily in foreign markets. For this to happen, more companies, particularly domestic SMEs, will need to start exporting and integrating in global value chains. The key to greater competitiveness in the Western Balkan region therefore is to remove barriers for small and medium-sized enterprises (SMEs) and entrepreneurs (OECD et al., 2019, pp. 3, 39[29]).

A favourable business environment is an important enabler for competitiveness. As shown in Chapter 9, the Western Balkan region performs fairly well compared to OECD and OECD-EU countries in the World Bank's Ease of doing business index.[5] In 2020, the regional average was 73 (on a scale from 0-100). With a score of 81, North Macedonia outperforms the OECD and OECD-EU averages of 77 and 78. Western Balkan economies perform best on average in starting a business (85) and trading across borders (95). Protection of minority investors (59) and enforcement of contracts (62) are the most challenging components, generally for all countries but in particular for Western Balkan economies. This relates directly to the rule of law challenges documented in the section above.

The greatest differences from the Western Balkans regional average to the OECD-EU average is in paying taxes and getting electricity, where the regional averages are 13 and 12 points below the OECD-EU average. Getting credit is the only area where the average of the region (75) was above the OECD-EU average in 2020.[6]

Examining the sub-components shows that the most pressing issues are paying taxes in comparison with OECD and OECD-EU averages. The ease of paying taxes for businesses varies widely across the region as the score varied from 60 (Bosnia and Herzegovina) to 82 (Kosovo). In the Western Balkan region the average number of tax payments is high. In three countries in the region, businesses need to make over 30 payments, namely Albania (35), Serbia (33) and Bosnia and Herzegovina (33). In addition, businesses in the region have costly time inputs for paying these numerous taxes. On average, it takes 244 hours a year for an incorporated business to deal with tax forms, compared with an OECD-EU average of 164 hours and an OECD average of 163 hours. Inefficiencies in tax management and collection systems do not only have negative impact on the business environment, but also lead to large-scale tax avoidance and undermine government revenue streams (OECD, 2018[28]; Sanfey and Milatovic, 2018[30])

Figure 1.23. **Ease of doing business, 2020**



Source: World Bank (2020) Doing Business database (*http://www.doingbusiness.org*).

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Businesses across the region are generally most satisfied with digitalisation efforts of the government compared to other services, but when asked which infrastructure upgrades would have the highest positive impact on their businesses they point first to roads (60%), electricity supply (13%), and then telecommunications (8%) (RCC, 2019, pp. 38, 40, 61[31]). Such dimensions are not covered by the Doing Business index.

The region's exports have grown relatively fast in the past decade. The average ratio of exports to GDP rose from 30% to 42% between 2008 and 2018. In addition, exports of services are playing an increasingly important role. Despite the increase in exports, the share of exports to GDP, at 42%, is still relatively low compared to the OECD average of 56% and the OECD-EU average of 68%.[7] There are significant differences in the level of openness in the region. External transactions were notably higher in North Macedonia and Serbia, where the ratio of exports to GDP was 60% and 51%, respectively. Kosovo is least integrated with global value chains as Kosovo's exports-to-GDP ratio was 26% in 2018, which was the lowest in the region. Nonetheless, the compounded growth rates of the ratio of exports to GDP has been the highest in Serbia (6%) and Kosovo (5.4%) whilst Albania (2.3%) and Montenegro (0.8%) reported the lowest annual growth rates in the period 2008-2018.

Conclusion

This publication responds to the EC's strategic emphasis for a merit-based approach based on objective criteria for accession to the EU, as expressed in the EC Communication of February 2020. For the first time, governments and citizens in the Western Balkan region can directly compare their policies, practices and outputs with OECD and OECD-EU counterparts across a wide spectrum of public governance areas. This chapter presented the size of the "convergence gap" in specific areas of public governance based on objective, comparable data, as seen through the lens of the EU Integration fundamentals.

Overall, in line with the qualitative assessments in the EU progress reports (Figure 2), evidence shows that the largest gap between the situation in the Western Balkans and the OECD-EU countries is in the area of rule of law. Judiciary and law enforcement institutions in the region are not trusted by their populations, corruption is a systemic and pervasive problem, and equality before the law and fundamental rights has yet to be fully achieved. There are still sizeable gaps for the Western Balkans to close in the functioning of democratic institutions and public administration and in economic growth and competitiveness. However, the gap is narrowing is some sub-areas such as external audit, public procurement, service delivery to businesses and representation of women in politics. In addition, the relative stability of the public finances in the Western Balkans is a key factor with regard to establishing the necessary room for manoeuvre in the face of the COVID 19 crisis, but even so governments must continue to pursue fundamental reforms.

The data show many significant improvements in specific areas, which matter directly for citizens and businesses. However, progress is uneven across areas, economies and administrations. To advance, governments must continue reform efforts, particularly in areas where performance is low, as the fundamentals are interlinked. For example, as shown above, economic competitiveness is held back by factors outside the control of ministries of finance and economy, such as political instability and a lack of legal predictability. The new path to EU integration is not chapter by chapter, but one of "fundamentals first" as a coherent package.

Western Balkans leaders face their own specific challenges and reforms have their individual trajectories. However, one common denominator is the need to focus on de facto implementation and results, and to base action plans on evidence. This requires the use of evidence and development of meaningful performance indicators that can track progress. In addition, whilst this publication has set a regional baseline in key public governance areas, several measurement gaps persist, particular at the level of measuring outcomes and results of public governance. International and regional organisation should continue to address such measurement challenges to support government and further global policy dialogue.

Notes

1. The OECD Policy Framework on Sound Public Governance weaves together such existing OECD legal instruments and tools on public governance. See more here: *https://www.oecd.org/governance/policy-framework-on-sound-public-governance/*.
2. The following values are found in the 2018 annual reports from the SAIs: Ireland (94%); Latvia (85%); Czech Republic (81%); Denmark (70%); Slovenia (65%); Austria (56%); Lithuania (54%); Poland (53%).
3. Even in Montenegro and Serbia, where primary and secondary legislation is published online by the relevant state institutions, it is not published in consolidated format and only private sector service providers ensure access to consolidated versions for a fee. Other Western Balkan countries do not consistently publish all primary as well as secondary legislation online or the state institution responsible for online publication of legislation charges a fee for this service (as is the case in North Macedonia).
4. A budget carry-over is the ability of line ministries to transfer unused funds or appropriations from one fiscal year to the next. This form of spending allows ministries to use previous budget appropriations for their undertakings the following fiscal year.
5. The ease of doing business index provides a comprehensive analysis of both legal and time and motion indicators, but it does not cover all aspects that matter for business environments, such as security, macroeconomic stability, corruption, labor skills of the population, underlying quality of institutions and infrastructure or the strength of the financial system. This is why firm-level surveys, such as the Balkan Business Barometer, the World Bank Enterprise Surveys and the World Economic Forum can provide a less optimistic picture of the business environment (RCC, 2019[31]; World Bank, 2020[32]; Schwab, 2019[33]).
6. This seems contradictory to what is actually happening in the region, and can be explained by the fact that this component of the index mainly measures the strengths of legal rights of lenders and borrowers and the existence of an online collateral registry, not the actual uptake of credit. Businesses in the Western Balkans predominantly use internal and informal sources of financing rather than bank loans, even if the banking sector is liquid. Sixty-one percent of businesses in the region avoid loans and rely on internal sources of financing, 36% use the banking sector, and 13% rely on resources provided by family and friends (RCC, 2019, pp. 89-92[31]).
7. The difference between the OECD and OECD-EU averages is due to the exclusion of some very large economies such as the United States, from the latter; large economies can generate significant economic activity from internal consumption.

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Chapter 2

Public finance and economics

The fiscal balance indicates the extent to which a country's government expenditures are covered by the revenues collected in a given year. Comparing the fiscal balance among Western Balkan economies, OECD and EU countries provides a relevant indication of the sustainability of the fiscal position of each group. A fiscal surplus occurs when the amount of revenues surpasses that of expenditures, in the opposite case, there is a fiscal deficit.

Recurrent large fiscal deficits are detrimental to the sustainability of public finances as funding them involves incurring in debt. When the level of debt is high, the cost of servicing it (interest payments) can push a country further into deficit, thereby hindering fiscal sustainability even more. When the fiscal position of a country deteriorates, it generally resorts to fiscal adjustments, which can have impacts on the size of the government and on its capacity to implement governance reforms and delivering services to citizens. Furthermore, fiscal imbalances can trigger budget reforms to improve the sustainability of public finances in the long term.

In 2018, on average, the Western Balkans experienced a fiscal deficit of 0.3% of GDP, which is significantly smaller than the average deficit across OECD countries (2.9%). However, there is significant variation within the Western Balkan region, four economies, Montenegro (6.3%), Kosovo (2.9%), North Macedonia (1.8%) and Albania (1.6%) experienced deficits while Serbia (0.8%) and Bosnia and Herzegovina (1.7%), reported surpluses. Between 2008 and 2018 the fiscal performance of the Western Balkans deteriorated in Montenegro, Kosovo and North Macedonia by 4.0, 2.9 and 0.8 percentage points respectively. For Montenegro this trend is explained by the development of large publicly-financed infrastructure projects (e.g. Bar-Boljare highway) that, while adding to economic growth, have strained public finances (IMF, 2019). In the case of Kosovo, the deficits partially reflect increased expenditure on social benefits, including pensions and war veteran benefits (IMF, 2018).

The primary balance, which is the fiscal balance excluding net interest payments on public debt, is also an important indicator of a country's fiscal situation and its short-run sustainability. A primary deficit implies that a country is relying on debt to honour financial commitments. Financial markets are likely to punish such behaviour by increasing the cost of debt and eventually by restricting access to resources altogether. Raising debt for recurrent expenditure is riskier than raising debt for one-off activities or projects.

On average, in 2018, the Western Balkans reported a primary surplus of 1.40% of GDP, higher than for EU (0.9%) and OECD (-0.8%) countries. However, there was significant variation across the Western Balkan region. Albania (0.6%), Bosnia and Herzegovina (2.5%) and Serbia (3.0%) have indeed primary surpluses while Montenegro (4.1%), Kosovo (2.6%) and North Macedonia (0.6%) are actually running primary deficits, Bosnia and Herzegovina recorded the largest improvement in the primary fiscal balance (5.9 p.p.) from a deficit of 3.4% in 2008 to a surplus of 2.5%. Along with favourable economic conditions, the government incorporated a medium term perspective in its budgetary process, strengthened its compliance with budgetary targets and improved its tax systems.

Methodology and definitions

Data are drawn from the IMF World Economic Outlook (WEO) database (October 2019), which is based on the *Government Finance Statistics Manual* (GFSM). The GFSM provides a comprehensive conceptual and accounting framework suitable for analysing and evaluating fiscal policy. It is harmonised with other macroeconomic statistical frameworks, such as the System of National Accounts (SNA). However, some differences exist between the GFSM and the SNA frameworks in several instances, which led to the establishment, to a large extent, of correspondence criteria between the two statistical systems. The GFSM and SNA frameworks have been recently revised, as has the European System of Accounts (ESA), which is the European equivalent of the SNA. Among Western Balkans, Albania has implemented the revised statistical standards and other countries will continue implementation over a period of years in order to satisfy the requirements for harmonised data according to the latest ESA/SNA and GFSM statistical standards. Fiscal balance, also referred to as net lending or net borrowing of general government, is calculated as total government revenues minus total government expenditures. The fiscal balance signals whether a government is either putting financial resources at the disposal of other sectors, or using the financial resources generated by other sectors. The primary balance is the fiscal balance excluding net interest payments on general government liabilities (i.e. interest payments minus interest receipts). For the OECD and EU averages, data are from the OECD National Accounts Statistics database based on the SNA framework. For the definition of general government, please see section 2.4.

Further reading

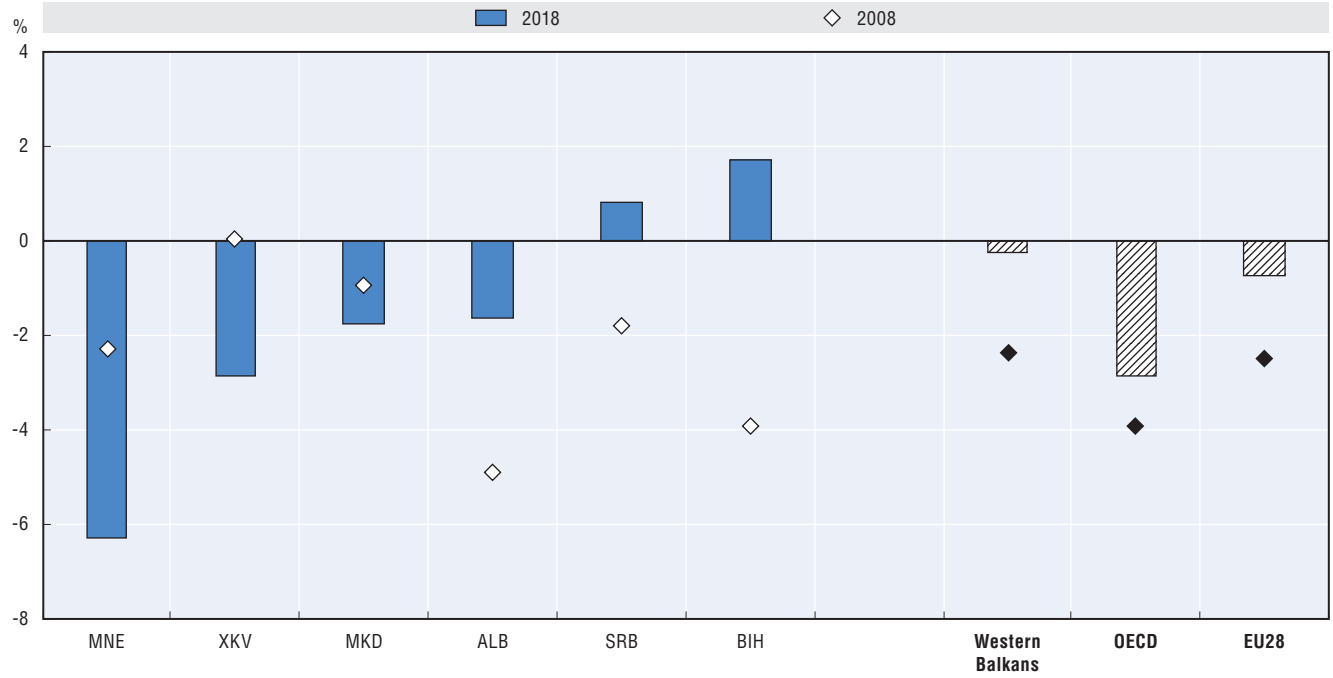
IMF (2019), Montenegro 2019 Article IV Consultation. *IMF Country Report No. 19/299*. IMF, Washington, DC.

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Figure notes

For more information on country specific notes please refer to: *https://www.imf.org/external/pubs/ft/weo/2019/02/weodata/index.aspx*

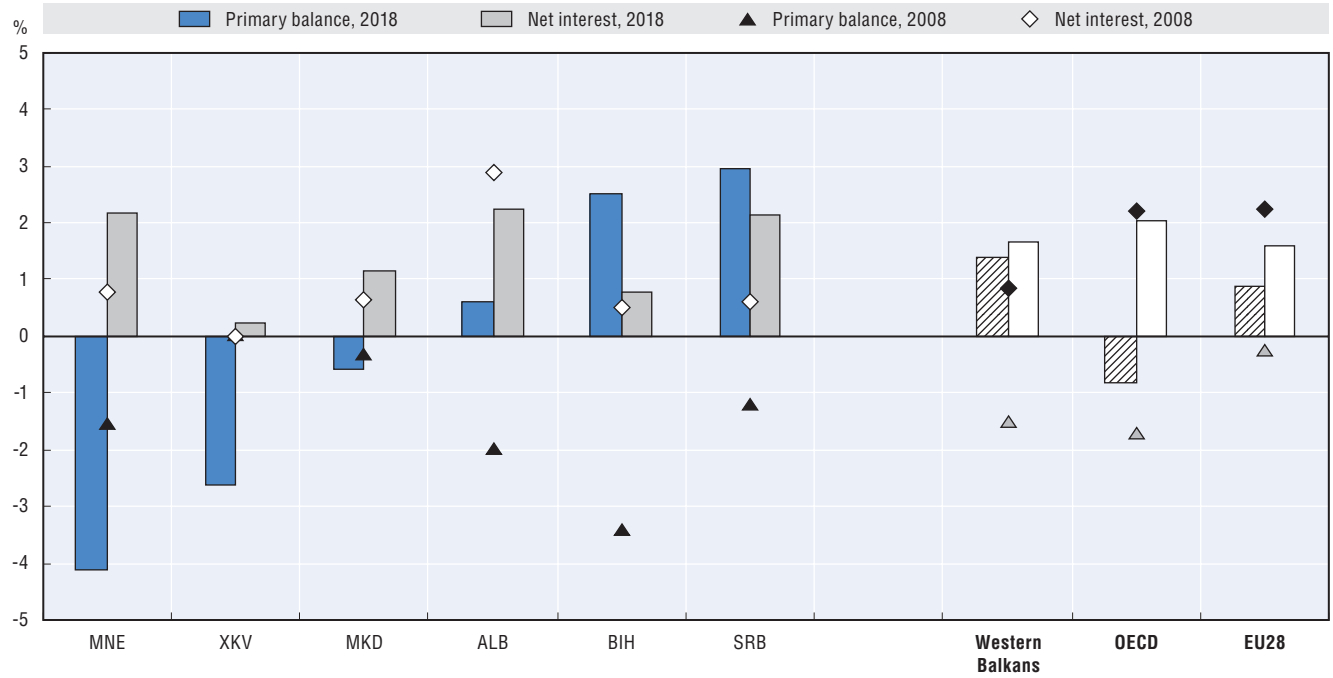
2.1. General government fiscal balance as a percentage of GDP, 2008 and 2018



Source: Data for the Western Balkans: IMF, World Economic Outlook database (IMF WEO) (October 2019). Data for the OECD and EU28 averages: OECD National Accounts Statistics (database)

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2.2. General government primary balance and net interest spending as a percentage of GDP, 2008 and 2018



Source: Data for the Western Balkans: IMF, World Economic Outlook database (IMF WEO) (October 2019). Data for the OECD and EU28 averages: OECD National Accounts Statistics (database)

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Debt is incurred when governments spend more than they receive in revenue. Comparing the levels of public debt (i.e. general government gross debt) between Western Balkan, OECD and EU economies reveals how vulnerable countries are to rollover risks and economic shocks. Debt interest payments also divert away resources from growth-inducing spending, such as investment and redistribution. Debt levels are increasing in the Western Balkan region largely due to governments undertaking investments in infrastructure.

The average level of debt held by governments in the Western Balkan region was 49.4% of GDP in 2018, much lower than the average of OECD countries (108.6%). Montenegro (72.6%), Albania (69.9%), and Serbia (54.5%) have the highest levels of public debt as a share of GDP in the Western Balkan region. Debt levels were lowest in North Macedonia (40.5%), Bosnia and Herzegovina (34.3 %) and Kosovo (17%).

Between 2008 and 2018 debt as a percentage of GDP grew in all economies in the Western Balkan region, however, the largest increases occurred in Montenegro (38.4 p.p.) and Serbia (24 p.p.). In Montenegro, such a trend is explained by a variety of factors, including large publicly-funded infrastructure projects, the costs associated with increases in public employment and salaries, subsidies and government guarantees of privately owned enterprises (IMF, 2019a). In the case of Serbia, debt has declined since 2016 driven by fiscal consolidation, economic growth and early redemptions of expensive debt (IMF, 2019b). It is likely that the COVID-19 response measures will lead to an increase in the public debt burden in the Western Balkan region, just as it will in OECD countries.

Debt per capita takes into account the population of a given country and portrays a hypothetical situation of the debt payable by each person who lives in it. The debt burden per capita in 2018 varied considerably in the Western Balkan region, ranging from USD 13 903 PPP in Montenegro to USD 1 976 PPP in Kosovo. On average, between 2008 and 2018, the debt per capita in the Western Balkan region grew at an annual pace of 6.8%, which is higher than in OECD countries (4.3%). Montenegro (9.7%) and North Macedonia (9.1%) are the countries where debt increased at a faster pace relative to the average rate across the Western Balkan region. On the contrary, debt increased at the slowest pace in Bosnia and Herzegovina (3.5%).

Methodology and definitions

Data are from the IMF World Economic Outlook (WEO) database (October 2019), which is based on the *Government Finance Statistics Manual* (GFSM). The GFSM provides a comprehensive conceptual and accounting framework suitable for analysing and evaluating fiscal policy. It is harmonised with other macroeconomic statistical frameworks, such as the System of National Accounts (SNA). However, some differences exist between the GFSM and the SNA frameworks in several instances, which led to the establishment, to a large extent, of correspondence criteria between the two statistical systems. The GFSM and SNA frameworks have been recently revised, as has the European System of Accounts (ESA), which is the European equivalent of the SNA. Among Western Balkans, Albania has implemented the revised statistical standards and other countries will continue implementation over a period of years in order to satisfy the requirements for harmonised data according to the latest ESA/SNA and GFSM statistical standards. Debt is generally defined as all liabilities requiring payment(s) of interest or principal by the debtor to the creditor at a date(s) in the future. Thus, all debt instruments are liabilities, but some liabilities (e.g. shares, equity and financial derivatives) are not classified as debt since they are not loans. The treatment of government liabilities in respect of their employee pension plans varies across countries, making international comparability difficult. Under the GFSM framework, unfunded government sponsored retirement schemes are included in the debt components. In the 1993 SNA, only the funded component of the government employee pension plans is reflected in its liabilities. However, the 2008 SNA recognises the importance of the liabilities of employers' pension schemes, regardless of whether they are funded or unfunded. For pensions provided by the government to their employees, some flexibility is allowed in the recording of unfunded liabilities in the core accounts. For information on calculating government debt per capita see section 2.5. For the OECD average, data are from the OECD National Accounts Statistics database based on the SNA framework. The SNA debt definition differs from the definition of debt applied under the Maastricht Treaty, which is used to assess EU fiscal positions, and for this reason the EU average is not presented here. For the definition of general government, please see section 2.4.

Further reading

IMF (2019a), Montenegro 2019 Article IV Consultation. *IMF Country Report No. 19/299*. IMF, Washington, DC.

IMF (2019b), Republic of Serbia 2019 Article IV Consultation. *IMF Country Report No. 19/238*. IMF, Washington, DC.

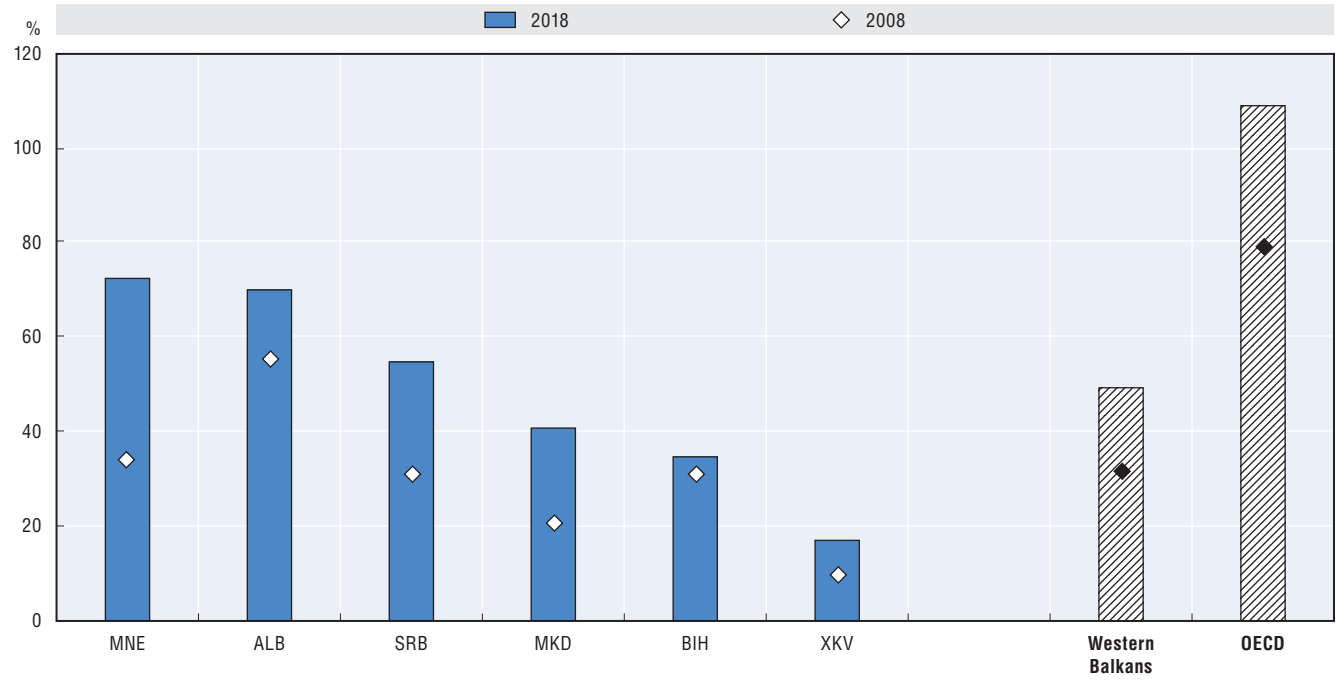
OECD (2019), *Unleashing the Transformation Potential for Growth in the Western Balkans*. Global Relations Policy Insight, OECD Publishing, Paris. *http:www.oecd.org/south-east-europe/*

Figure notes

For more information on country specific notes please refer to: *https://www.imf.org/external/pubs/ft/weo/2019/02/weodata/index.aspx*

2.5. Annual average growth rate of real government gross debt per capita, 2008-18 is available online in Annex C.

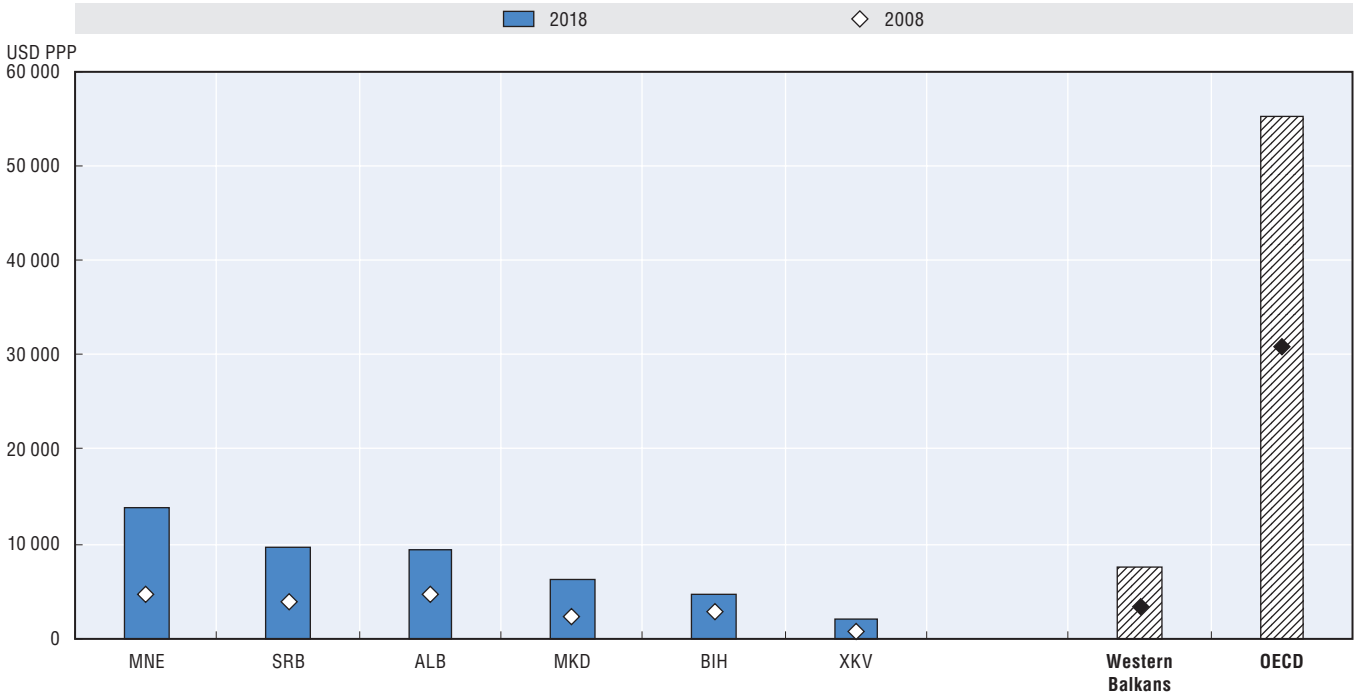
2.3. General government gross debt as a percentage of GDP, 2008 and 2018



Source: Data for the Western Balkans: IMF, World Economic Outlook database (IMF WEO) (October 2019). Data for the OECD average: OECD National Accounts Statistics (database)

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2.4. General government gross debt per capita, 2008 and 2018



Source: Data for the Western Balkans: IMF, World Economic Outlook database (IMF WEO) (October 2019). Data for the OECD average: OECD National Accounts Statistics (database)

StatLink https://doi.org/10.1787/888934128498

In order to fund the provision of goods and services to the population and redistribute income, the government raises revenues in several ways (e.g. taxes, custom duties). Comparing the size of revenues between Western Balkan, OECD and EU economies reveals the challenges that each group of countries faces. Economies in the Western Balkan region have a small revenue base which hinders governments' capacity to promote inclusive growth. COVID-19 is bringing a new wave of digitalisation in the region, fostering the development of new tools for revenue collection, especially taxes. OECD and EU countries have a larger revenue base, which has allowed them to expand the services to the population and to implement relevant governance reforms over the years, but face the challenge of increasing their collection at the same rate as their expenditures.

In 2018, on average, in the Western Balkan region, governments generated revenues amounting to 37.1% of GDP. This represents a similar share to the level raised in OECD countries (37.5%), but lower than the average of EU countries (45.2%). Furthermore, the trends diverge between EU and Western Balkans on average: in comparison to 2008, there has been a decrease of 1.2 p.p. in the Western Balkans and an increase of 1.4 p.p. in the EU.

There are differences in terms of the revenue collected among the Western Balkans, both in size and trend. Bosnia and Herzegovina collected 42.8% of GDP in 2018 (close to the EU average), while Kosovo collected 26.1% of GDP. Furthermore, while Montenegro (-7.4 p.p.), North Macedonia (-4.3 p.p.) and Bosnia and Herzegovina (-2.7 p.p.) decreased their revenue collection as a share of GDP in comparison with 2008, Kosovo increased it by 1.8 p.p.

Kosovo has a lower level of government revenues than European economies, as its tax-base is narrow. This is due to several factors including the high rate of informality in the economy (e.g. many firms and households do not have property titles for their assets), the large dependence on remittances, the low rate of labour-market participation (especially among women) and the large tax debts of individuals and enterprises (IMF, 2018).

Another way of measuring the revenue collected is on a per capita basis. Western Balkans collected on average USD 5 694 PPP in 2018. This represents around a third of the OECD average (USD 17 865 PPP) in the same year, and even less when compared to the EU average (USD 20 124 PPP). Revenues per capita in the Western Balkans have grown faster than those of EU countries in the period 2008-18 (at rate of 1.8% vs 1.0%).

Montenegro (USD 7 930 PPP) had the highest revenues per capita, which are over twice those of Albania (USD 3 683 PPP) and Kosovo (USD 3 043 PPP). In comparison with 2008, the revenues per capita of these two economies have increased the most, in Albania at an annual rate of 3.3% and in Kosovo at an annual rate of 3.8%. In contrast, Montenegro has had the smallest increase at an annual rate of 0.1% over the same period.

Albania is making significant progress in modernising its tax administration, by expanding the use of online services and improving VAT registration (through compliance campaigns and reductions in registration thresholds). Nevertheless, revenue collection has remained below many of the targets set by Albania's government due to ad-hoc tax policies (for example, VAT refunds or tax cuts). Additionally, these ad-hoc policies generate VAT arrears because the annual budget is prepared based on revenue projections (which do not consider VAT refunds), and the funds are committed before actual revenues (taking VAT refunds into account) are calculated (IMF, 2019).

Methodology and definitions

Data are from the IMF World Economic Outlook (WEO) database (October 2019), which is based on the *Government Finance Statistics Manual* (GFSM). The GFSM provides a comprehensive conceptual and accounting framework suitable for analysing and evaluating fiscal policy. It is harmonised with the other macroeconomic statistical frameworks, such as the overarching System of National Accounts (SNA). However, some differences exist between the GFSM and the SNA frameworks in several instances, which led to the establishment, to a large extent, of correspondence criteria. The GFSM and SNA frameworks have been recently revised, as has the European System of Accounts (ESA), which is the European equivalent of the SNA. Among Western Balkans, Albania has implemented the revised statistical standards and other countries will continue implementation over a period of years in order to satisfy the requirements for harmonised data according to the latest ESA/SNA and GFSM statistical standards. For definition of general government see section 2.4.

Revenues encompass taxes, net social contributions, and grants and other revenues. For information on calculating revenues per capita see section 2.5. Gross domestic product (GDP) is the standard measure of the value of the goods and services produced by a country during a period. For the OECD and EU averages, data are derived from the OECD National Accounts Statistics database, which is based on the SNA framework.

Further reading

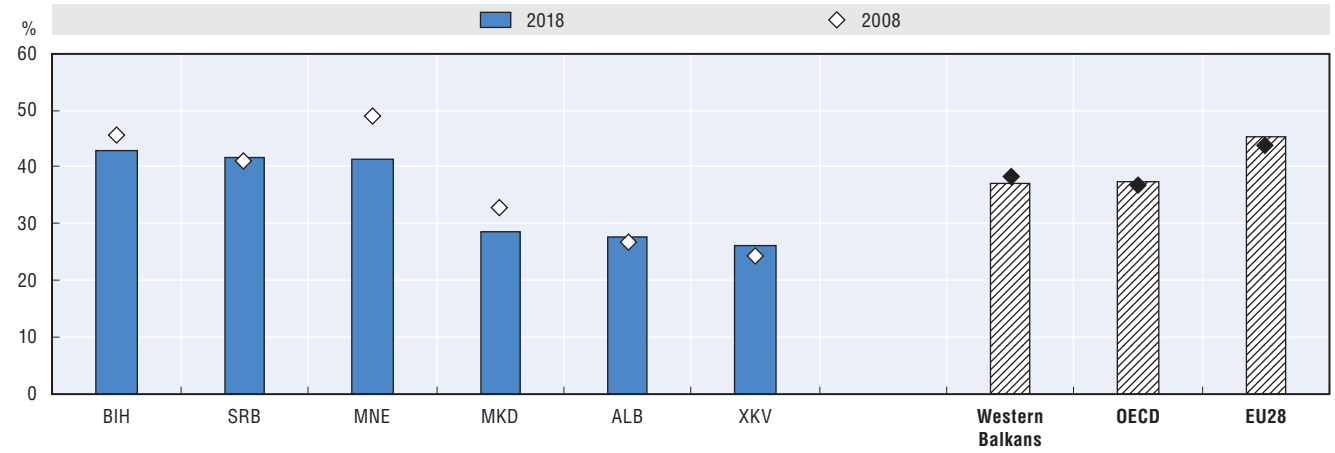
IMF (2019), Albania 2018 Article IV Consultation. *IMF Country Report No. 19/29*. IMF, Washington, DC.

IMF (2018), Kosovo 2018 Article IV Consultation. *IMF Country Report No. 18/368*. IMF, Washington, DC.

Figure notes

For more information on country specific notes please refer to: *https://www.imf.org/external/pubs/ft/weo/2019/02/weodata/index.aspx*

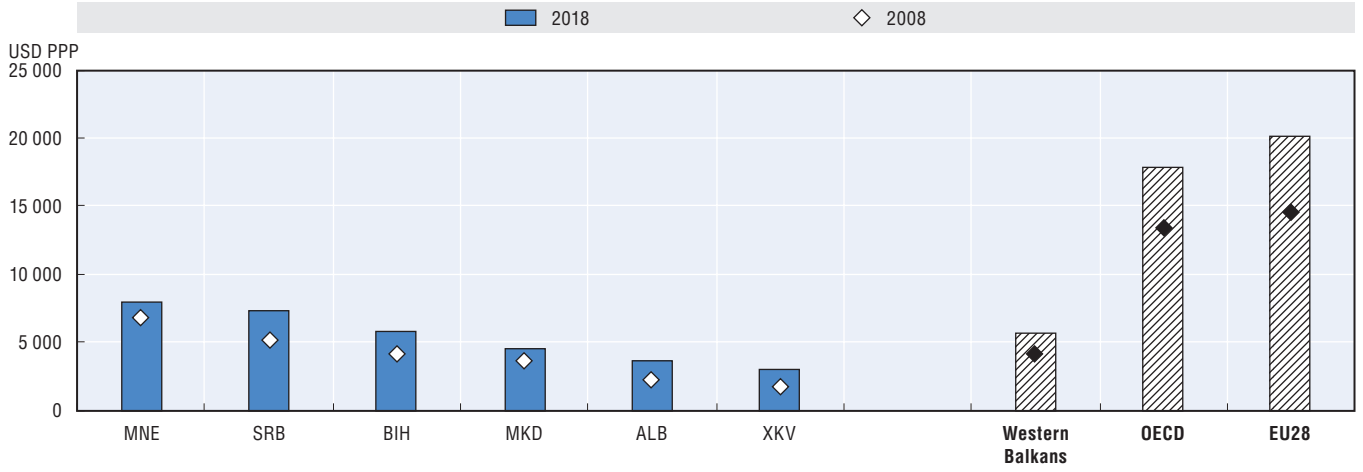
2.6. General government revenues as a percentage of GDP, 2008 and 2018



Source: Data for the Western Balkans: IMF, World Economic Outlook database (IMF WEO) (October 2019). Data for the OECD average: OECD National Accounts Statistics (database)

StatLink https://doi.org/10.1787/888934128517

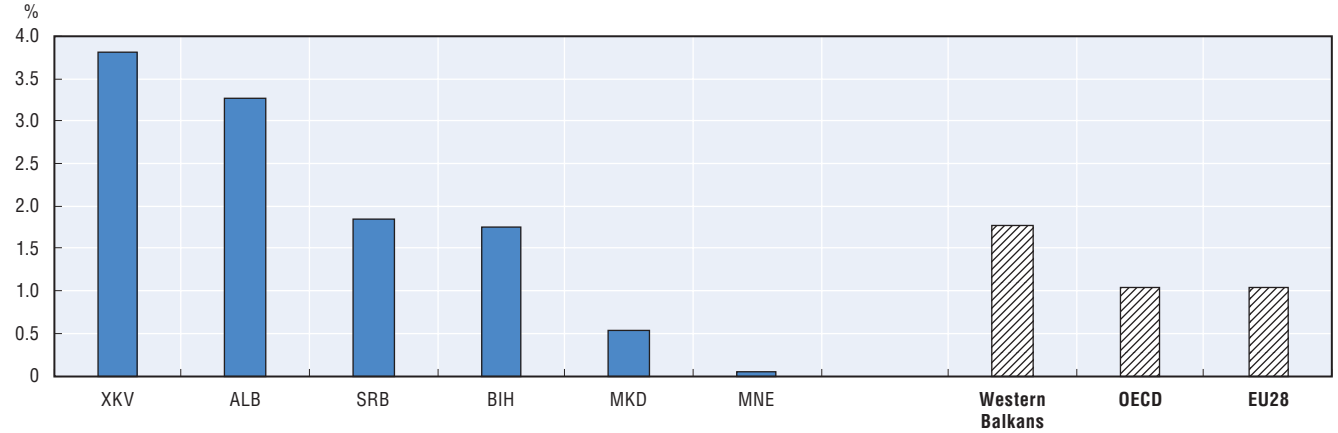
2.7. General government revenues per capita, 2008 and 2018



Source: Data for the Western Balkans: IMF, World Economic Outlook database (IMF WEO) (October 2019). Data for the OECD average: OECD National Accounts Statistics (database)

StatLink https://doi.org/10.1787/888934128536

2.8. Annual average growth rate of real government revenues per capita, 2008-18



Source: Data for the Western Balkans: IMF, World Economic Outlook database (IMF WEO) (October 2019). Data for the OECD average: OECD National Accounts Statistics (database)

StatLink https://doi.org/10.1787/888934128555

Breaking down the structure of government revenues shows how these are raised and helps identify the relative contributions of citizens and/or sectors of the economy to finance government expenditures. In the Western Balkans, governments face significant challenges to raise taxes and contributions to finance much needed investments (e.g. in electricity supply and education), due to the size of the informal economy. At the same time, the effectiveness of policy choices to increase tax registration and compliance (e.g. VAT refunds) should be assessed (IMF, 2018).

In 2018, on average, 64.5% of government revenues came from taxes in Western Balkans. This proportion is larger than that of OECD and EU countries (59.4% and 59.6% respectively). Social contributions represented 25.5% in Western Balkans, compared to 29.5% for EU economies. Grants and other revenues represented 10.0% in Western Balkans, and 15.3% in OECD countries, given that some countries rely heavily on income from the exploitation of natural resources.

The share of taxes in total revenues varies largely among the Western Balkans. Kosovo raises the largest proportion of revenues from taxes (92.0%), especially from VAT (which represents one third of tax-revenues), while in Bosnia and Herzegovina taxes represent the smallest proportion in the region (53.4%). This country also relies mostly on indirect taxes, which are collected at the central level, while other taxes are collected at the lower levels of government (European Commission, 2018).

In Kosovo, there are no social contributions. In 2003, Kosovo reformed its pension system and eliminated wage-based contributions, instead they are financed by government revenues, since only a small share of the population earns a formal wage income. In Bosnia and Herzegovina, social contributions represented 35.0% of total revenues in 2018. This country also has a large informal economy that forces the taxes and social contributions to be higher than they would be necessary otherwise, adding a significant fiscal burden on registered labour and discouraging registration (European Commission, 2018).

In comparison with 2011, the contribution of taxes to the revenue mix of the Western Balkans grew by 1.8 p.p., a similar proportion to EU (1.6 p.p.) and OECD countries (1.2 p.p.). The share of grants and other revenues (including sales) has decreased by 1.9 p.p. in the Western Balkans while in OECD countries, there was a reduction of 1.4 p.p. and in EU, 1.1 p.p. By contrast, the share of social contributions has remained stable in Western Balkan region (+0.1 p.p.), while it has slightly decreased slightly in EU countries (-0.5 p.p.).

Among the Western Balkans, North Macedonia has experienced the largest change in the revenue mix. The share of taxes has increased by 6 p.p. since 2011, while grants and other revenues decreased by 5.3 p.p. There was also a change in the tax mix, with an increased contribution of excise and profit taxes, and a decline in the VAT contribution, given the wide range of products that are exempted, such as road tolls (World Bank, 2018).

Methodology and definitions

Data are drawn from the IMF Government Finance Statistics (IMF GFS) database, which applies the concepts set out in the *Government Finance Statistics Manual* (GFSM). The GFSM provides a comprehensive conceptual and accounting framework suitable for analysing and evaluating fiscal policy. It is harmonised with the other macroeconomic statistical frameworks, such as the System of National Accounts (SNA).

Revenues include taxes (e.g. on consumption, income, wealth, property and capital), net social contributions (i.e. contributions to pensions, health and social security) and grants and other sources (e.g. current and capital grants, property income and subsidies, and sales of goods and services which refer to market output of establishments in government).

The general government sector consists of all units of central, state or local government, all non-market non-profit institutions that are controlled by government units, and social security funds (either as separate institutional units or as part of any or all of central, state or local government). The sector does not include public corporations or quasi-corporations that are owned and controlled by government units. However, unincorporated enterprises owned by government units that are not quasi-corporations are included in the general government sector.

For the OECD and EU averages, data are derived from the OECD National Accounts Statistics database, which is based on the SNA framework.

Further reading

European Commission (2018), Bosnia and Herzegovina 2018 Report, *SWD (2018) 115 final*, European Commission, Strasbourg.

IMF (2018), Kosovo 2018 Article IV Consultation. *IMF Country Report No. 18/368*. IMF, Washington, DC.

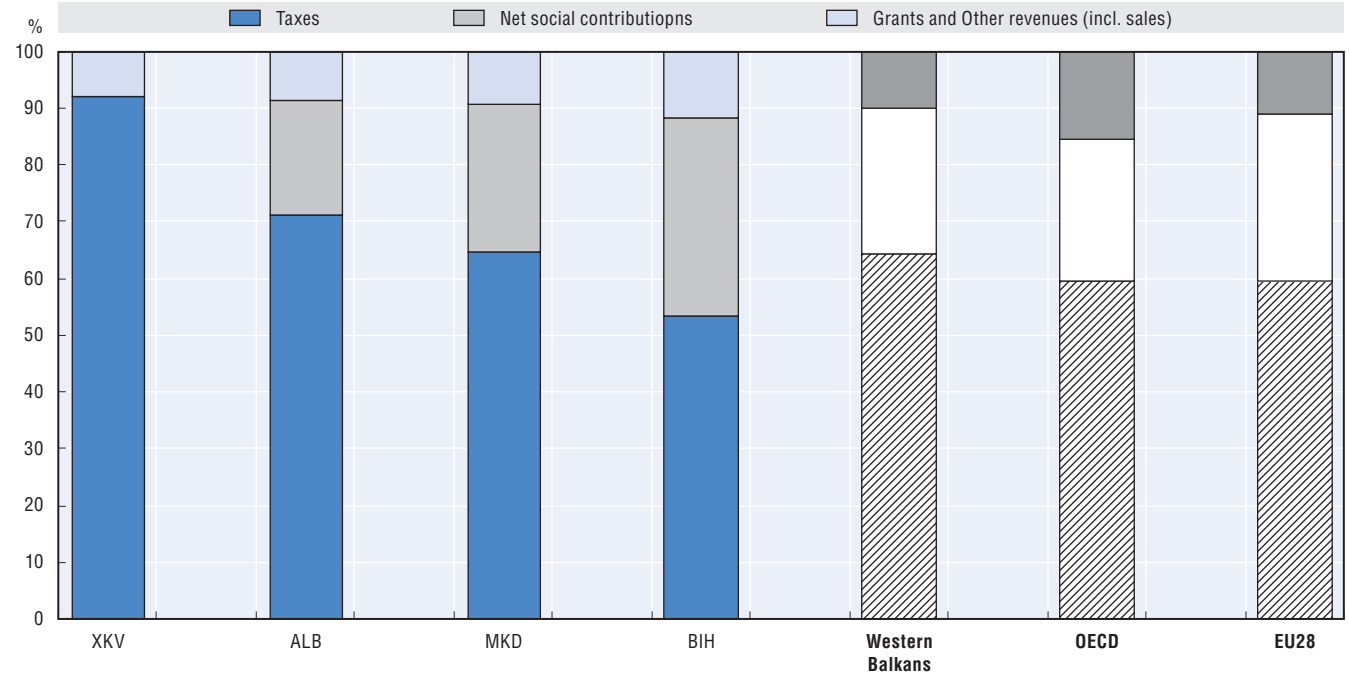
World Bank (2018), Sowing the Seeds of a Sustainable Future: North Macedonia Public Finance Review, *Report No. 135704 – MK*, World Bank, Washington, DC.

Figure notes

Data for revenues under the IMF GFS framework do not include Output for own final use. Data for Kosovo and North Macedonia are recorded on a cash basis. Data for Montenegro and Serbia are not available.

2.10. Data for North Macedonia refer to 2013 rather than 2011.

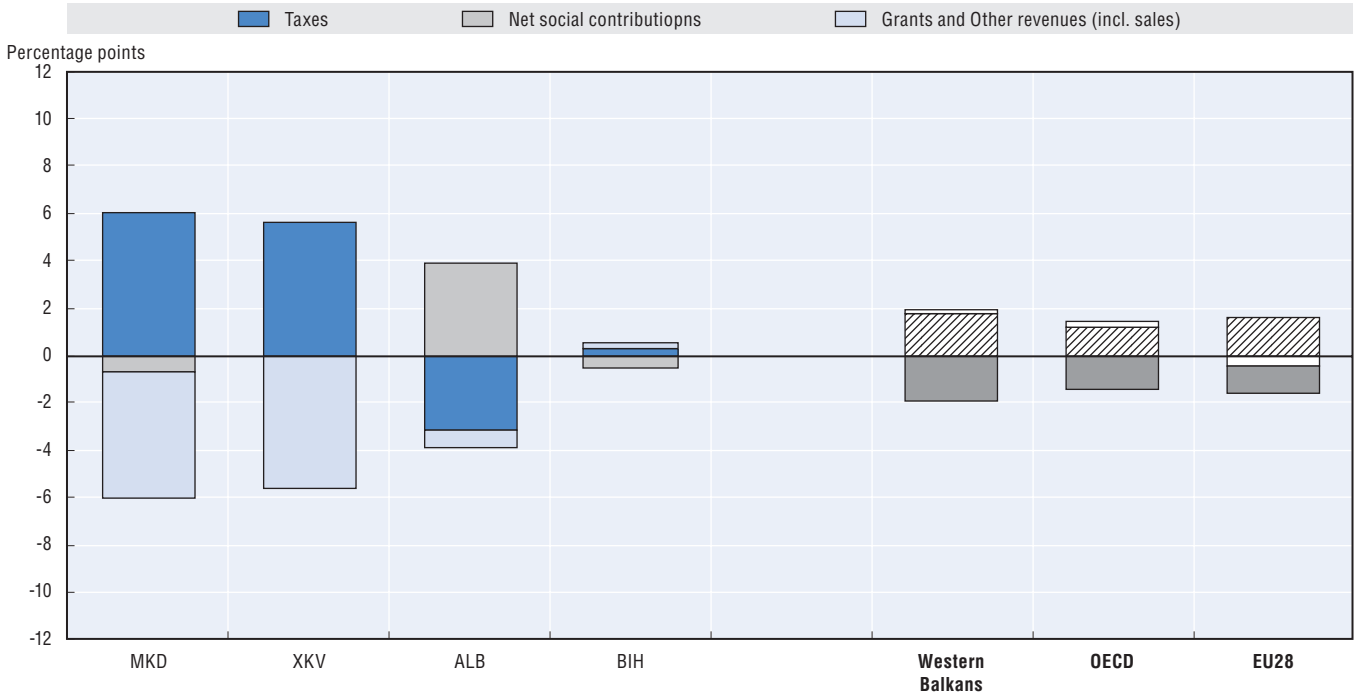
2.9. Structure of general government revenues, 2018



Source: IMF Government Finance Statistics (IMF GFS) database. Data for the OECD and EU28 averages are based on the OECD National Accounts Statistics database

StatLink https://doi.org/10.1787/888934128574

2.10. Change in the structure of general government revenues, 2011 to 2018



Source: IMF Government Finance Statistics (IMF GFS) database. Data for the OECD and EU28 averages are based on the OECD National Accounts Statistics database

StatLink https://doi.org/10.1787/888934128593

Governments spend resources in providing goods and services to the population and redistributing income. Government expenditures vary less than government revenues as they are less sensitive to the business cycle and reflect policy decisions. Expenditures provide an indication of the size of government, and therefore, its capacity to implement governance reforms and deliver services to the population. In order to curb the growth of expenditures and keep them at sustainable levels, governments can adopt fiscal rules and introduce performance budgeting.

Due to their demographic profiles, OECD and EU countries have high levels of spending, especially on social protection (e.g. old-age pensions) and health care. Governments in the Western Balkan region face the challenge of improving infrastructure and human capital in order to develop their economies, while honouring social spending commitments and wage bills, in the context of widespread informality and migration to more advanced economies.

In 2018, on average, the governments of the Western Balkan region spent 37.4% of GDP, which represents a decline of 3.3 p.p. compared to 2008. By comparison, EU countries spent 46.0% in 2018, a slight decline from 2008 (-0.4 p.p.); and the expenditures of OECD countries averaged 40.3% of GDP, a 0.5 p.p. decrease in the same period.

In 2018, the government in Montenegro spent 47.7% of GDP, which was above the EU average, and attributable to expenditures on large infrastructure projects, in particular the Bar-Boljare highway which connects the coast with Serbia (IMF, 2019). In 2017, due to increased debt for the project, Montenegro began a period of fiscal adjustment to compensate for spending on the highway project. As a result it decreased its expenditures by -3.4 p.p. relative to 2008.

Kosovo spent the least, 29.0% of GDP in 2018, a 4.7% increase from 2008. It was the only economy in the Western Balkan region to increase its expenditures over that period. The change is explained by war-veteran benefits, which surpassed the relevant spending targets, and high wages in the public sector, which included discretionary allowances and pay inequalities (IMF, 2018b).

Bosnia and Herzegovina recorded the biggest decrease in expenditures in terms of GDP: 41.0% in 2018, compared to 49.4% in 2008, an 8.4 p.p. difference. The explanation for the large decline was the general wage and hiring freeze, with the aim of reducing the size of the public sector (IMF, 2018a).

In per-capita terms, on average, expenditures in Western Balkans represented slightly more than a quarter of those of EU countries (USD 5 735 PPP compared to USD 20 446 PPP) in 2018. Nevertheless, the average growth rate of expenditures per capita between 2008 and 2018 was higher in Western Balkan countries (1.2%) than in the OECD (0.8%) and EU countries (0.6%).

Montenegro had the highest expenditures per capita in 2018 (USD 9 137 PPP) and Kosovo (USD 3 376 PPP) the lowest. Between 2008-18, Kosovo, 4.9% had the highest expenditure growth rate per capita, while Bosnia and Herzegovina (0.5%) had the lowest.

Methodology and definitions

Data are drawn from the IMF World Economic Outlook (WEO) database (October 2019), which is based on the *Government Finance Statistics Manual* (GFSM). The GFSM provides a comprehensive conceptual and accounting framework suitable for analysing and valuating fiscal policy. It is harmonised with the other macroeconomic statistical frameworks, such as the System of National Accounts (SNA). However, some differences exist between the GFSM and the SNA frameworks in several instances which led to the establishment, to a large extent, of correspondence criteria between the two. The GFSM and SNA frameworks have been recently revised, as has the European System of Accounts (ESA), which is the European equivalent of the SNA. Among Western Balkans, Albania has implemented the revised statistical standards and other countries will continue implementation over a period of years in order to satisfy the requirements for harmonised data according to the latest ESA/SNA and GFSM statistical standards. For definition of general government see section 2.4.

Expenditures encompass intermediate consumption, compensation of employees, subsidies, property income (including interest spending), social benefits, grants and other expenses, and investments. Therefore, total expenditures consist of total expenses and the net acquisition of non-financial assets. Gross domestic product (GDP) is the standard measure of the value of the goods and services produced by a country during a period.

Purchasing power parity (PPP) is the number of units of country B's currency needed to purchase the same quantity of goods and services in country A. Government expenditures per capita were calculated by converting total expenditures to USD using the implied IMF purchasing power parities (PPP) conversion rates and dividing it by population.

For the OECD and EU averages, data are derived from the OECD National Accounts Statistics database, which is based on the SNA framework.

Further reading

IMF (2019), Montenegro 2019 Article IV Consultation, *IMF Country Report No. 19/293*, IMF, Washington, DC.

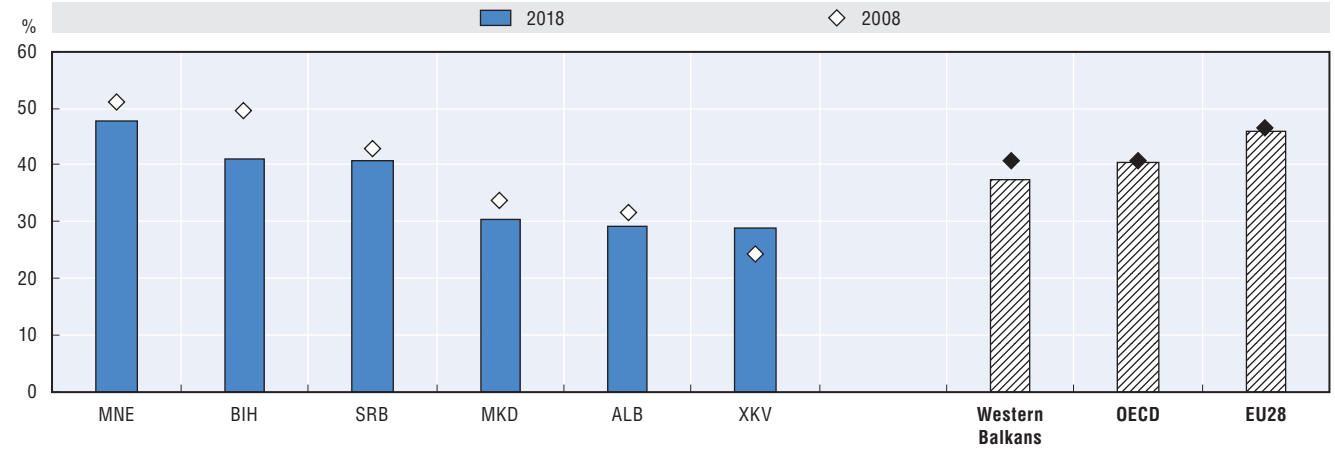
IMF (2018a), Bosnia and Herzegovina 2017 Article IV Consultation, *IMF Country Report No. 18/39*, IMF, Washington, DC.

IMF (2018b), Kosovo 2018 Article IV Consultation. *IMF Country Report No. 18/368*. IMF, Washington, DC.

Figure notes

For more information on country specific notes please refer to: *https://www.imf.org/external/pubs/ft/weo/2019/02/weodata/index.aspx*

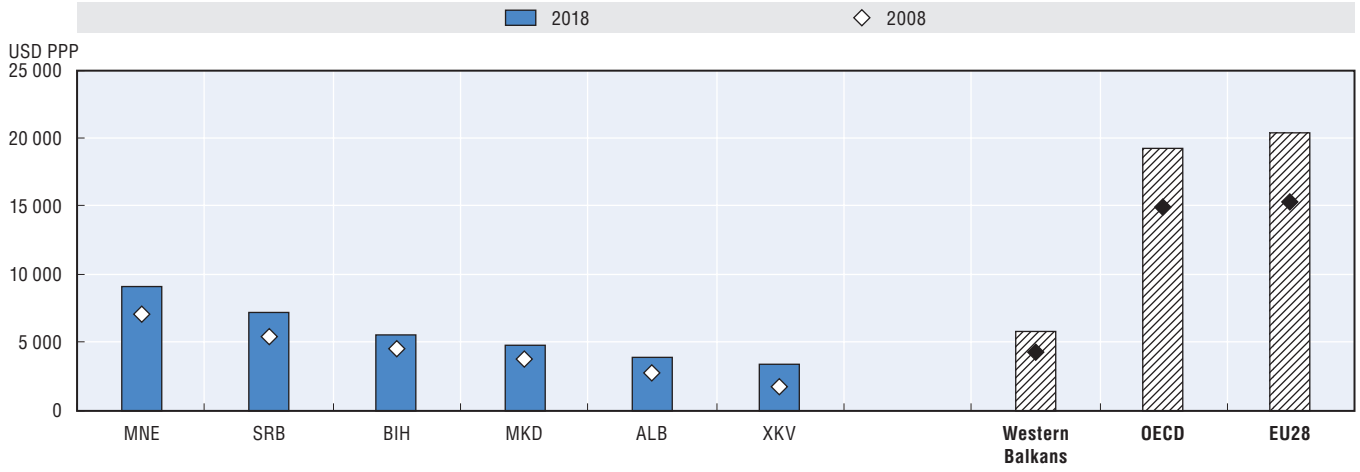
2.11. General government expenditures as a percentage of GDP, 2008 and 2018



Source: Data for the Western Balkans: IMF, World Economic Outlook database (IMF WEO) (October 2019). Data for the OECD and EU28 averages: OECD National Accounts Statistics (database)

StatLink https://doi.org/10.1787/888934128612

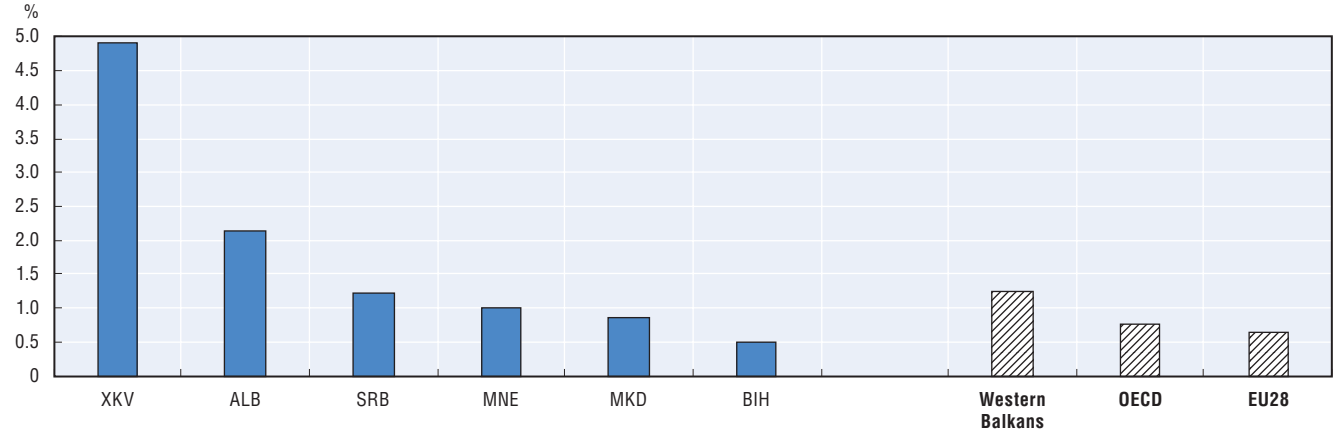
2.12. General government expenditures per capita, 2008 and 2018



Source: Data for the Western Balkans: IMF, World Economic Ooutlook datatbase (IMF WEO) (October 2019). Data for the OECD and EU28 averages: OECD National Accounts Statistics (database)

StatLink https://doi.org/10.1787/888934128631

2.13. Annual average growth rate of real government expenditures per capita, 2008-18



Source: Data for the Western Balkans: IMF, World Economic Outlook database (IMF WEO) (October 2019). Data for the OECD and EU28 averages: OECD National Accounts Statistics (database)

StatLink https://doi.org/10.1787/888934128650

In order to carry out the main functions of providing individual and collective goods and services to the population, governments spend public resources in various ways, such as by making transfers (e.g. subsidies and social benefits) and purchasing goods and services (e.g. vaccines). Disaggregating expenditures by economic transaction helps to identify government priorities, the type of service delivery model (e.g. direct provision or outsourcing), and the size of financial commitments.

In 2018, economies in the Western Balkan region with available data allocated 36.9% of their expenditures to social benefits (e.g. pensions, allowances), which represents an increase of 2.8 p.p. since 2011. By comparison, OECD countries spent on average 40.6% on this transaction, while EU countries spent 44.6%, which represents a 1.9 p.p. increase since 2011 for both groups.

Compensation of employees was the second largest category. Although it represented a larger share in Western Balkans (24.6%) than in the OECD (22.7%) and EU (21.7%), its share has decreased by 1.4 p.p. since 2011 in the first group, while it remained stable in the other two. Despite spending proportionately more on compensation of employees than OECD and EU countries, workforce professionalisation is one of the main challenges facing economies in the Western Balkan region, since the principles of merit (e.g. merit-based recruitment) are not always applied and there are persistent political interventions in the civil service (Uudelepp, A., et al., 2018). These factors contribute to increases in wages that are not matched by adequate levels of productivity increase (OECD, 2019)

In the Western Balkan region, property income (mainly debt interest payments) represented 3.6% of expenditures in 2018 on average, a similar figure to EU countries (4%) and significantly below OECD levels (6.5%). Finally, reaching 11.9% of total spending in 2018, Western Balkans invest significantly more on average than OECD (7.9%) and EU countries (6.2%).

In Bosnia and Herzegovina, 37% of expenditures was devoted to social benefits, 25.3% to compensation of employees and 17.8% to intermediate consumption (e.g. goods and services consumed as inputs by a process of production). Kosovo devoted the largest share to compensation of employees (30.2% of total expenditures), while North Macedonia registered the highest share of spending on social benefits (48.4%) and subsidies (7.8%).

Government expenditures expressed as a percentage of GDP provide a measure, in relative terms, of how much the government spends in each category, taking into account the size of the national economy. In 2018, the four economies in the Western Balkan region with available information spent on average 12.2% of GDP on social benefits (transfers), compared to 16.4% in OECD countries and 20.5% in EU countries. Compensation of employees amounted, on average, to 8.1% of GDP in the Western Balkans, below the average in OECD (9.2%) and EU (10%) countries. Bosnia and Herzegovina, at 10.2% of GDP, is the only country in the Western Balkan region that spent above OECD and EU levels on compensation of employees.

Methodology and definitions

Data are drawn from the IMF Government Finance Statistics (IMF GFS) database, which applies the concepts set out in the *Government Finance Statistics Manual* (GFSM). The GFSM provides a comprehensive conceptual and accounting framework suitable for analysing and evaluating fiscal policy. It is harmonised with the other macroeconomic statistical frameworks, such as the System of National Accounts (SNA).

Expenditures encompass intermediate consumption, compensation of employees, subsidies, property income (including interest spending), social benefits (consisting of social benefits other than social transfers in kind and of social transfers in kind provided to households via market producers), grants and other expenses (mainly current and capital transfers but also other minor expenditures as other taxes on production, current taxes on income and wealth etc. and the adjustment for the change in pension entitlements) and investments. All these transactions at general government level are recorded on a consolidated basis (i.e. transactions between levels of government are netted out).

For the definition of general government, please refer to section 2.4.

For the OECD and EU averages, data are derived from the OECD National Accounts Statistics database, which is based on the SNA framework.

Further reading

OECD (2019), *Global South East Europe: Unleashing the Transformation Potential for Growth in the Western Balkans*, OECD Publishing, Paris, *https://www.oecd.org/south-east-europe/programme/Unleashing_the_Transformation_potential_for_Growth_in_WB.pdf*.

Uudelepp, A., et al. (2018), "Analysis of the Professionalisation of the Senior Civil Service and the Way Forward for the Western Balkans", *SIGMA Papers*, No. 55, OECD Publishing, Paris, *https://doi.org/10.1787/8535b60b-en*.

Figure notes

Data for Kosovo, North Macedonia and Serbia are recorded on a cash basis. Data for North Macedonia refers to 2013 rather than 2011. Data for Montenegro are not available. Data for Serbia are not included in the Western Balkan average because of missing time-series.

2.15. Differences with total expenditures in 2.11 might appear due to the use of a different IMF reporting database.

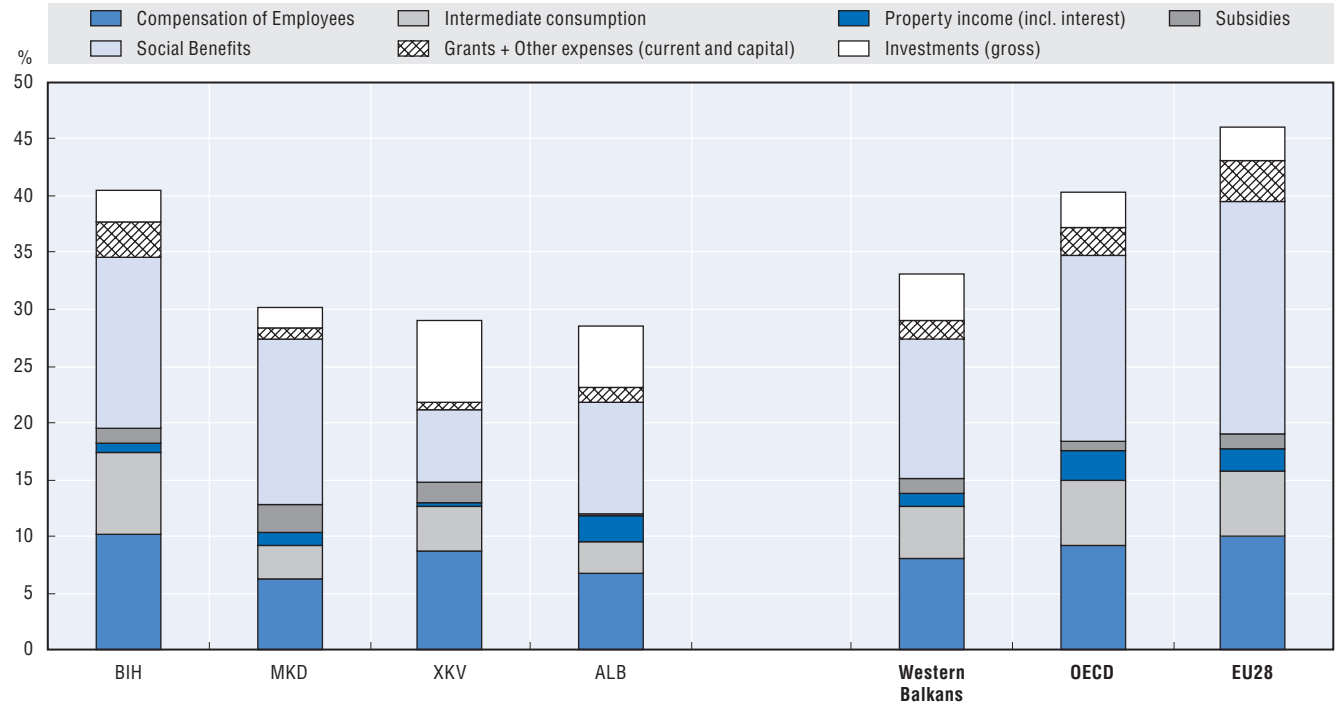
2.14. Structure of general government expenditures by economic transaction (% of total expenditures), 2011 and 2018

	Compensation of employees		Intermediate consumption		Subsidies		Property income (incl. interest)		Social benefits		Grants + Other expenses (current and capital)		Investments (gross)	
	2011	2018	2011	2018	2011	2018	2011	2018	2011	2018	2011	2018	2011	2018
Albania	24.1	23.7	9.3	10.1	0.9	0.5	10.8	7.7	29.3	34.6	4.5	4.3	21.2	19.1
Bosnia and Herzegovina	28.6	25.3	17.9	17.8	3.4	3.5	1.4	1.8	37.1	37.0	5.0	7.8	6.6	6.8
Kosovo	28.3	30.2	13.6	13.5	5.7	6.2	0.3	1.0	12.9	22.3	1.4	2.3	37.7	24.4
North Macedonia	22.0	21.0	12.6	9.7	5.8	7.8	2.8	3.9	43.7	48.4	2.4	3.0	10.8	6.2
Serbia	26.5	..	14.2	..	6.9	..	2.9	..	40.0	..	2.3	..	7.2	..
Western Balkans	26.0	24.6	14.2	13.7	3.7	4.1	3.7	3.6	34.2	36.9	3.9	5.2	14.3	11.9
OECD	22.7	22.7	14.2	14.3	2.0	2.1	7.5	6.5	38.7	40.6	6.3	5.9	8.5	7.9
EU28	21.7	21.7	12.6	12.8	2.6	3.0	6.0	4.0	42.7	44.6	7.6	7.7	6.7	6.2

Source: IMF Government Finance Statistics (IMF GFS) database. Data for the OECD and EU28 averages are based on the OECD National Accounts Statistics database.

StatLink https://doi.org/10.1787/888934128669

2.15. Government expenditures by economic transaction as a percentage of GDP, 2018



Source: IMF Government Finance Statistics (IMF GFS) database. Data for the OECD and EU28 averages are based on the OECD National Accounts Statistics database.

StatLink https://doi.org/10.1787/888934128688

Government investment creates the public infrastructure that is essential for long-term economic growth and societal wellbeing, by supporting, for instance, the provision of public services (e.g. schools). Investments in transport infrastructure, and other large-scale projects improve productivity and competitiveness. Investments in research and development may spur benefits by promoting new technologies or products. For maximising the benefits of public investment and for ensuring that public resources are used in the best possible way, the OECD Principles of Budgetary Governance recommend 1) grounding capital investment plans in an objective appraisal of economic capacity gaps, infrastructural development needs and sectoral/social priorities; 2) assessing the costs and benefits of such investments, the affordability, the relative priority among various projects, and the overall value for money; 3) evaluating investment decisions independent of the financing arrangements; and 4) the development and implementation of a national framework to support public investment.

These principles are particularly important given that public investment accounts for such a large share of government expenditure in the Western Balkan region. In 2018, government investment represented, on average, 11.9% of total government expenditures in the Western Balkan region, where data are available. This figure is bigger than in OECD and EU countries where it was 7.9% and 6.2% respectively in the same year.

Government investment in the Western Balkan region is extremely heterogeneous. On the high end, investment as a percentage of government spending is 24.4% in Kosovo and 19.1% in Albania; however, between 2018 and 2011 investments in these two economies decreased by 13.3 and 2 p.p. respectively. Overall, during the same period public investment in Western Balkans decreased by 2.4 p.p. on average. Yet, sustaining levels of investment in Western Balkans is important, as infrastructure gaps, particularly in transport and energy, are significant and widely considered as an impediment for countries in the region to substantially catch up economically with European Union members in economic terms (EIB, 2018).

Investment as a share of GDP in the Western Balkans reached on average 3.9% in 2018, above the average for OECD (3.2%) and EU (2.9%) countries. Between 2011 and 2018 government investment in terms of GDP decreased for these three groups: it fell on average at a faster pace in the Western Balkans (-1.1) compared to the OECD (-0.5) and EU (-0.4) countries. Kosovo (-3.6 p.p.) and North Macedonia (-1.7 p.p.) were the economies in the Western Balkans where government investment spending decreased the most while public investment remained relatively stable in Bosnia and Herzegovina (a reduction of 0.2 p.p.). The need to enhance the infrastructure stock is a common need across the Western Balkan region and investment in poorer regions can play a crucial role in reducing inequalities.

Methodology and definitions

Data and drawn from the IMF Government Finance Statistics database, which applies the concepts set out in the *Government Finance Statistics Manual* (GFSM). The GFSM provides a comprehensive conceptual and accounting framework suitable for analysing and evaluating fiscal policy. It is harmonised with the other macroeconomic statistical frameworks, such as the System of National Accounts (SNA). However, some differences exist between the GFS and the SNA frameworks in several occurrences which led to the establishment, to a large extent, of correspondence criteria between the two. The GFSM and SNA frameworks have been recently revised, as has the European System of Accounts (ESA), which is the European equivalent of the SNA. Among Western Balkans, Albania has implemented the revised statistical standards and other countries will continue implementation over a period of years in order to satisfy the requirements for harmonised data according to the latest ESA/SNA and GFSM statistical standards. For definition of general government see section 2.4.

General government investment includes gross capital formation and acquisitions, less disposals of non-produced, non-financial assets. Gross fixed capital formation (also named fixed investment) is the main component of government investment, consisting mainly of transport infrastructure but also including infrastructure such as office buildings, housing, schools and hospitals. Government investment is recorded on a gross basis (i.e. measured gross of consumption of fixed capital, unless otherwise stated). For the OECD and EU averages, data are derived from the OECD National Accounts Statistics database, which is based on the SNA framework.

Further reading

OECD (2019), *Budgeting and Public Expenditures in OECD Countries 2019*, OECD Publishing, Paris, *https://doi.org/10.1787/9789264307957-en*.

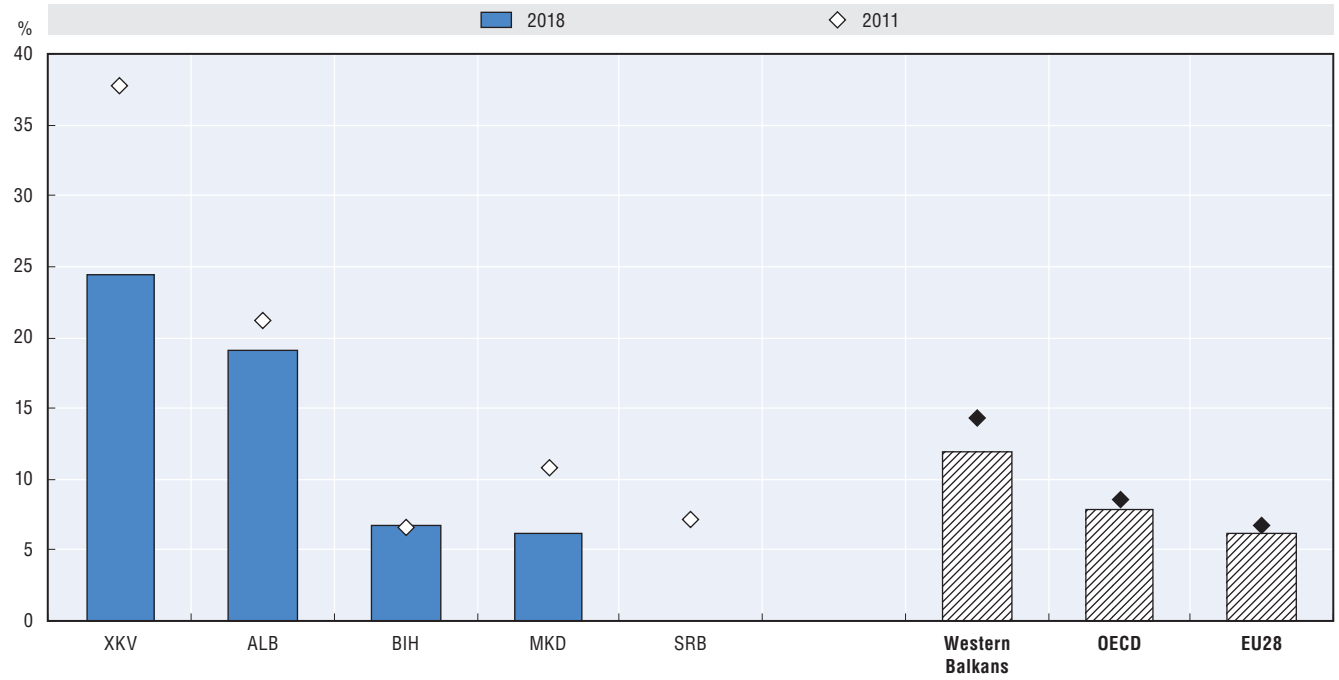
OECD (2017), *Getting Infrastructure Right: A Framework for Better Governance*, OECD Publishing, Paris, *https://doi.org/10.1787/9789264272453-en*.

EIB (2018), Infrastructure Investment in the Western Balkans A First Analysis, *Economics Regional Studies*, EIB Publishing, Luxembourg, *https://www.eib.org/attachments/efs/infrastructure_investment_in_the_western_balkans_en.pdf*

Figure notes

Data for Kosovo, North Macedonia and Serbia are recorded on a cash basis. Data for North Macedonia refer to 2013 rather than 2011. Data for Montenegro are not available. Data for Serbia are not included in the Western Balkan average because of missing time-series.

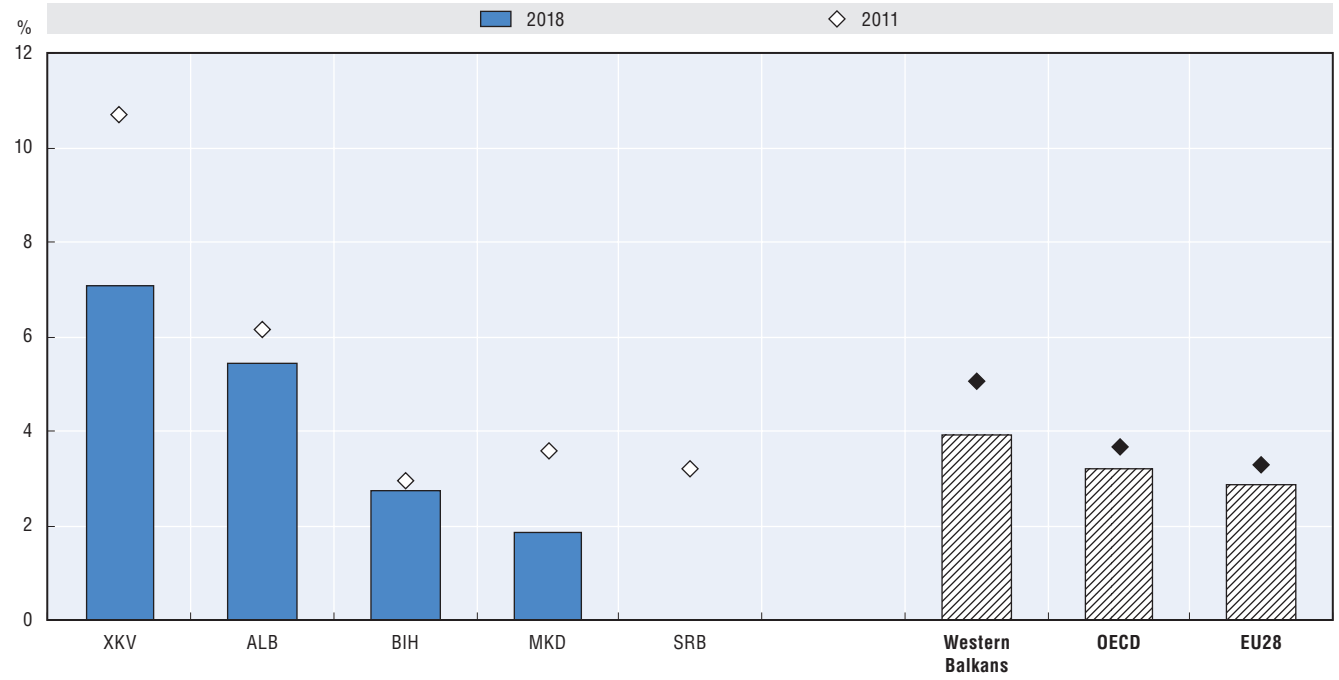
2.16. Government investment as a percentage of total government expenditures, 2011 and 2018



Source: IMF Government Finance Statistics (IMF GFS) database. Data for the OECD and EU28 averages are based on the OECD National Accounts Statistics database

StatLink https://doi.org/10.1787/888934128707

2.17. Government investment as a percentage of GDP, 2011 and 2018



Source: IMF Government Finance Statistics (IMF GFS) database. Data for the OECD and EU28 averages are based on the OECD National Accounts Statistics database.

StatLink https://doi.org/10.1787/888934128726

Chapter 3

Public employment

Governments are responsible for a wide variety of tasks: regulating society and the economy, delivering public services, such as education, health, justice, policing, transportation, etc. as well and redistributing income via social benefits (e.g. pensions, unemployment insurance, etc.). These functions can be carried out by different levels of government and in some countries government also owns and operates key enterprises (e.g. state–owned enterprises). These tasks are primarily carried out by public employees, including doctors, nurses, teachers, policemen, policy advisors, and economists, to name a few key public sector occupations. As a result, the size of the public sector employment and its share in total employment is an indicator of the size of the government and its weight in a country's economy. However, outsourcing some of these functions is an increasing trend in many governments. In this case the costs are covered by government, but those who carry out these tasks are not considered public employees. This way the more stringent employment laws related to public employees or civil servants do not apply, providing greater flexibility to the government employer. As a result, to understand more completely the size of the public sector in the economy, both public expenditures and public employment data need to be considered.

Public employment in 2018 for the Western Balkans for which data are available – Bosnia and Herzegovina, Kosovo, North Macedonia and Serbia - is on average 27.2% of total employment. It is considerable higher than the OECD average at 21.1% and somewhat higher than the OECD-EU average at 23.7%. There is significant variation among the Western Balkans, with Kosovo having the largest share of public sector employment with 30.8% of total employment while North Macedonia has the lowest with 22.8%.

When analysing the annual average growth rate of public employment in the period 2011-18 in the region, it increased by 0.1% annually, while total employment increased by 1.8 % annually. This is below the annual average growth rate of public sector employment of 0.6% in the OECD and 0.4% of the OECD-EU countries and above the average annual growth rate in total employment in the OECD and the OECD-EU countries (both at 1.1%). Looking at the situation on a country-by-country basis, Serbia and North Macedonia increased their public workforce at an annual rate of 1.0% and 0.9%, while Bosnia and Herzegovina reduced its size at an annual rate of 1.0% and Kosovo of 0.5%. But in all four, total employment increased and outpaced public sector employment: in Serbia the average annual growth rate for total employment amounted to 3.3%, in North Macedonia 2.4%, in Kosovo 1.4% and only in Bosnia and Herzegovina by 0.1%.

The higher overall share of public employment to total employment in the Western Balkan region might be explained by several reasons: historically socialist states operated with a large public sector; with the creation of new, independent states from the old Yugoslavia they were required to build their own public service; and public sector employment could be a stabilizing element in the region. In addition, total employment might be under-reported in these countries and economies due to the large share of the informal economy, compared to public employment numbers, which are all reported.

Methodology and definitions

Data were sourced from the International Labour Organization (ILO) ILOSTAT database. Data are based on the Labour Force Survey unless otherwise indicated. Public sector employment covers employment in the government sector plus employment in publicly owned resident enterprises and companies. The general government comprises all levels of government (central, state, local and social security funds) and includes core ministries, agencies, departments and non-profit institutions that are controlled by public authorities. Public corporations are legal units producing goods and services for the market and that are controlled and/or owned by government units. Data represent the total number of persons employed directly by these institutions without regard for the particular type of employment contract. The employed comprises all persons of working age, who, during a specified period, were in the following categories: paid employment or self-employment.

Further reading

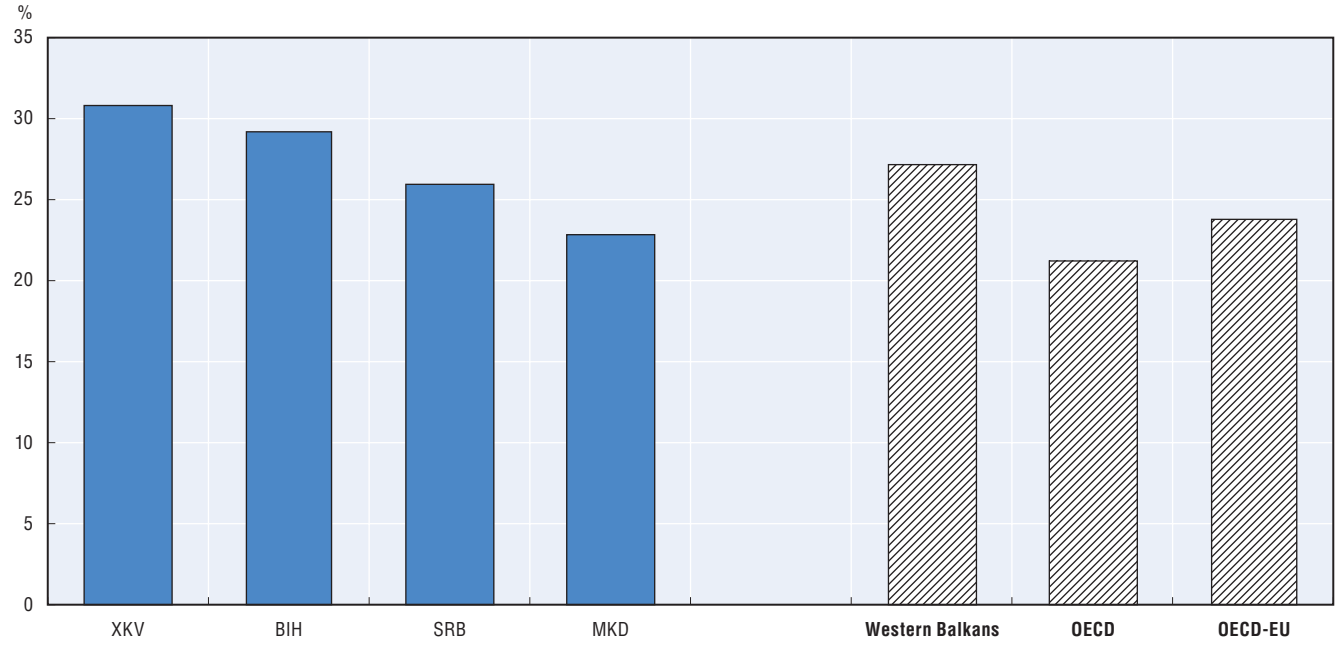
OECD (2017), *Skills for a High Performing Civil Service*, OECD Public Governance Reviews, OECD Publishing, Paris, *https://doi.org/10.1787/9789264280724-en*.

Figure notes

Data are based on the Labour Force Survey. Data for Albania and Montenegro are not available. Data for Kosovo are for 2012 rather than 2011.

3.2. Data for Kosovo are for 2012-2018 rather than 2011-2018.

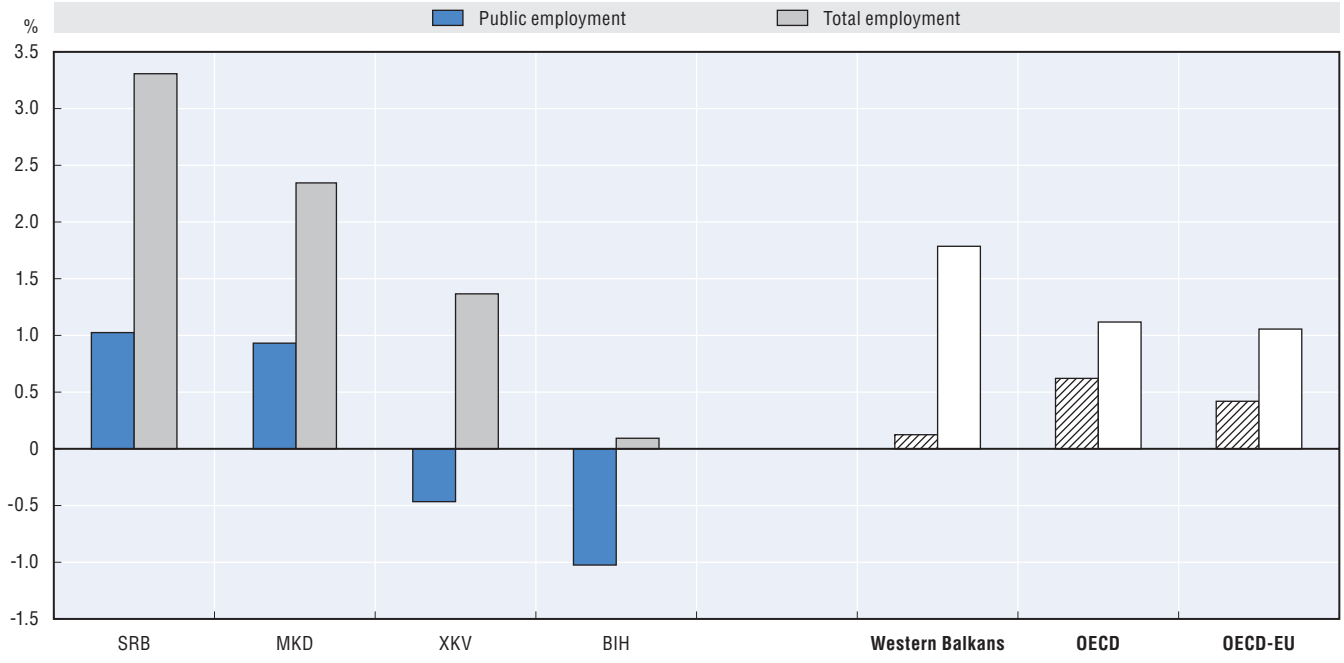
3.1. Public sector employment as a percentage of total employment, 2018



Source: International Labour Organization (ILO) ILOSTAT (database), Employment by sex and institutional sector.

StatLink https://doi.org/10.1787/888934128745

3.2. Annual average growth rate of public sector employment and total employment, 2011-2018



Source: International Labour Organization (ILO) ILOSTAT (database), Employment by sex and institutional sector.

StatLink https://doi.org/10.1787/888934128764

With increased participation of women in the workforce, the economic performance of a nation can be improved, simultaneously with societal gains that further enable women's empowerment. With ever increasing educational participation of women, increased women participation in the labour market also allows their talent to be maximised in society and ensures that different perspectives are increasingly reflected in policies and practices both in the private and public sectors. However, gender equality does not necessarily mean having women constitute exactly 50% of the workforce. It is also necessary for women to be able to have access to high level and decision-making positions across all work domains and occupations. As women tend to occupy certain occupations and positions in large numbers, it creates a segmented labour market.

Historically the public sector has employed women in large numbers employing them as teachers, nurses, postal employees, clerks. However, in recent decades women have also been attracted to the public sector because it tends to offer greater stability, as well as better working conditions and more family-friendly policies.

In 2018, the share of women in public sector employment amounted to 40.9% on average in the four Western Balkans for which data are available - Bosnia and Herzegovina, Kosovo, North Macedonia and Serbia. This is much lower than the share of women in public employment on average in the OECD (60.2%) and in the OECD-EU countries (61.8%). There are significant differences among these four, with Serbia having slightly more than half of its employees being women (51.4%) while in Kosovo this figure is below one-third (29.2%). In Bosnia and Herzegovina and North Macedonia, their share amounts to 42.1% and 41% respectively. Similarly to the experience of the OECD and OECD-EU countries, the share of women in the public sector of the Western Balkans remained stable between 2011 and 2018. The differences with the OECD and OECD-EU and among the Western Balkans can be explained by the generally lower participation rates of women in the labour force in this region.

The ratio of women in total employment in the Western Balkan region is lower with an average of 35.4% than their share in public sector (40.9%). It is also lower than the OECD (45.8%) and OECD–EU (46.5%) averages. In Serbia their share is the highest in the region by 43.9%, while it is the lowest in Kosovo at 20.9%.

Methodology and definitions

Data on public sector employment were collected by the International Labour Organization (ILO) ILOSTAT database. Data are based on the Labour Force Survey unless otherwise indicated. Public sector employment covers employment in the government sector plus employment in publicly owned resident

enterprises and companies. The general government comprises all levels of government (central, state, local and social security funds) and includes core ministries, agencies, departments and non-profit institutions that are controlled by public authorities. Public corporations are legal units producing goods and services for the market and that are control and/or owned by government units. Data represent the total number of persons employed directly by these institutions without regard for the particular type of employment contract. The employed comprises all persons of working age, who, during a specified brief period, were in the following categories: paid employment or self-employment.

Further reading

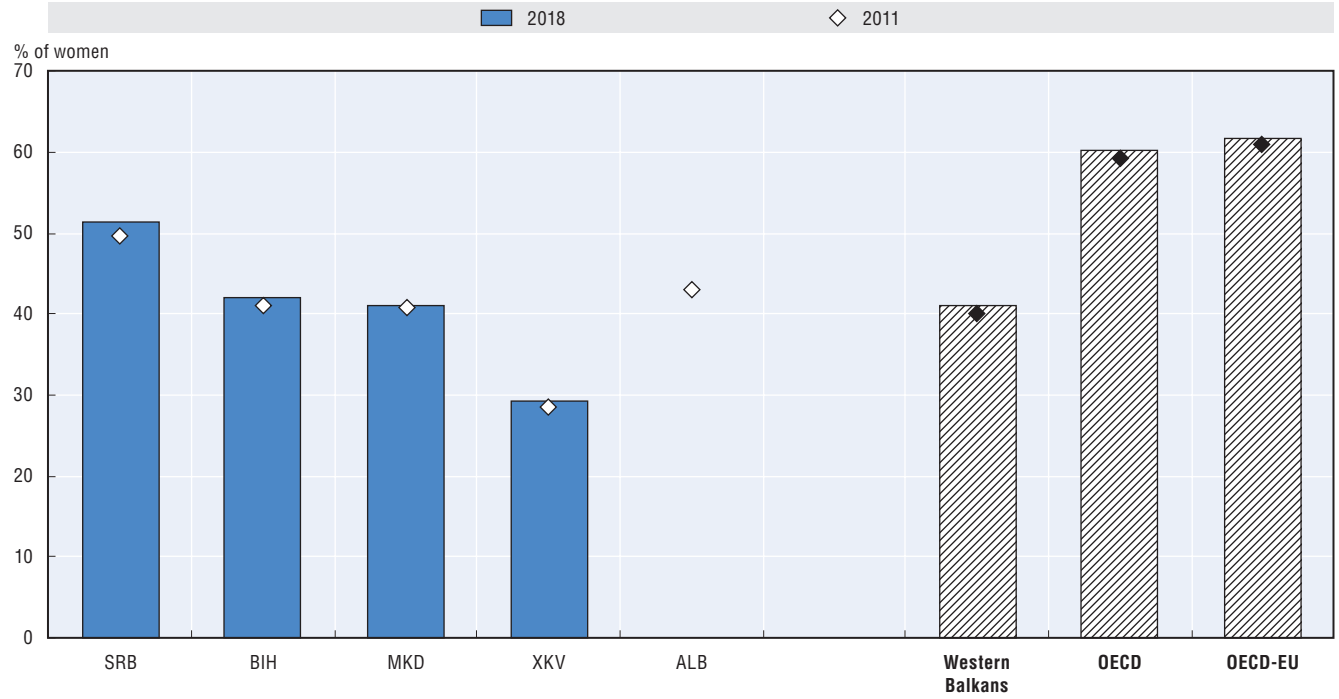
OECD (2019), *Recommendation of the Council on Public Service Leadership and Capability*, *https://legalinstruments.oecd.org/en/instruments/OECD-LEGAL-0445*

OECD (2016), *2015 OECD Recommendation of the Council on Gender Equality in Public Life*, OECD Publishing, Paris, *https://doi.org/10.1787/9789264252820-en*.

Figure notes

Data are based on the Labour Force Survey. Data for Montenegro are not available. Data for Albania are not included in the Western Balkan average because of missing time series. Data for Kosovo are for 2012 rather than 2011.

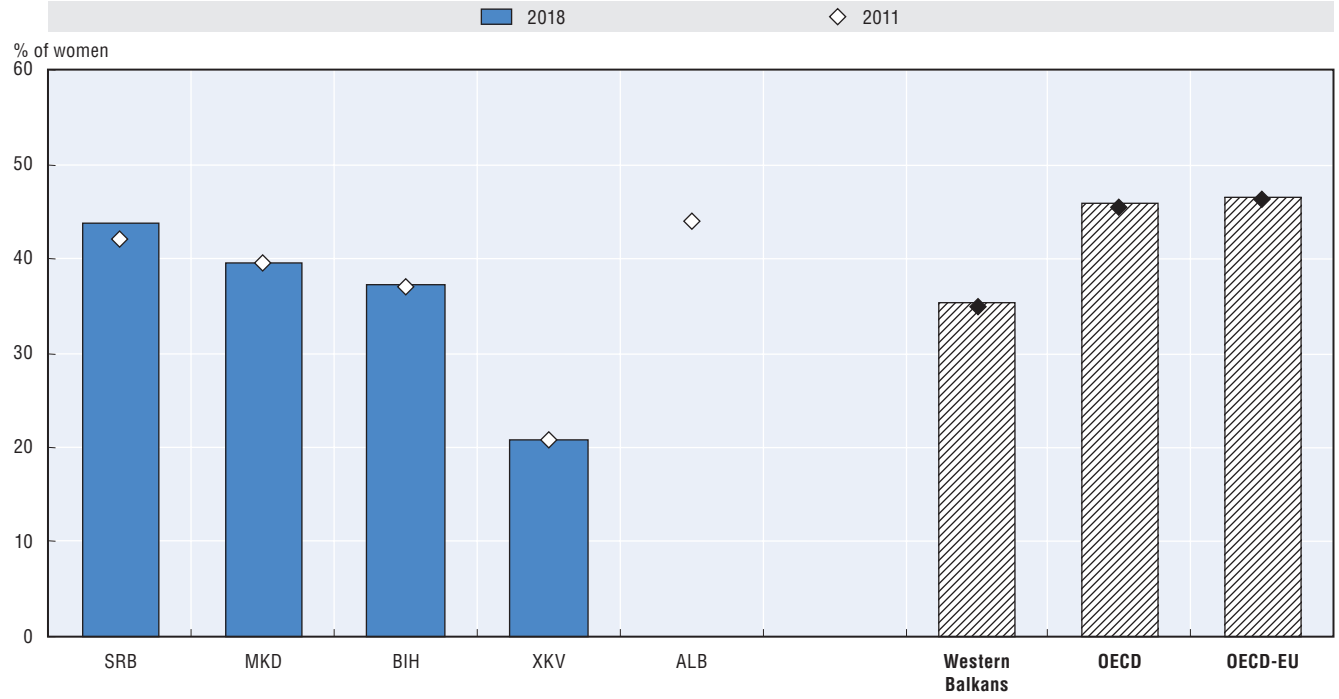
3.3. Gender equality in public sector employment, 2011 and 2018



Source: International Labour Organization (ILO) ILOSTAT (database), Employment by sex and institutional sector.

StatLink https://doi.org/10.1787/888934128783

3.4. Gender equality in total employment, 2011 and 2018



Source: International Labour Organization (ILO) ILOSTAT (database), Employment by sex and institutional sector.

StatLink https://doi.org/10.1787/888934128802

Cabinets and legislatures are key decision-making bodies of government and play the most important roles in society by creating laws and policies. As a result, their membership should reflect the composition of the population so each group is properly represented. Women represent somewhat more than half of the population, so it is crucial that over time their representation and effective participation in political decision-making increase, with the ultimate goal of achieving gender equality. Countries can use a broad range of compulsory and voluntary measures to speed up this process and correct for longstanding imbalances. For example, voluntary or compulsory gender quotas could be established. Legislative quotas are enshrined in election law, political party law, or any other comparable law of a country. Measures should be established to mainstream work-life balance practices at the top level of public institutions, promote gender-sensitive working conditions, and facilitate capacity and leadership development opportunities.

In 2020, 31.6% of the members of parliament (lower/single house of parliament) in the Western Balkan region were women, which is close to the OECD (31.1%) and OECD-EU (32%) averages. Higher representation of women can be found in North Macedonia (40%), Serbia (37.7%) and Kosovo (32.5%). Montenegro and Albania are close to 30%, while Bosnia and Herzegovina stands at 21.4%. All Western Balkans have introduced gender quotas that might have contributed to the large increase of the women's share in parliaments in the region from 23% in 2012 to 31.6% in 2020. Montenegro experienced the largest increase with 14.8 p.p. reaching a share of 29.6% in 2020. The second largest increase happened in Albania where the share moved from 15.7% to 29.5% (13.8 p.p.). Bosnia and Herzegovina is the only country without any change in women's representation in parliaments from 2012-2020.

Regarding ministerial positions women held 27.7% of these positions on average in the Western Balkan region in 2020, compared to the OECD average of 32.2% and the OECD-EU average of 33.2%. In the region this marks an increase of 18.2 p.p. from 9.5% in 2012. The largest increase in women ministers occurred in Albania, where this share went from 6.7% of all ministers in 2012 to 53.3% in 2020. In Bosnia and Herzegovina the increase was almost 16 p.p. from 6.3% to 22.2%, while in Montenegro the increase was from 5.9% to 22.2%. Conversely, Serbia recorded a slight increase, from 15% to 19% over this period.

Methodology and definitions

Data for women in parliament refer to the share of women in lower/single house of parliament obtained from the Inter-Parliamentary Union's PARLINE database. Legislative quotas are enshrined in the election law, political party law or other comparable law of a country. By definition, quotas based on election and political party laws oblige all political entities participating in elections to apply them equally. Data on quotas were obtained from the Institute for Democracy and Electoral Assistance (IDEA) Global Database of Quotas for Women.

Data for gender representation in ministerial positions in national government were obtained from the Interparliamentary Union's "Women in Politics" database. Data represent the percentage of appointed ministers as of 1 January of each year of reference. Data show women as a share of total ministers, including deputy prime ministers and ministers. Prime ministers/heads of Government were also included when they held ministerial portfolios. Vice-Presidents and heads of governmental or public agencies have not been included in the total.

Further reading

OECD (2019), *Fast Forward to Gender Equality: Mainstreaming, Implementation and Leadership*, OECD Publishing, Paris, *https://doi.org/10.1787/g2g9faa5-en*

Figure notes

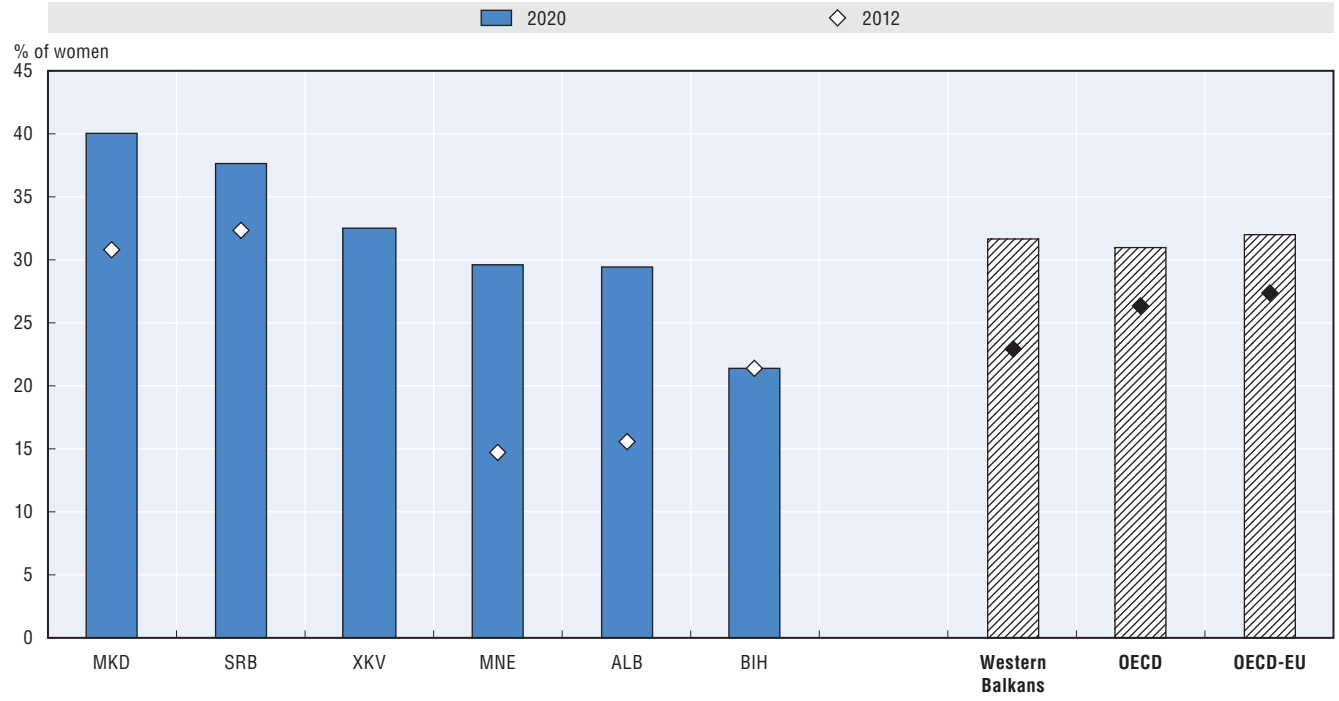
Data for Kosovo are not included in the Western Balkan average due to missing time-series.

3.5. All Western Balkans reported lower or single house parliaments with legislated candidate quotas (situation as of March 2020). Data refer to the share of women parliamentarians recorded as of 1 January 2020 and 31 October 2012. Percentages represent the number of women parliamentarians as a share of total filled seats.

3.6. Data represent women appointed as ministers as of January 1st of each year of reference. Data for Kosovo refer to the situation as of February 2020.

3.5. Gender balance in parliament and legislated gender quotas, 2012 and 2020

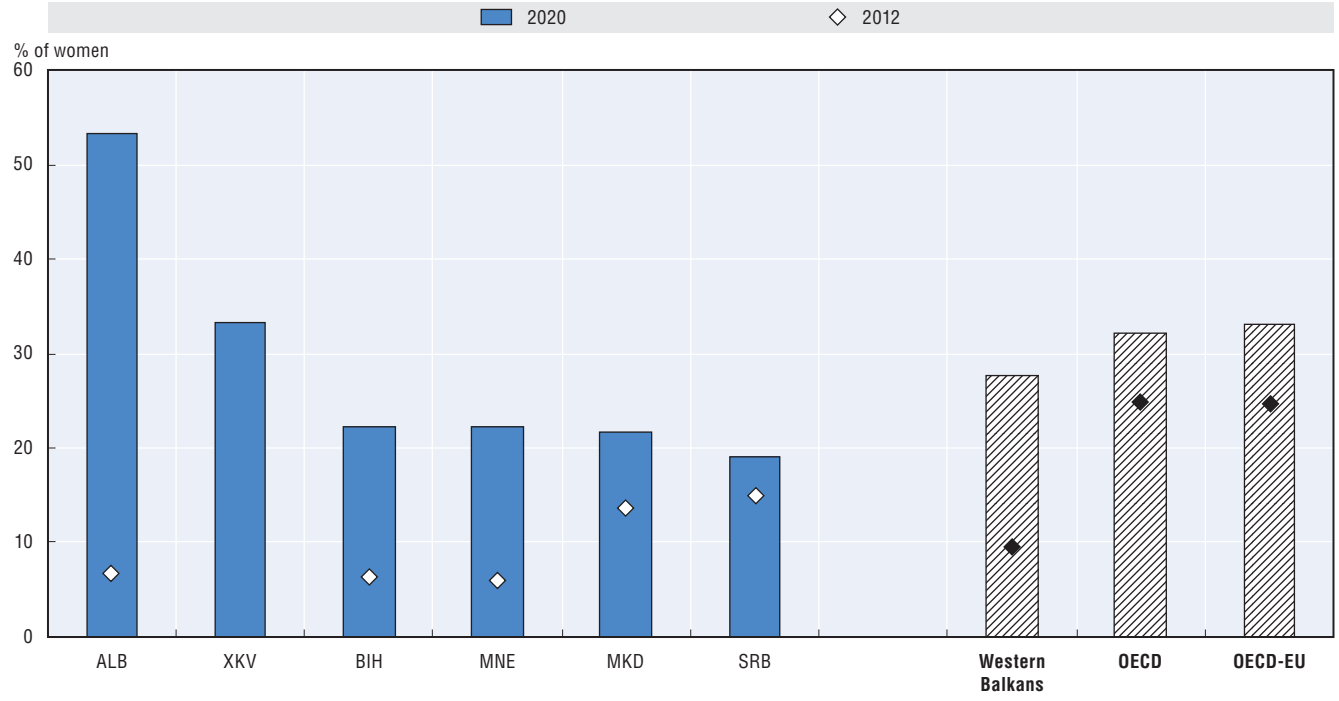
Lower or single house of Parliament



Source: Inter-Parliamentary Union (IPU) PARLINE (database), and IDEA Quota Project (database). Data for Kosovo are from the official website (*http://www.kuvendikosoves.org/*).

StatLink https://doi.org/10.1787/888934128821

3.6. Gender equality in ministerial positions, 2012 and 2020



Source: Inter-Parliamentary Union (IPU) "Women in Politics", 2020 and 2012. Data for Kosovo are from the official website (*http://www.kuvendikosoves.org/*).

StatLink https://doi.org/10.1787/888934128840

Chapter 4

Institutions

The Centre of Government (CoG) performs several critical horizontal functions, which ensure the effective functioning of the government, such as supporting the head of government's decision-making process, and ensuring that individual policies are in line with the government programme. The CoG can involve more than one institution, for instance in Serbia it comprises the Office of Prime Minister, General Secretariat of the Government, Republic Secretariat for Legislation, Public Policy Secretariat, among others. By contrast, in Albania it is only one institution, the Office of Prime Minister, which supports the Council of Ministers as well as the Prime Minister.

A larger proportion of CoGs in the Western Balkans region have exclusive competence over strategic government functions (e.g. strategic planning, relations with the parliament) than in OECD-EU and OECD countries. Yet, when considering both shared and exclusive responsibilities, CoGs in OECD-EU and OECD countries have a broader range of functions than those in the Western Balkans.

Preparation of the government programme, and planning and management of transition between governments are part of CoG's exclusive responsibilities in the Western Balkans, except in Albania where both are shared with line ministries. Preparation of the government programme is the exclusive competence of the CoG in 59% of OECD-EU countries, while preparation and management of the transition between governments in 73%.

The CoG performs other functions that bring coherence to the government as a whole. Across the entire Western Balkan region, like the majority of OECD members, the CoG is responsible for strategic planning. Similarly, in five of six economies in the Western Balkan region, policy co-ordination is the exclusive competence of CoG. The same applies in 77% of OECD-EU countries.

The CoG is in a strategic position to maintain relationships with other parts of government. For instance, relations with parliament are the exclusive competence of all CoGs in the Western Balkan region. In Albania, there is a Minister of State for Relations with Parliament. In around half of OECD countries, this is also the exclusive responsibility of the CoG. International co-ordination in general and European integration in particular are part of CoGs' shared responsibilities in Albania, Bosnia and Herzegovina, Montenegro and Serbia. In 91% of OECD-EU countries, CoGs are involved in international coordination.

In the past, CoGs' responsibilities in communication were limited to issuing press releases and organising conferences, nowadays many are also in charge of social media accounts. CoGs in the Western Balkans are following this trend: in half of them, communication with the public and other parts of the administration is their excusive competence, while in the others it is shared. Similarly, 59% share this responsibility with other bodies in OECD-EU countries.

Regarding the head of the CoG, in Albania and Kosovo, this position has the status of a civil servant, while in the other countries, it is a political designation. In Bosnia and Herzegovina, it depends on the internal administrative solutions, for example in the Federation of Bosnia and Herzegovina it is a civil servant and in the rest it is a political position. In 48% of OECD countries, the position is filled by a civil servant, and in the rest it is a political appointee. If the leadership of a CoG is constantly changing (e.g. if the head of the CoG is replaced with every change of government) it can create challenges and risks in terms of continuity and stability of performing core government functions, especially during the transition between governments.

Methodology and definitions

The data were collected via the 2019 OECD Questionnaire for the Western Balkans on Organisation and Functions of the Centre of Government and the 2017 OECD Survey on Organisation and functions of the Centre of Government. Data for the OECD refer to 34 respondent countries, and for the OECD-EU to 22 countries. Respondents were senior officials who provide direct support and advice to heads of government and the council of ministers or cabinet and provided information for the year 2019.

The CoG is the body that serves the head of government and the Council of Ministers (e.g. Cabinet Office), as well as the office that specifically serves the head of government (e.g. Prime Minister's Office). This report uses a narrow definition, focusing on the functioning of the main institutions within the core centre of the executive branch. OECD/SIGMA reports on the Western Balkan region use a broader definition, including ministries and institutions performing key horizontal functions, such as the Ministry of Finance to check the financial affordability of policies. Methodological differences should be considered when comparing the results with other reports, including SIGMA Monitoring Assessments.

Figure notes

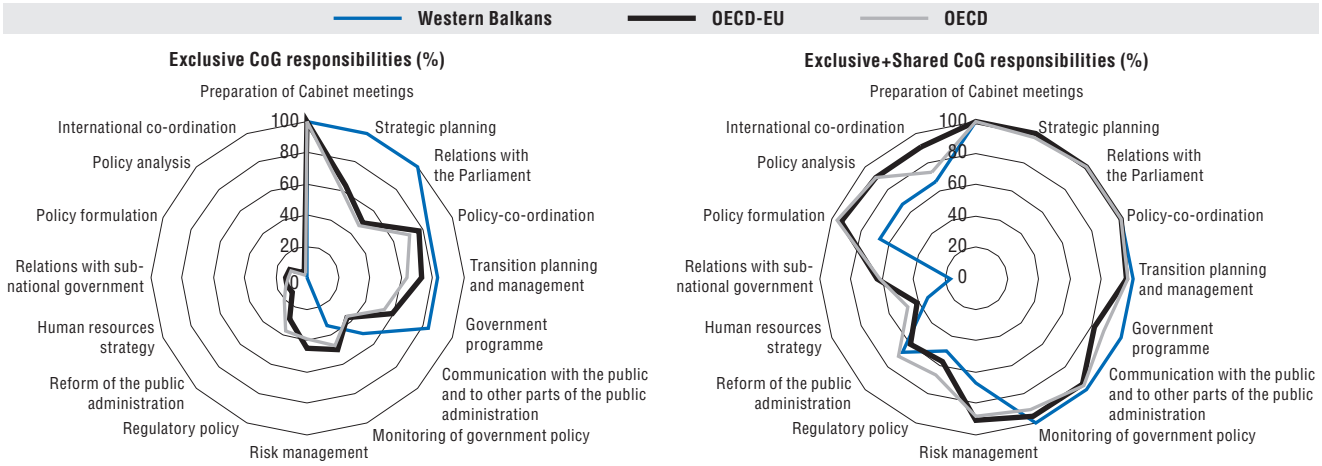
Because of the complex constitutional setup, the CoG functions in Bosnia and Herzegovina are performed by several levels of administration. For Bosnia and Herzegovina's results are based on consolidated responses received from the State level, the two entities and Brčko District (for disaggregation see StatLinks).

4.1. In Brčko District of BiH, the CoG shares the responsibility of transition planning and management with the assembly. More areas of responsibility are available online (in StatLink)

4.2. Italy did not provide a response.

4.1 Responsibilities of the centre of government, 2019

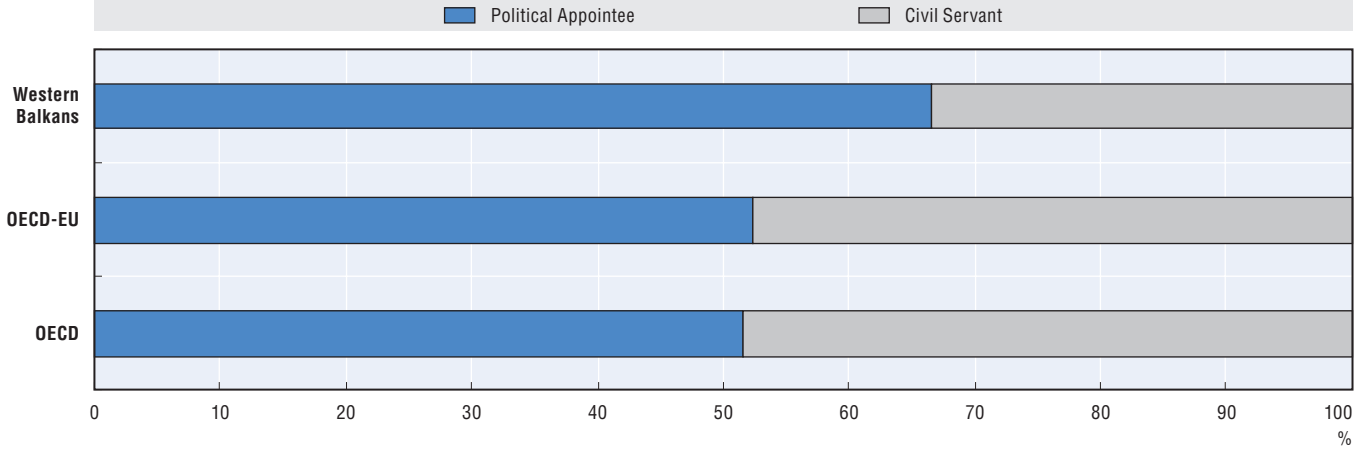
Country	Preparation of Cabinet meetings	Strategic planning	Policy-co-ordination	Transition planning and management	Government programme	Relations with the Parliament
Albania	●	●	●	◖	◖	●
Bosnia and Herzegovina	●	●	◖	●	●	●
Kosovo	●	●	●	●	●	●
Montenegro	●	●	●	●	●	●
North Macedonia	●	●	●	●	●	●
Serbia	●	●	●	●	●	●
Western Balkans Total						
● CoG responsibility	6	6	5	5	5	6
◖ Shared responsibility	0	0	1	1	1	0
❍ Responsibility of another body	0	0	0	0	0	0



Source: OECD (2019) Questionnaire for the Western Balkans on Organisation and Functions of the Centre of Government; OECD (2017), OECD Survey on Organisation and functions of the Centre of Government.

StatLink https://doi.org/10.1787/888934128859

4.2 Status of the head of the centre of government, 2019



Source: OECD(2019) Questionnaire for the Western Balkans on Organisation and Functions of the Centre of Government; OECD (2017), OECD Survey on Organisation and functions of the Centre of Government.

StatLink https://doi.org/10.1787/888934128878

The Centre of Government (CoG) supports the head of government and the Cabinet of Ministers in organising the work of government and in policy co-ordination. In order to ensure this, the CoG provides the necessary mechanisms for senior political staff and civil servants to hold relevant policy discussions.

In the Western Balkans, policy co-ordination takes place mostly in formal instances (such as cabinet meetings) rather than in informal ones (such as ad-hoc meetings of senior officials). By contrast, OECD-EU and OECD countries prioritise informal instances, such as ad-hoc meetings of senior officials and task forces.

Regarding formal co-ordination, all Western Balkan CoGs use regular cabinet meetings as a means of ensuring policy co-ordination, which is largely consistent with the practice in OECD-EU countries. In 83% of economies in the Western Balkan region, ad-hoc cabinet discussions on a specific policy or issue are used, while this is the case in 71% of OECD-EU countries. Albania's CoG uses integrated policy management groups (IPMG), as a mechanism to co-ordinate policy across government priority areas.

Written guidance (such as instruction manuals, guidelines on procedures), as an instrument for co-ordination is used in 83% of economies in the Western Balkan region, while this is only the case in 52% of OECD-EU countries. These results suggest that they prefer a rules-based approach to co-ordination.

Regarding informal co-ordination, in 67% of the Western Balkan region, ad-hoc meetings of senior officials to discuss a particular issue to support cabinet-level discussions take place, compared to 81% OECD-EU countries. Ad-hoc task forces are less common in the Western Balkans than among OECD-EU, where 76% have them. In Kosovo a task force was established for the demarcation of the border with Montenegro. In Serbia, examples include a joint group for improving the country's position in the World Bank Doing Business Report.

Agenda items submitted to the cabinet for discussion and approval are expected to be final, hence all the CoGs (both from the Western Balkan region and OECD) review that standards and procedures for presentation and preparation are respected, and have the right to return the agenda item for additional work.

CoGs in the Western Balkan region are also responsible for reviewing whether the item has been subject to adequate consultation, and have the authority to require further work. In North Macedonia, the Ministry of Information Society and Administration (MISA) is also responsible for this. Reviewing if the item is in line with the government programme is among the CoG's tasks. In Bosnia and Herzegovina, it presents a non-binding opinion, which implies that the CoG is not fully responsible for curating the items presented before the cabinet.

Reviewing if a regulation meets regulatory quality standards (for example, that cost-benefit and impact analyses have been carried out) is the responsibility of the CoG in Albania, Kosovo and Serbia; although, in the first two, it presents a nonbinding opinion. In North Macedonia, MISA performs quality control for regulatory impact assessments. By comparison, in 81% of OECD countries, the CoG performs such checks. When reviewing adequate costing, the ministry of finance takes the lead in the Western Balkan region. Only one-third of CoGs are involved in this, compared to around 60% of OECD countries. In general, quality is still a concern in many Western Balkan economies when it comes to analysing the impacts of new regulations and policies, despite having formal systems of ex-ante impact analysis (OECD/SIGMA, 2017).

Methodology and definitions

Data were collected via the 2019 OECD Questionnaire for the Western Balkans on Organisation and Functions of the Centre of Government and the 2017 OECD Survey on Organisation and functions of the Centre of Government. Data for OECD refer to 33 respondent countries, and data for the OECD-EU refer to 21 countries. Respondents were senior officials who provide direct support and advice to heads of government and the council of ministers or cabinet and provided information for the year 2019.

The CoG is the body that serves the head of government and the Council of Ministers (e.g. Cabinet Office), as well as the office that specifically serves the head of government (e.g. Prime Minister's Office). This report uses a narrow definition, focusing on the functioning of the main institutions within the core centre of the executive branch. For a disclaimer on the difference with SIGMA reports, see previous section.

Further reading

OECD/SIGMA (2017), *Monitoring reports*, OECD Publishing, Paris: *http://www.sigmaweb.org/publications/monitoring-reports.htm*

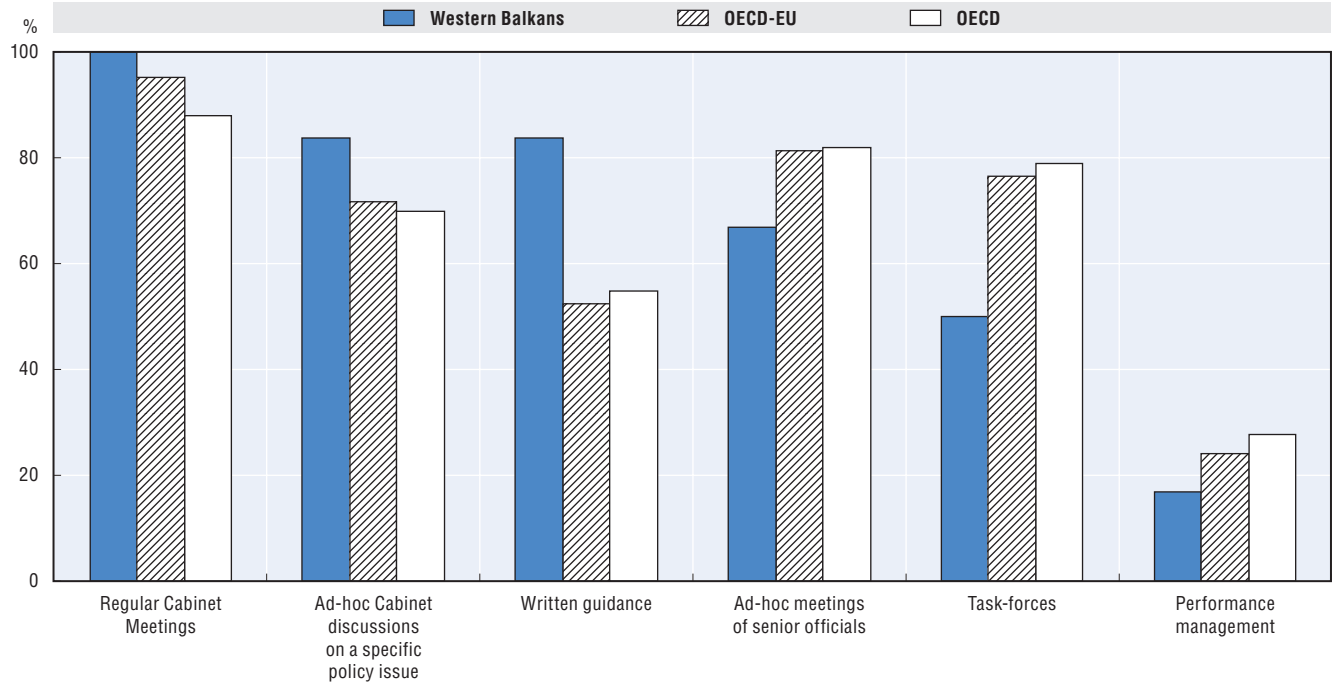
Figure notes

Because of the complex constitutional setup, the CoG's functions in Bosnia and Herzegovina are performed by several levels of administration. For Bosnia and Herzegovina's results are based on consolidated responses received from the State level, the two entities and Brčko District (for disaggregation see StatLinks).

4.3. The State level of BiH is the only one that does not use ad-hoc cabinet discussions. Written guidance in BiH, is used by the State level and by the Republika Srpska. Republika Srpska is the only level that uses ad-hoc meetings of senior officials and ad-hoc task forces.

4.4. In the Federation of Bosnia and Herzegovina, the CoG also reviews whether a regulation meets regulatory quality standards.

4.3 Main institutional instruments or initiatives used by the centre of government to ensure policy co-ordination, 2019



Source: OECD(2019) Questionnaire for the Western Balkans on Organisation and Functions of the Centre of Government; OECD (2017), OECD Survey on Organisation and functions of the Centre of Government.

StatLink https://doi.org/10.1787/888934128897

4.4 Involvement of centre of government and other bodies in reviewing items sent to Cabinet, 2019

Country	That procedures for preparation and presentation are respected		That the proposed item has been subject to an adequate consultation process		That the item is in line with the Government Programme		Quality of legal drafting and legal conformity		That a regulation meets regulatory quality standards	That adequate costing has been carried out
	Reviewed by…	Authority of CoG…	Reviewed by…	Authority of CoG…	Reviewed by…	Authority of CoG…	Reviewed by…	Authority of CoG…	Reviewed by…	Reviewed by…
Albania	●	⬁	●	⬁	●	⬁	●◆	⬁	●	●◆
Bosnia and Herzegovina	●	⬁	●	⬁	●	🖂	●◆	🖂	◆	◆
Kosovo	●	⬁	●	⬁	●	⬁	●	⬁	●◆	●◆
Montenegro	●	⬁	●	⬁	●	⬁	●	⬁	◆	◆
North Macedonia	●	⬁	●◆	⬁	●	⬁	●	⬁	●◆	◆
Serbia	●	⬁	●	⬁	●		●	⬁	●◆	◆
Western Balkans Total										
● CoG Reviews	6		6		6		6		4	2
⬁ … Has authority to return		6		6		4		5		
🖂 … Presents non-binding opinion		0		0		1		1		
◆ Reviewed by another body	0		1		0		2		5	6
OECD-EU Total										
● CoG Reviews	21		20		19		17		17	12
⬁ … Has authority to return		15		10		8		11		
🖂 … Presents non-binding opinion		1		4		4		3		
◆ Reviewed by another body	0		2		2		9		8	14
OECD Total										
● CoG Reviews	33		30		28		27		27	20
⬁ … Has authority to return		23		17		12		18		
🖂 … Presents non-binding opinion		1		7		6		5		
◆ Reviewed by another body	0		4		4		13		13	23

Source: OECD(2019) Questionnaire for the Western Balkans on Organisation and Functions of the Centre of Government; OECD (2017), OECD Survey on Organisation and functions of the Centre of Government.

StatLink https://doi.org/10.1787/888934128916

Governments are usually elected on the basis of a political manifesto with a clear agenda, which serves as the basis of the government programme that sets strategic priorities for the whole mandate. Countries usually set up a strategic planning system to ensure that individual policies are prepared, planned and implemented bearing in mind such strategic government priorities and the financial circumstances.

In the Western Balkans, CoGs are responsible for the process of strategic planning. A similar situation can be observed in OECD-EU and OECD countries, where all CoGs are involved, at least partially, in strategic planning (see section on profile of CoGs). However, CoGs can take an active role in this process by, for instance, defining priorities (e.g. following the government programme). In other cases, they take a more support role by ensuring line ministries develop strategic plans and co-ordinating their design.

In the Western Balkan region, the majority of CoGs have both types of responsibilities. For instance, in Montenegro, the CoG develops medium-term and annual government programmes, sets strategic priorities in cooperation with line ministries and reviews the quality of strategic documents by implementing the methodology of policy development, as well as drafting and monitoring such documents. Indeed, 83% of CoGs in the countries of the Western Balkan region are charged with defining whole-of-government strategic priorities, compared to 55% of OECD-EU and OECD countries. All CoGs in the Western Balkans have the responsibility of co-ordinating the design of strategic priorities, compared to 70% of OECD-EU countries and 73% of OECD countries.

In 67% of the countries in the Western Balkan region, compared to 35% of OECD-EU countries, the CoG mandates line ministries to develop the strategic plan. This shows that CoGs in the Western Balkans are strong, in the sense that they have authority over line ministries. For instance, in Montenegro, the government has adopted a decree for regulating the process of strategy and policy development (July 2018), which introduced good policy planning principles and minimum quality criteria in terms of the structure and content of strategic documents. In Albania, the CoG is responsible for the development of the National Strategy for Development and Integration which provides the national vision and direction for social and economic development over a seven-year period. Albania is in the process of developing an IT platform (IPSIS) to support its integrated policy planning system.

At the time of implementing whole-of-government national strategies, the CoG can also play an important role. All CoGs in the Western Balkans are assigned the responsibility of monitoring the implementation of national strategies. This is also the case in the majority of OECD countries. All CoGs in the Western Balkans must also ensure that individual policy proposals are linked to government priorities, compared to 80% of OECD-EU and 76% of OECD countries. The CoGs of Kosovo, Montenegro, North Macedonia and Serbia, as well as are responsible for co-ordinating the implementation of priorities. In Bosnia and Herzegovina, there are various administrative solutions, in the State level of BiH and the Brčko District, the CoG is responsible for co-ordinating the implementation of priorities. However, there is no such structure within the Albanian CoG, and the function is led by the cabinet of the PM directly. Among OECD-EU countries, 65% perform this task. Reallocating resources to meet goals is not done by CoGs in any of the countries in the Western Balkan region, and this is not common among OECD-EU or OECD countries.

Methodology and definitions

The data were collected via the 2019 OECD Questionnaire for the Western Balkans on Organisation and Functions of the Centre of Government and the 2017 OECD Survey on Organisation and functions of the Centre of Government. Data for OECD refer to 33 respondent countries, and data for the OECD-EU refer to 21 countries. Respondents were senior officials who provide direct support and advice to heads of government and the council of ministers or cabinet and provided information for the year 2019.

The CoG is the body that serves the head of government and the Council of Ministers (e.g. Cabinet Office), as well as the office that specifically serves the head of government (e.g. Prime Minister's Office). For an explanation of the difference between the definition of CoG used in this publication and other SIGMA reports, see the first two-pager.

Further reading

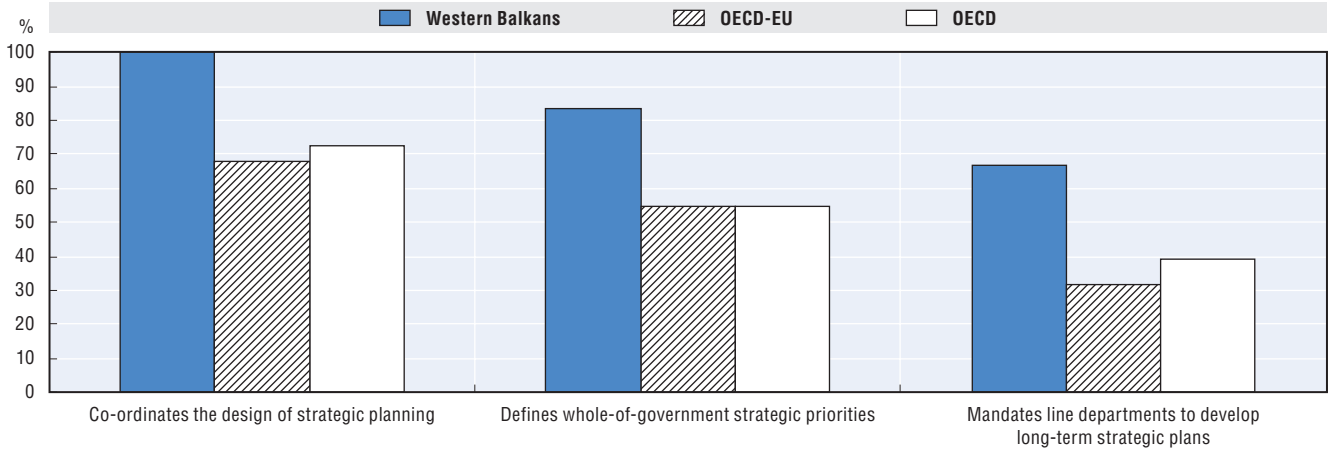
OECD/SIGMA (2017), *Monitoring reports*, OECD Publishing, Paris: *http://www.sigmaweb.org/publications/monitoring-reports.htm*

Figure notes

Because of the complex constitutional setup, the CoG functions in Bosnia and Herzegovina are performed by several levels of administration. For Bosnia and Herzegovina's results are based on consolidated responses received from the State level, the two entities and Brčko District (for disaggregation see StatLinks). The CoG of the Federation of BiH and Brčko District do not mandate line departments to develop long-term strategic plans.

4.6. The CoG of Brčko District of BiH does not monitor the implementation of national strategies. The CoG of the Federation of BiH and the Brčko District are not responsible for ensuring the proposals are in line with the government programme.

4.5 Responsibility of centre of government in design of strategies for the whole-of-government, 2019

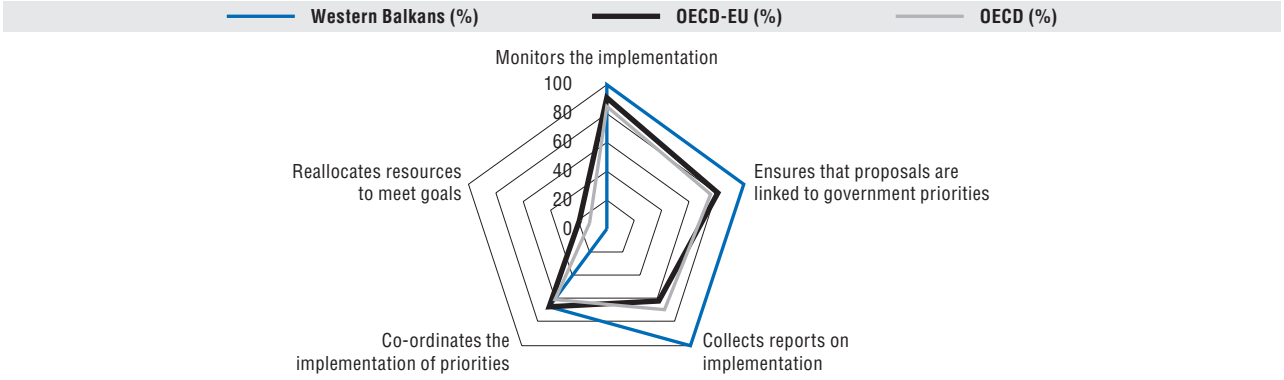


Source: OECD(2019) Questionnaire for the Western Balkans on Organisation and Functions of the Centre of Government; OECD (2017), OECD Survey on Organisation and functions of the Centre of Government.

StatLink https://doi.org/10.1787/888934128935

4.6 Responsibility of centre of government in the implementation of whole-of-government national strategies, 2019

Country	Monitors the implementation	Ensures that proposals are linked to government priorities	Collects reports on implementation	Co-ordinates the implementation of priorities	Reallocates resources to meet goals
Albania	●	●	●	❍	❍
Bosnia and Herzegovina	●	●	●	❍	❍
Kosovo	●	●	●	●	❍
Montenegro	●	●	●	●	❍
North Macedonia	●	●	●	●	❍
Serbia	●	●	●	●	❍
Western Balkans Total					
● Yes	6	6	6	4	0
❍ No	0	0	0	2	6



Source: OECD(2019) Questionnaire for the Western Balkans on Organisation and Functions of the Centre of Government; OECD (2017), OECD Survey on Organisation and functions of the Centre of Government.

StatLink https://doi.org/10.1787/888934128954

Chapter 5

Budgeting practices and procedures

Fiscal risks refer to the uncertainty associated with the outlook in public finances and can be defined as the probability of significant differences between actual and expected fiscal performance, over the short to medium-term horizon (Kopits 2014). Fiscal risks are, by definition, uncertain. However, awareness and understanding of them allow policy makers to increase the government's capacity to adapt and rebound from them. The 2015 OECD Recommendation of the Council on Budgetary Governance advises governments to "identify, assess and manage prudently longer-term sustainability and other fiscal risks."

In half of the Western Balkans, there is a central unit or agency responsible for identifying and managing overall fiscal risks located in the CBA or other part of the Ministry of Finance. This is the case in slightly less than three quarters of OECD countries. The existence of centrally defined criteria about the type of risks that need to be measured and monitored could contribute to the comprehensive and integrated assessment of potential shocks and guide the development of practices aimed at limiting exposure as well as advancing in transferring, sharing and provisioning for fiscal risks (IMF 2016). North Macedonia is the only country in the Western Balkan region that reported having centrally defined criteria, as part of their fiscal strategy document, for deciding which fiscal risks need to be measured and monitored; this is the case in slightly less than one-third of OECD countries.

There are fiscal risks that are external (i.e. not linked to government activity) and may result from the exposure of public finances to variations in key economic indicators. For example, countries that are aid recipients may be sensitive to aid shortfalls, commodity-producing countries may be vulnerable to sharp swings in commodity prices and countries with relatively high debt levels may be vulnerable to interest rate shocks. Five among the six Western Balkans consider macro-economic shocks and changes in interest rates to be fiscal risks; however, only Kosovo and Serbia reported measuring them and disclosing the results.

Other types of fiscal risks are directly associated with government activities. They are in general narrower and arise from specific sources, such as the potential costs of guarantees backed by the government, pending lawsuits, financial incentives granted in the framework of PPP contracts and those resulting from environmental degradation. With the exception of Montenegro, the Western Balkans consider government guarantees as a fiscal risk and estimate their potential effects on public accounts. These guarantees are often sought by private or public agents developing infrastructure and or service delivery projects and could come in many forms, for example the government might be asked to compensate if demand falls short of forecasts in an infrastructure project, to ensure exchange rate conditions or promise to repay the debt if a service provider becomes insolvent. Finally, the national/federal government could also be responsible for risks undertaken by other public entities such as subnational government or state-owned enterprises. Only Albania and Serbia consider the activities of subnational government to be a potential fiscal risk. In turn, while the activities of state-owned enterprises are more widely viewed as fiscal risks by the Western Balkans (4 out of 6), none of them has in place a mechanism for measuring them, this is the case in 44% of OECD countries.

Methodology and definitions

Data were collected through the 2019 Survey for the Western Balkans on Budget Practices and Procedures. The survey was completed in 2019 in the Western Balkans – Albania, Bosnia and Herzegovina, Kosovo, Montenegro, North Macedonia and Serbia. The data for Bosnia and Herzegovina reflect the consolidated response submitted by the State level, based on individual responses received from different levels of administration – the State level, the Entities and Brcko District. Data for OECD are derived from the 2018 OECD Budget Practices and Procedures Survey. Respondents were predominantly senior budget officials. Unless specified otherwise responses hereinafter refer to the central/federal government.

The Central Budget Authority (CBA) is a public entity, or several coordinated entities, located at the central/national/federal level of government, responsible for the custody and management of the national/federal budget. In many countries, the CBA is often part of the ministry of Finance. Specific responsibilities vary by country, but generally, the CBA is responsible for formulating budget proposals, conducting budget negotiations, allocating or reallocating funds, ensuring compliance with budget laws and conducting performance evaluations and/or efficiency reviews.

Public Private Partnerships (PPPs) are long-term contractual agreements between the government and a private sector partner, regarding the delivery and funding of infrastructure and public services, in which project risks are shared.

Further reading

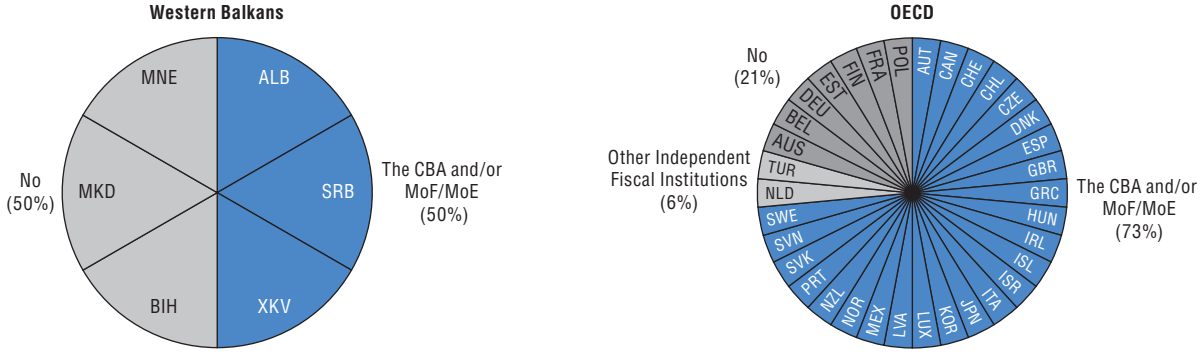
IMF (2016), "Analysing and Managing Fiscal Risks-Best Practices", IMF Policy Papers, May 4/2016, *https://www.imf.org/en/Publications/Policy-Papers/Issues/2016/12/31/Analyzing-and-Managing-Fiscal-Risks-Best-Practices-PP5042*

Kopits, G. (2014), "Coping with fiscal risk: Analysis and practice", OECD Journal on Budgeting, Vol. 14/1, *https://doi.org/10.1787/budget-14-5jxrgssdqnlt*

Figure notes

Data for the United States is not available. On data for Israel, see *http://doi.org/10.1787/888932315602*.

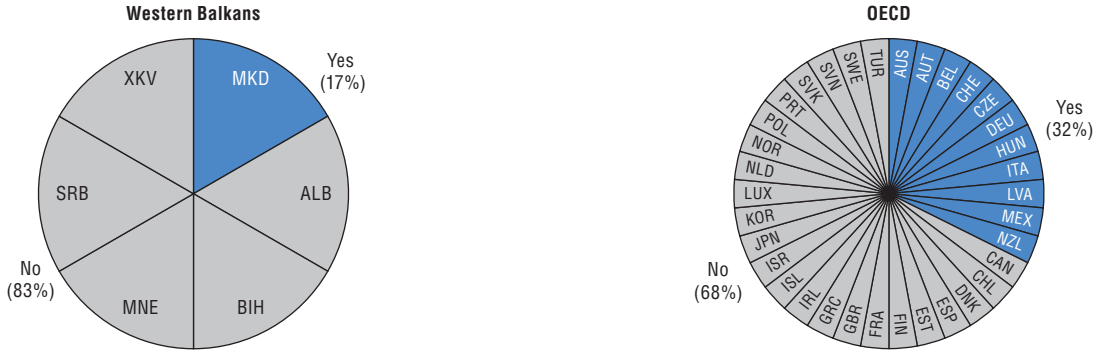
5.1. Central unit or agency responsible for identification and management of overall fiscal risks, 2019



Source: OECD (2019), 2019 Survey for the Western Balkans on Budget Practices and Procedures; For the OECD data, OECD (2018), OECD Budget Practices and Procedures Survey.

StatLink https://doi.org/10.1787/888934128973

5.2. Centrally defined criteria to decide which fiscal risks need to be measured and monitored, 2019

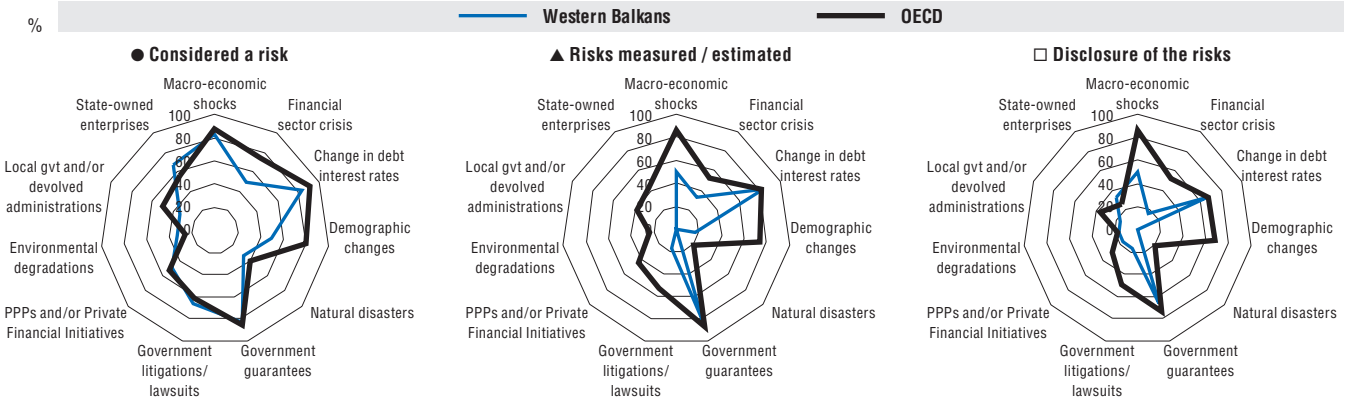


Source: OECD (2019), 2019 Survey for the Western Balkans on Budget Practices and Procedures; For the OECD data, OECD (2018), OECD Budget Practices and Procedures Survey.

StatLink https://doi.org/10.1787/888934128992

5.3. Identification, measurement and disclosure of sources of fiscal risks, 2019

	Risks not linked to government activity					Risks linked to government activity				Risks linked to public sector entities' activity	
	Macro-economic shocks	Financial sector crisis	Change in debt interest rates	Demographic changes	Natural disasters	Government guarantees	Government litigation/ lawsuits	PPPs and/or Private Financial Initiatives	Environmental degradations	Local gvt and/or devolved administrations	State-owned enterprises
Albania	●	●▲	●▲	●		●▲	●▲	●	●	●	●
Bosnia and Herzegovina	●		●▲□	●		●▲□	●				●
Kosovo	●▲□	●	●▲□		●	●▲□	●	●			●□
Montenegro											
North Macedonia	●▲□		●▲□			●▲□					
Serbia	●▲□	●▲□	●▲□	●▲	●	●▲□	●□	●□	●□	●□	●□



Source: OECD (2019), 2019 Survey for the Western Balkans on Budget Practices and Procedures; For the OECD data, OECD (2018), OECD Budget Practices and Procedures Survey.

StatLink https://doi.org/10.1787/888934129011

The legislature plays a crucial role in the budgetary process and is ultimately responsible for approving the executive's budget. In turn, the presentation of the budget and related documentation in the parliament is normally the first opportunity for public scrutiny of a government's priorities, thus it becomes an essential component for transparency and public financial accountability. While amendments by the parliament to the budget can contribute in balancing priorities and incorporating people's views in spending choices, they could also have negative consequences on fiscal policy outcomes. Members of the legislature could have a short-term horizon (influenced by electoral cycles) when deciding on resource allocation and may be focused on maximising budget spending for constituencies. Misalignment of incentives between the executive and the legislature is often the biggest concern at the budget parliamentary approval stage.

Budget system laws establish the formal powers of the legislature and the mechanisms for decision making throughout the budgetary process. Legal constraints and budgetary practices vary across Western Balkan governments. In Albania, Montenegro and the State level of Bosnia and Herzegovina, the legislature has unrestricted powers to amend the budget proposed by the executive. In Serbia, Kosovo, and North Macedonia, the legislature can amend the budget without deviating from the fiscal balance targets. For OECD countries, the most common arrangement, in place in 53% of countries, is for the legislature to have unrestricted powers for amending the budget.

To meaningfully engage in the budget process, rather than simply serving as a rubber stamp, legislatures require reliable unbiased information that could inform budget discussions. In addition to the budget proposal, all Western Balkans have to submit to parliaments for approval any supplementary budgets containing proposed amendments to the main annual budgets. This is the mechanism with which the government seeks legislative approval for spending that differs from the original budget and appropriations. However, it is important to bear in mind that the frequent approval of supplementary budgets may reflect poor budget preparation procedures, inappropriate costing of programmes, macroeconomic shocks, wrong forecast or governmental failure to adhere to announced budgetary policies.

The submission of other types of reports to parliament, beyond the executive's budget proposal, is uneven among the Western Balkans. Kosovo, North Macedonia and Serbia share the largest amount of information as they submit to parliament for information purposes the pre-budget fiscal policy statement, the mid-year implementation report, the year-end budget execution report and reports on fiscal risks. In turn, according to the information available, no countries in the region prepares and submits to parliament, even for information, the long-term fiscal sustainability report. This is in stark contrast to OECD countries where over two thirds of countries submit such long-term reports to parliament and in the majority of cases; the submission is for either parliamentary discussion or approval by the legislature.

Methodology and definitions

Data were collected through the 2019 Survey for the Western Balkans on Budget Practices and Procedures. The survey was completed in 2019 in the Western Balkans – Albania, Bosnia and Herzegovina, Kosovo, Montenegro, North Macedonia and Serbia. The data for Bosnia and Herzegovina, reflect the consolidated response (unless shown individually), submitted by the State level, based on individual responses received from different levels of administration – the State level, the Entities and Brcko District. Data for OECD countries are derived from the 2018 OECD Budget Practices and Procedures Survey. Respondents were predominantly senior budget officials. Unless specified otherwise responses refer to central/federal government

The executive's budget proposal is developed by the CBA following negotiations and initial estimations provided by line ministries/agencies. The nature of the executive's budget proposal can vary from country to country. The budget proposal encompasses the main executive's budget proposal, as well as any supporting documents that are linked to it.

A long-term fiscal sustainability report can help identify the probable future expenses in light of forecasted demographic and economic developments, and can contribute to the political discussion of a broader reform agenda. This is important as policies and specific programmes have implications that transcend the budget year. When these aspects are not taken into account, public finances and the success of policies can be negatively affected (programmes are started but their long-term financing needs may not be secured).

Further reading

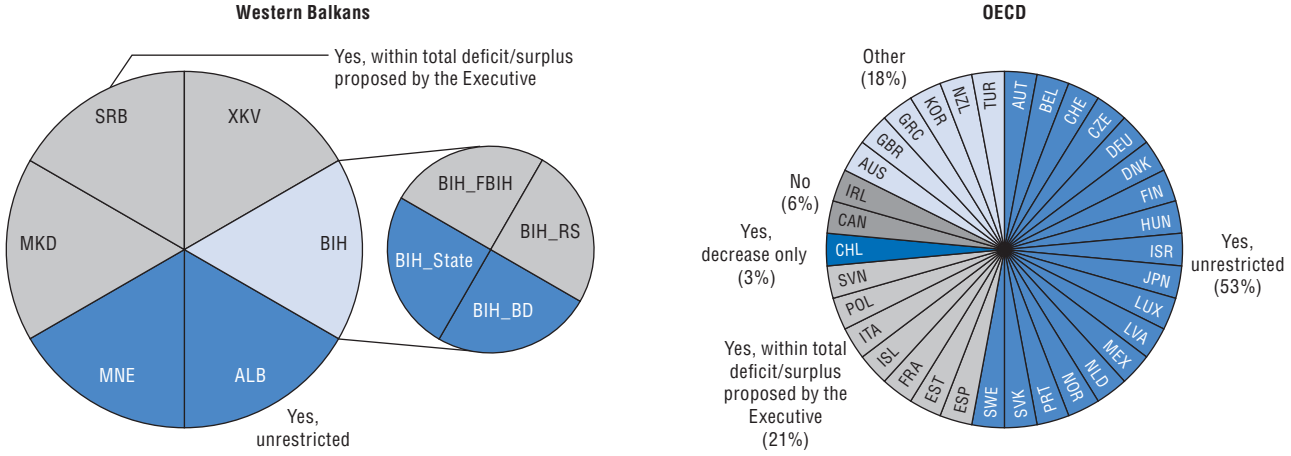
OECD (2019), *Budgeting and Public Expenditures in OECD Countries 2019*, OECD Publishing, Paris, *https://doi.org/10.1787/9789264307957-en*.

Kim, C. (2019), "Who has power over the budget-The Legislature or the Executive?: A comparative analysis of budgetary power in 70 Countries», *OECD Journal on Budgeting*, vol. 18/3, *https://doi.org/10.1787/efc0708a-en*.

Figure notes

Data for the United States is not available. On data for Israel, see *http://doi.org/10.1787/888932315602*.

5.4. Formal powers of the legislature to amend the budget proposed by the executive, 2019

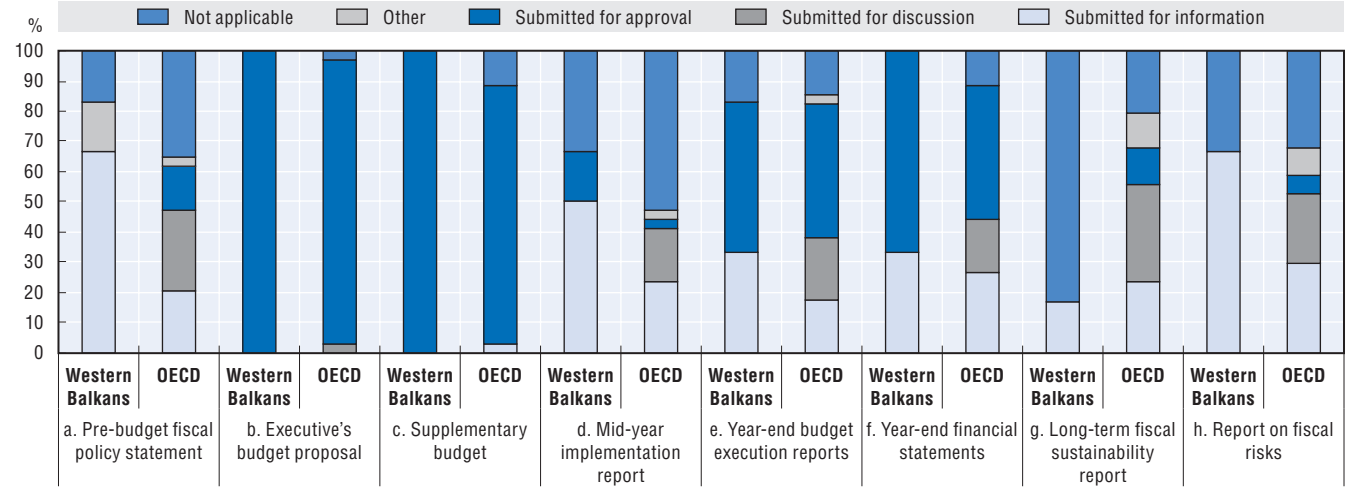


Source: OECD (2019), 2019 Survey for the Western Balkans on Budget Practices and Procedures; For the OECD data, OECD (2018), OECD Budget Practices and Procedures Survey.

StatLink https://doi.org/10.1787/888934129030

5.5. Budget reports submitted to the legislature, 2019

	Pre-budget fiscal policy statement	Executive's budget proposal	Supplementary budget	Mid-year implementation report	Year-end budget execution reports	Year-end financial statements	Long-term fiscal sustainability report	Report on fiscal risks
Albania	❍	◘	◘	❍	◘	◘	N/A	❍
Bosnia and Herzegovina	△	◘	◘	◘	◘	◘	N/A	N/A
Kosovo	❍	◘	◘	❍	❍	❍	N/A	❍
Montenegro	N/A	◘	◘	N/A	N/A	◘	N/A	N/A
North Macedonia	❍	◘	◘	N/A	◘	❍	N/A	❍
Serbia	❍	◘	◘	❍	❍	❍	N/A	❍
Western Balkans Total								
❍ Submitted for information	4	0	0	3	2	3	0	4
■ Submitted for discussion	0	0	0	0	0	0	0	0
◘ Submitted for approval	0	6	6	1	3	3	0	0
△ Other	1	0	0	0	0	0	0	0
Not applicable	1	0	0	2	1	0	5	2



Source: OECD (2019), 2019 Survey for the Western Balkans on Budget Practices and Procedures; For the OECD data, OECD (2018), OECD Budget Practices and Procedures Survey.

StatLink https://doi.org/10.1787/888934129049

Budget transparency refers to the full disclosure of relevant fiscal information in a timely and systematic manner. Although countries might have different budget reporting systems, increasing the level of transparency throughout the budget process (preparation, approval, execution and audit) is essential for upholding public sector integrity and increasing the participation of citizens and non-government organizations in the budgetary process. Openness and transparency can ultimately lead to better public sector performance by facilitating citizen monitoring of governments and minimising the inappropriate and inefficient use of public resources. Levels of budgetary transparency are influenced by the existence of legal requirements and governments' disposition towards sharing information, among other aspects.

According to survey results, key budgetary information such as the pre-budget statement, the medium-term expenditure framework (MTEF), the approved budget, implementation reports, financial statements and any supplementary budget are widely published in the Western Balkan region. Bosnia and Herzegovina and Montenegro are the only two countries in the region that do not produce a report on fiscal risks. In turn, no countries in the region prepare long-term fiscal sustainability reports; these reports are published in 53% of OECD-EU and 45% of OECD countries, and are important as they contribute to identifying probable future expenses in light of forecasted demographic and economic developments, and can contribute to the political discussion of a broader reform agenda.

Releasing budgetary information in open data formats and publishing citizens' guides to the budget contribute to enhancing budget transparency by allowing stakeholders to access and understand key fiscal information. All governments of the Western Balkans publish a citizen's guide to the budget and release information in an open data format; however, the breadth and scope of the information published varies. In the majority of the Western Balkans, the citizens' guide to the budget includes primarily the approved budget, a practice observed by half of OECD countries and 41% of OECD-EU countries.

In general terms and across the three groups of countries and economies under study it is most common for budgetary information to be published in open data format. In addition to the approved budget and complementary budgets, most Western Balkans publish their execution reports, financial statements and MTEFs. In turn, only Albania and Montenegro reported publishing in open data format the pre-budget fiscal policy statement. These statements are key as they lay out the macroeconomic assumptions, revenue and expenditure levels, debt and deficit limits, etc. and are therefore an opportunity for relevant stakeholders to analyze these assumptions and use the findings to influence the parameters of the proposed budget. Similarly, these are not widely published in OECD and OECD-EU countries as only less than 20% release them in open data format.

Methodology and definitions

Data were collected through the 2019 Survey for the Western Balkans on Budget Practices and Procedures. The survey was completed in 2019 in the Western Balkans – Albania, Bosnia and Herzegovina, Kosovo, Montenegro, North Macedonia and Serbia. The data for Bosnia and Herzegovina, reflect the consolidated response submitted by the State level, based on individual responses received from different levels of administration – the State level, the Entities and Brcko District. Data for OECD countries are derived from the 2018 OECD Budget Practices and Procedures Survey. Respondents were predominantly senior budget officials. Unless specified otherwise responses refer to central/federal government.

Open data refers to digital data that are made available with the technical and legal characteristics necessary for it to be freely used, re-used and redistributed by anyone, anytime, anywhere.

A citizens' guide is an easy-to-understand summary of the main features of the annual budget or other budget-related documents. A user-friendly summary helps the general reader to make sense of the technical information and avoids technical language.

Further reading

OECD (2019), *Budgeting and Public Expenditures in OECD Countries 2019*, OECD Publishing, Paris, *https://doi.org/10.1787/9789264307957-en*

Kim, S., J. Lee and J. Lee (2018), "Citizen participation and public trust in local government: The Republic of Korea case", OECD Journal on Budgeting, vol. 18/2, *https://doi.org/10.1787/budget-18-5j8fz1kqp8d8*

OECD (2017), *OECD Budget Transparency Toolkit: Practical Steps for Supporting Openness, Integrity and Accountability in Public Financial Management*, OECD Publishing, Paris, *https://doi.org/10.1787/9789264282070-en*

Figure notes

Data for the United States is not available.

5.6. Availability and publication of budget guides and data, 2019

	Pre-budget fiscal policy statement	MTEF	Executive's budget proposal	Approved Budget	Supplementary budget	Mid-year implementation report	Year-end budget execution reports	Year-end financial statements	Long-term fiscal sustainability report	Report on fiscal risks
Albania	●▲■	●▲■	●▲■	●■	●■	●■	●■	●■	—	●
Bosnia and Herzegovina	●	●	●	●▲	●	●	●	●	—	—
Kosovo	●	●■	❍	●■	●■	●■	●■	●■	—	●■
Montenegro	●▲■	●▲■	●▲■	●▲■	●▲■	●▲■	●▲■	●▲■	—	—
North Macedonia	●	●	●▲	●▲■	●■	●■	●▲■	●■	—	●■
Serbia	●	●	●	●▲	●■	●	●	●	—	●
Western Balkans										
● Published	100%	100%	83%	100%	100%	100%	100%	100%	0%	67%
❍ Produced but not publicly available	0%	0%	17%	0%	0%	0%	0%	0%	0%	0%
▲ Citizen's guides	33%	33%	50%	67%	17%	17%	33%	17%	0%	0%
■ Open data format	33%	50%	33%	67%	83%	67%	67%	67%	0%	33%
— Not produced	0%	0%	0%	0%	0%	0%	0%	0%	100%	33%
OECD										
Published	68%	97%	100%	100%	91%	65%	91%	94%	71%	53%
Produced but not publicly available	15%	0%	0%	0%	0%	6%	0%	0%	3%	12%
Citizen's guides	6%	21%	38%	50%	12%	15%	15%	21%	3%	0%
Open data format	18%	38%	74%	79%	59%	32%	74%	56%	24%	15%
Not produced	18%	3%	0%	0%	9%	29%	9%	6%	26%	35%
OECD-EU										
Published	71%	100%	100%	100%	95%	29%	86%	62%	90%	90%
Produced but not publicly available	10%	0%	0%	0%	0%	43%	10%	10%	0%	0%
Citizen's guides	5%	14%	24%	38%	5%	14%	10%	10%	0%	0%
Open data format	19%	29%	76%	76%	57%	24%	71%	52%	19%	10%
Not produced	19%	0%	0%	0%	5%	29%	5%	29%	10%	10%

Source: OECD (2019), 2019 Survey for the Western Balkans on Budget Practices and Procedures; For the OECD data, OECD (2018), OECD Budget Practices and Procedures Survey.

StatLink https://doi.org/10.1787/888934129068

As governments begin to focus on performance as the basis of budget allocation decisions, the role of public managers at the line ministry and agency level becomes increasingly relevant. Delegating authority to managers regarding the allocation of funds within their own budget envelopes could lead to more effective public spending, as agency heads may be in the best position to choose the most efficient mix of inputs to carry out the institutional mission. This is expected to lead to the adoption of more comprehensive approaches to annual and multi-annual planning. Spending flexibility can also play a major role in light of changing economic conditions and political priorities.

In Albania, North Macedonia and Kosovo, the re-allocation of funds by Ministries and Agencies is possible – although it is based on approval by the Central Budget Authority (CBA) in all cases. This is also the most common practice in OECD countries, at place in slightly more than one quarter of them. In turn, Serbian-spending units also require CBA approval, and re-allocation can only take place up to certain limits. In the case of Montenegro, re-allocation is permitted without authorisations but with a limit of 10% of the budget of each spending unit. Finally, it is worthwhile mentioning that 23% of OECD countries do not allow reallocation of funds within ministries or agencies.

A budget carry-over is the ability of line ministries to transfer unused funds or appropriations from one fiscal year to the next. This form of spending allows ministries to use previous budget appropriations for their undertakings the following fiscal year. Carry-overs are not permitted in any of the countries in the Western Balkan region regardless of the type of expenditures. This is in stark contrast to the OECD where under different modalities carry-overs are practiced for all types of expenditures. In about three quarters of OECD countries carry-overs are allowed for investment and operational spending, more than half allow them for discretionary spending while only about 40% permit them in the case of mandatory spending.

Methodology and definitions

Data were collected through the 2019 Survey for the Western Balkans on Budget Practices and Procedures. The survey was completed in 2019 in the Western Balkans – Albania, Bosnia and Herzegovina, Kosovo, Montenegro, North Macedonia and Serbia. The data for Bosnia and Herzegovina, reflects the consolidated response (unless shown individually), submitted by the State level, based on individual responses received from different levels of administration – the State level, the Entities and Brcko District. Data for OECD countries are derived from the 2018 OECD Budget Practices and Procedures Survey. Respondents were predominantly senior budget officials. Unless specified otherwise responses refer to central/federal government.

An allocation is the designation of funds in the budget to a government programme or organisation.

Discretionary spending refers to public expenditure that is governed by annual or other periodic appropriations, rather than by formulas or criteria set forth in authorising legislation. Mandatory spending refers to public expenditure that is governed by formulas or criteria set forth in authorising legislation, rather than by periodic appropriations alone. It includes certain kinds of entitlement spending in many OECD countries.

Performance information refers to metrics/indicators/general information on the input processes, outputs and outcomes of government policies/programmes/organisations, and can be ultimately used to assess the efficiency and cost effectiveness of government activities. Performance information can be found in statistics; the financial and/or operational accounts of government organisations; performance reports generated by government organisations; evaluations of policies, programmes or organisations and/or spending reviews among others. Performance information can be generated by both government and non-governmental organisations, and can be both quantitative and qualitative.

Further reading

OECD (2019), *Budgeting and Public Expenditures in OECD Countries 2019*, OECD Publishing, Paris. *https://doi.org/10.1787/9789264307957-en*

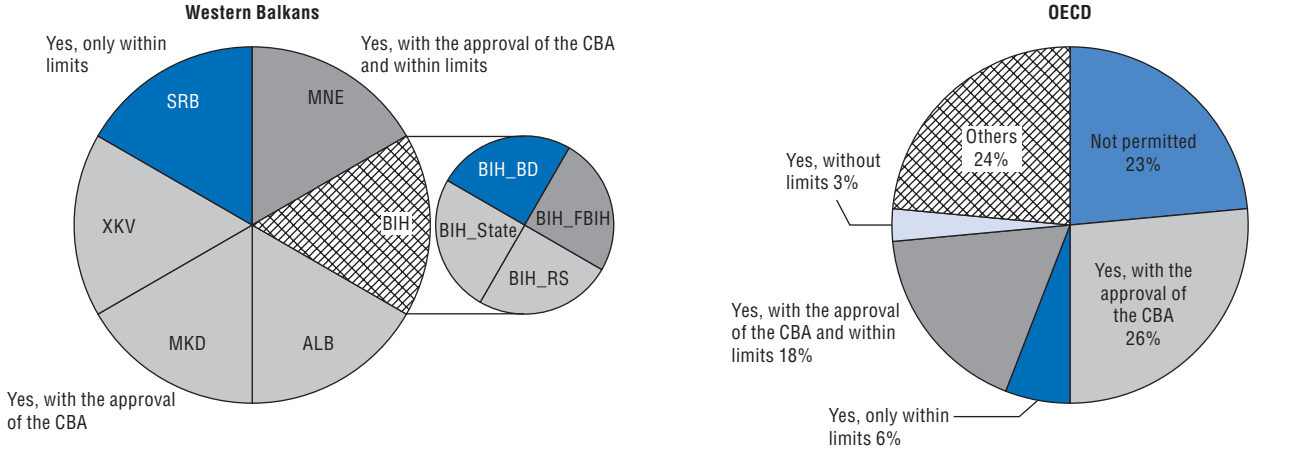
Downes, R., D. Moretti and S. Nicol (2017), "Budgeting and performance in the European Union: A review by the OECD in the context of EU budget focused on results", *OECD Journal on Budgeting*, vol. 17/1, *https://doi.org/10.1787/budget-17-5jfnx7fj38r2*.

Hadley, S., D. Kraan and B. Welham (2018), "Recent developments in the work of the Budget Office", *OECD Journal on Budgeting*, vol. 18/2, *https://doi.org/10.1787/budget-18-5j8fz1k92gvh*.

Figure notes

Data for the United States are not available.

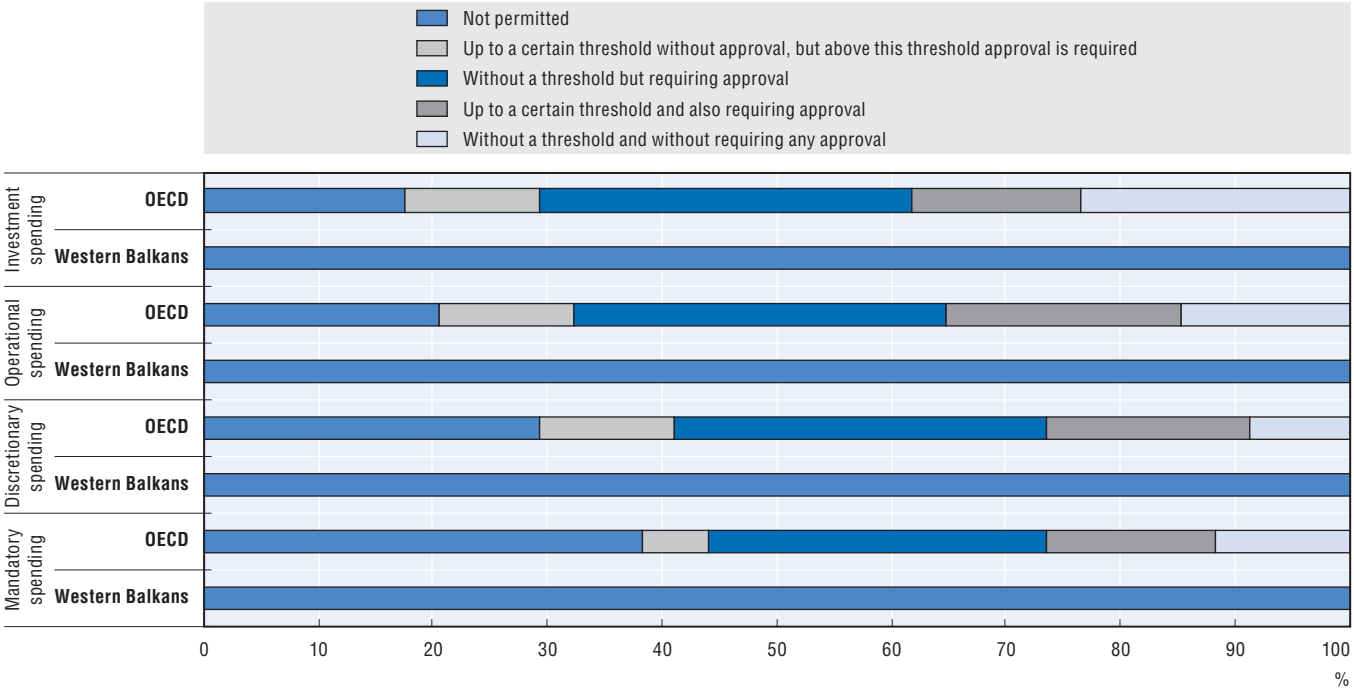
5.7. Re-allocation of funds within ministries' or agencies' own budget envelope, 2019



Source: OECD (2019), 2019 Survey for the Western Balkans on Budget Practices and Procedures; For the OECD data, OECD (2018), OECD Budget Practices and Procedures Survey.

StatLink https://doi.org/10.1787/888934129087

5.8. Carry-over of unused funds or appropriations, 2019



Source: OECD (2019), 2019 Survey for the Western Balkans on Budget Practices and Procedures; For the OECD data, OECD (2018), OECD Budget Practices and Procedures Survey.

StatLink https://doi.org/10.1787/888934129106

Accounting standards used by governments can provide differing figures, which in turn can result in varying estimates of their fiscal position. Governments use two main types of accounting basis: cash flow and accruals. Cash budgeting recognises transactions only when the related cash is received or paid. Although a cash flow basis can be manipulated to reflect a more favourable fiscal position, as revenue collection is accelerated and payments are differed, this form of accounting is essential for fiscal management and the ability of governments to easily monitor the effect of government finances in the economy.

Accrual accounting is a system of accounting in which transactions and other flows between institutional units are recognised when economic value is transferred, increased, or lost, regardless of the timing of the related cash receipts or payments. Accrual budgeting entails planning that includes revenues and expenses in the budget of the year in which the underlying economic events are expected to occur. While a budget reported in accruals could display a more accurate image of reality it requires sophisticated accounting systems and may be subject to uncertainty making it harder to put place. Almost all Western Balkans considered in this report prepare their budget on a cash basis including commitments. Albania is the only country that indicated that the budget is prepared in both cash and accruals. Only a handful of OECD countries, some of which have the most sophisticated budgeting systems in the world, prepare the budget exclusively on an accrual basis while about a third used a modified cash basis or other combined accounting method.

The budget is arguably the government's key policy document as it contains important information regarding government policies and priorities, in both the short and medium term. The budget also provides a glimpse into the country's finances, and may disclose information on governments' expectations for economic performance. Consolidating the results of the budget exercise entails receiving information from the different spending units about their execution levels. In turn, depending on their frequency, 'in-year reports' of budget execution could contribute to raising public managers' awareness of potential risks stemming from budget overruns (or the opposite) as well as informing citizens of how governments are using public resources.

Quarterly reports are the most common type of in-year reporting for different bodies in the Western Balkan region. For example, in Kosovo all government bodies are obliged to submit a report every three months. This is similar in Albania and Serbia, with the exception of state-owned enterprises (SOEs) in the former and local and regional governments in the latter. North Macedonia and Montenegro publish monthly reports for ministries and social security funds. In about 80% of OECD countries all reports are produced on a monthly basis.

Methodology and definitions

Data were collected through the 2019 Survey for the Western Balkans on Budget Practices and Procedures. The survey was completed in 2019 in the Western Balkans – Albania, Bosnia and Herzegovina, Kosovo, Montenegro, North Macedonia and Serbia. The data for Bosnia and Herzegovina, reflects the consolidated response submitted by the State level, based on individual responses received from different levels of administration – the State level, the Entities and Brcko District. Data for OECD countries are derived from the 2018 OECD Budget Practices and Procedures Survey. Respondents were predominantly senior budget officials. Unless specified otherwise, responses refer to central/federal government

A modified cash basis is a combination of cash and accrual accounting methods. In this case, the cash basis is used for short-term elements on the balance sheet, and the accrual basis is used for long-term elements.

The consolidated central government annual report is the government's main accounting document. It demonstrates government compliance with the level of expenditure and revenue authorised by congress/parliament, and is normally audited by the country's supreme audit institution. The report generally includes any in-year adjustment to the budget, comparative information with results from the previous years, a discussion of the government's financial assets and liabilities, and non-financial information such as the attainment of pre-established performance targets.

Further reading

van Helden, J. and C. Reichard (2018), "Cash or accruals for budgeting? Why some governments in Europe changed their budgeting mode and others not", OECD Journal on Budgeting, vol. 18/1, *https://doi.org/10.1787/budget-18-5j8l804pq0g8*.

C. Irwin, T. (2015), "The whole elephant: A proposal for integrating cash, accrual, and sustainability-gap accounts", *OECD Journal on Budgeting*, vol. 14/3, *https://doi.org/10.1787/budget-14-5jrw6591hns1*.

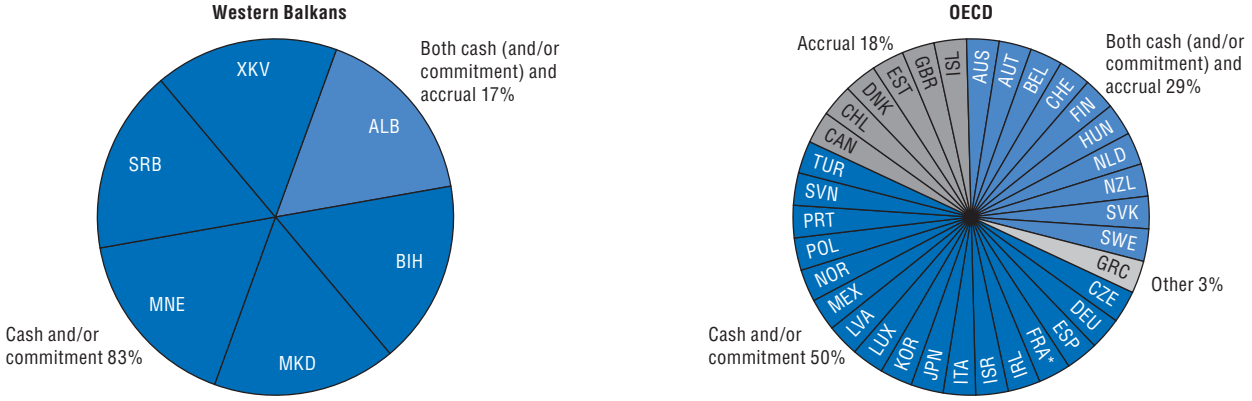
Khan, A. (2013), Accrual Budgeting: Opportunities and Challenges, Public Financial Management and its Emerging Architecture pp 339-363, International Monetary Fund. Washington D.C

Figure notes

Data for the United States are not available. On data for Israel, see *http://doi.org/10.1787/888932315602*.

5.9 In France, the State budget is prepared on cash/commitment basis, but the social security budget is prepared on an accrual basis. In Greece, the budget is prepared on a modified cash basis.

5.9. Accounting basis on which the budget is prepared, 2019

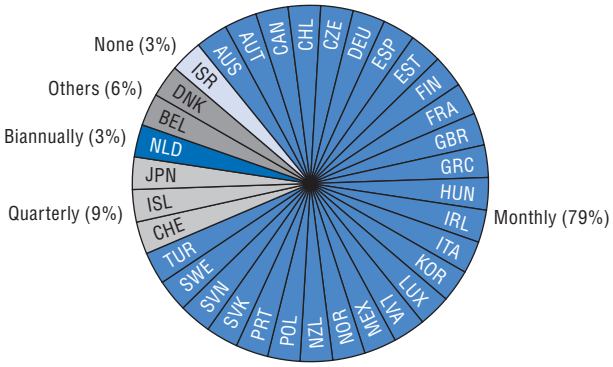


Source: OECD (2019), 2019 Survey for the Western Balkans on Budget Practices and Procedures; For the OECD data, OECD (2018), OECD Budget Practices and Procedures Survey.

StatLink https://doi.org/10.1787/888934129125

5.10. Frequency of in-year reporting of budget execution, 2019

	Ministries and other government departments	Public agencies, independent boards and commissions	Social security fund(s)	Local and regional government	SOEs
Albania	Quarterly	Quarterly	Quarterly	Quarterly	Other
Bosnia and Herzegovina	Quarterly	Quarterly	Other	Other	Other
Kosovo	Quarterly	Quarterly	Quarterly	Quarterly	Quarterly
Montenegro	Monthly	Other	Monthly	Quarterly	Other
North Macedonia	Monthly	Monthly	Monthly	Quarterly	Quarterly
Serbia	Quarterly	Quarterly	Quarterly	Other	Quarterly
Western Balkans Total					
Monthly	2	1	2	0	0
Every two months	0	0	0	0	0
Quarterly	4	4	3	4	3
Biannually	0	0	0	0	0
Others	0	1	1	2	3



Source: OECD (2019), 2019 Survey for the Western Balkans on Budget Practices and Procedures; For the OECD data, OECD (2018), OECD Budget Practices and Procedures Survey.

StatLink https://doi.org/10.1787/888934129144

Chapter 6

Human resources management

Decisions related to human resources management (HRM), including on recruitment, setting of pay or allocation of posts, can be taken by central HRM authorities or delegated to line ministries, departments or agencies and further down the line to the unit/team level. Delegating these decisions can provide flexibility to managers to adapt the working conditions in the workplace to the needs of their organisation and to the individual employees' preferences and performance. Under the appropriate general frameworks and minimum standards, this could lead to a better alignment of human resources planning and management to the strategy of the organisation. However, without some degree of central guidelines and oversight arrangements delegation could instead produce uneven pay scales and consequently pay competition among organisations, limit opportunities for government-wide strategic HR planning, create barriers to mobility inside the civil service, open the door to nepotism and political interference in staffing decisions.

The composite index presented here summarises the extent of delegation of HRM practices to line ministries in central government of the Western Balkan region. The 0 value of the index represents no delegation of decision-making in HRM to line ministries/agencies, while 1 denotes the opposite: high level of delegation. Neither of these extremes happen in any countries where data have been collected by the OECD, rather a mix of central rule-setting and delegated implementation to various degrees are commonplace. Where the pendulum stops in each country depends on historical and cultural traditions and current development challenges of the states, as well as the extent of public sector reforms.

Results show that there is little variation across the area, and that the Western Balkans on average are somewhat more centralised in the HRM decision making with an index value of 0.56 than both the OECD and the OECD–EU countries – with similar average values of 0.64. This general difference between the values for the Western Balkans and OECD countries could be explained by the fact that countries and economies in the Western Balkan region are small in comparison to OECD countries, there are shortages of HRM professionals in government, and perhaps because of efforts to prevent politicisation and nepotism, which are key challenges in the Western Balkan region. Besides, countries with advanced levels of managerial accountability as a result of long-standing tradition (such as Sweden) can afford more delegation (decentralisation). North Macedonia (0.64) and Serbia (0.63) delegate more extensively, being closest to the OECD and the OECD-EU averages, while Albania delegates the least (0.49). The setting up of performance appraisal systems, the decisions on the number and the allocation of posts within an organisation and on the variable portion of pay are most often shared between the central HRM body and the line ministries. The latter is the only HRM function in the region that in one country (Serbia) is fully delegated to the line ministries.

In Albania, the country that delegates the least, allocation of the budget envelope is the responsibility of the Ministry of Finance, while recruitment and the setting up of the performance appraisal system is the sole responsibility of the central HRM body and only in the case of flexibility of working conditions have line ministries some say in decision-making beside the central HRM.

In Serbia – one of the countries that delegates the most – only the general management of the pay system and the setting up of the performance appraisal system are completely centralised; recruitment into the civil service and the decisions related to the flexibility of working conditions are the responsibility of the HRM body with some latitude for ministries, while the allocation of posts and the budget envelope between payroll and other expenses are shared between the central HRM body and the line ministries. In North Macedonia only recruitment in the civil service is completely centralised, in all other HRM decisions either there is some latitude for line ministries (performance appraisals, flexibility of working conditions) or the decisions are shared between the central HRM body and the line ministries.

Methodology and definitions

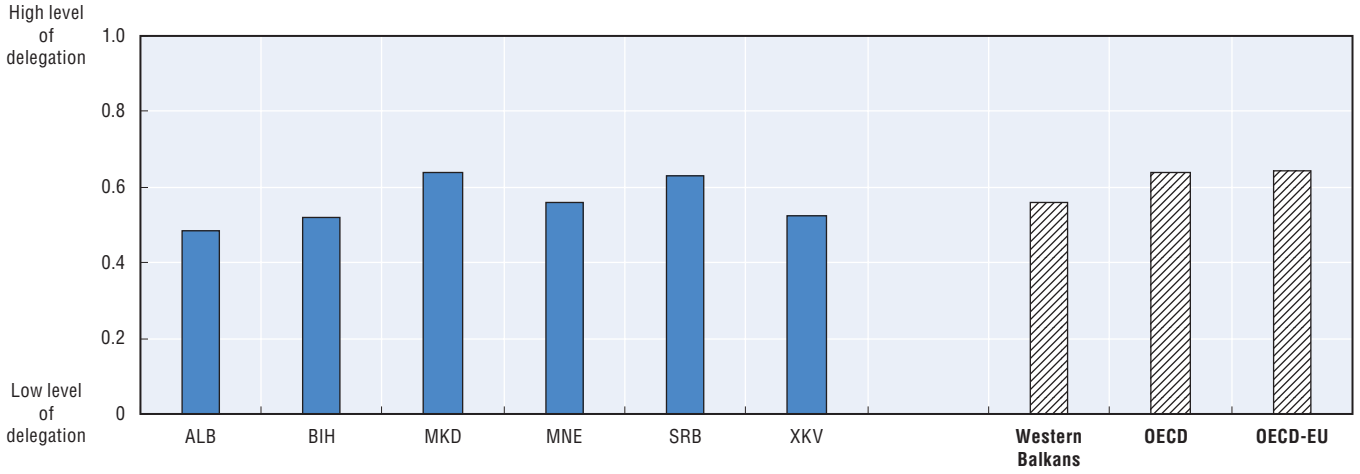
Data were collected through the 2019 Survey for the Western Balkans on Strategic Human Resources Management in Central/Federal Government. The survey was completed in 2019 in the Western Balkans – Albania, Bosnia and Herzegovina, Kosovo, Montenegro, North Macedonia and Serbia -, and in 2016 by the OECD countries.

The index on delegation of HRM practices is composed of the following variables: the existence of a central HRM body, and the role of line ministries in determining the number and types of posts within organisations; the allocation of the budget envelope between payroll and other expenses; staff compensation levels; position classification, recruitment and dismissals; and working conditions. The index ranges from 0 (no delegation) to 1 (high level of delegation). See Annex A for further details on the methodology and factors used in constructing the index.

Further reading

Klaas, K., L. Marcinkowski and M. Lazarević (2018), "Managerial accountability in the Western Balkans: A comparative analysis of the barriers and opportunities faced by senior managers in delivering policy objectives", *SIGMA Papers*, No. 58, OECD Publishing, Paris, *https://doi.org/10.1787/88be2112-en*.

6.1. Extent of delegation of human resources management practices in line ministries in central government, 2019



Source: OECD (2019), 2019 Survey for the Western Balkans on Strategic Human Resources Management in Central/Federal Government; For the OECD average and the OECD-EU average, OECD (2016), Strategic Human Resources Management Survey.

StatLink https://doi.org/10.1787/888934129163

6.2. Delegation of key HRM responsibilities to line ministries in central government, 2019

	Number and types of posts within organisations	Recruitment into the civil service	General management of pay systems	Allocation of budget envelope between payroll and other expenses	Performance appraisal systems	Management of the variable portion of pay benefits: performance-related pay	Flexibility of working conditions
Albania	●—	●	—	●	●	—	◘
Bosnia and Herzegovina	●◘▲	●◘	●▲	●	●◘	●▲	◘
Kosovo	●▲—	●	●▲	●▲	●◘	●▲	◘
Montenegro	●▲	●	●	●▲	●	▲	◘
North Macedonia	●▲	◘	●	●	●	●▲	◘
Serbia	●▲	●◘	●	●▲	●	▲	●◘
Western Balkans							
● Central HRM body / Ministry of Finance	100%	83%	83%	100%	100%	50%	17%
◘ Central HRM body but with some latitude for ministries/agencies	17%	50%	0%	0%	33%	0%	100%
▲ Ministries/agencies	83%	0%	33%	50%	0%	83%	0%
☐ Unit/team level	0%	0%	0%	0%	0%	0%	0%
— Other	33%	0%	17%	0%	0%	17%	0%
OECD							
● Central HRM body / Ministry of Finance	31%	19%	56%	53%	44%	19%	42%
◘ Central HRM body but with some latitude for ministries/agencies	14%	19%	17%	6%	22%	14%	19%
▲ Ministries/agencies	67%	72%	33%	56%	50%	58%	64%
☐ Unit/team level	0%	22%	0%	0%	11%	11%	11%
— Other / not applicable	6%	0%	3%	3%	8%	6%	8%
OECD-EU							
● Central HRM body / Ministry of Finance	32%	23%	55%	55%	55%	9%	45%
◘ Central HRM body but with some latitude for ministries/agencies	14%	14%	14%	5%	18%	9%	18%
▲ Ministries/agencies	73%	77%	36%	59%	41%	55%	64%
☐ Unit/team level	0%	14%	0%	0%	14%	9%	14%
— Other / not applicable	5%	0%	5%	5%	5%	9%	9%

Source: OECD (2019), 2019 Survey for the Western Balkans on Strategic Human Resources Management in Central/Federal Government; For the OECD average and the OECD-EU average, OECD (2016), Strategic Human Resources Management Survey.

StatLink https://doi.org/10.1787/888934129182

Senior civil servants (SCS) occupy the highest positions in the civil service and are situated at the critical meeting point between the political level and the bureaucracy. The performance of governments is to a great extent influenced by the quality and the capacity of senior civil servants. SCS are expected to show strong leadership qualities, have far-reaching institutional knowledge and experience on how the civil service works, be politically sensitive, have a deep understanding of the needs of the citizens that they serve and be effective managers capable of leading high-performing public sector organisations.

In recognition of the central role played by senior civil servants, in most OECD countries, they are identified as a specific group and are managed under separate human resources management policies. The composite indicator shows the extent to which separate HRM practices are applied to the SCS in the Western Balkan region. The value of the index ranges between 0 where HRM practices are not differentiated for the SCS to 1 where they are highly differentiated.

Overall, in the region, the HRM practices of the senior civil service are less differentiated, with an average value of 0.34, compared to the OECD average of 0.55 and the OECD-EU average of 0.54. Serbia uses the most differentiated practices for the SCS surpassing both the OECD countries' and the OECD-EU countries' averages (0.6). However, in Serbia, in practice the application of these specific procedures is limited due to the fact that a large number of positions are occupied by "acting" senior civil servants.

Three countries in the region – Albania, Montenegro and Serbia – use a separate skills profile for the SCS, while also three Western Balkans – Albania, Kosovo and Serbia – apply a more centralised recruitment process for them. In North Macedonia, the top officials in ministries (secretary-generals) are currently appointed by the minister from existing civil servants of the highest category, without any formal use of competency/skills profile. Montenegro is the only country in which the SCS have higher performance pay than other civil servants while none of the countries identify SCS early in their careers. Overall, the Western Balkan region put much less emphasis on the performance management of their senior civil servants than OECD-EU countries. It happens only in Serbia, while it is common practice in OECD-EU countries (64% using it).

Given the special role that the SCS plays in government and in the development of society, selecting highly skilled senior civil servants and creating the adequate conditions and the motivation for them to do their best need to be an area for HRM reform in the region.

Methodology and definitions

Data were collected through the 2019 Survey for the Western Balkans on Strategic Human Resources Management in Central/Federal Government. The survey was completed in 2019 in the Western Balkans – Albania, Bosnia and Herzegovina, Kosovo, Montenegro, North Macedonia and Serbia, and in 2016 by all OECD countries.

Senior managers are defined as D1 and D2 managers, alternatively referred to as "senior civil servants" or "top managers". The word "senior" denotes rank, and is not a reference to age or seniority in terms of length career or tenure. The D1 and D2 managers for which data are presented are adapted from the International Standard classification of occupations (ISCO-08) developed by the International Labour Organisation. For detailed definitions of each levels, see Annex B.

The index on senior civil service is composed of the following variables: the existence of a separate group of SCS; the existence of policies for early identification of potential SCS; the use of centrally defined skills profiles for SCS; and the use of separate recruitment, performance management and performance-pay practices for SCS. The index ranges from between 0 (HRM practices not differentiated by SCS) and 1 (HRM practices highly differentiated for SCS). The index is not an indicator of how well SCS are managed or how they perform. See Annex A for further details on the methodology and factors used in constructing the index.

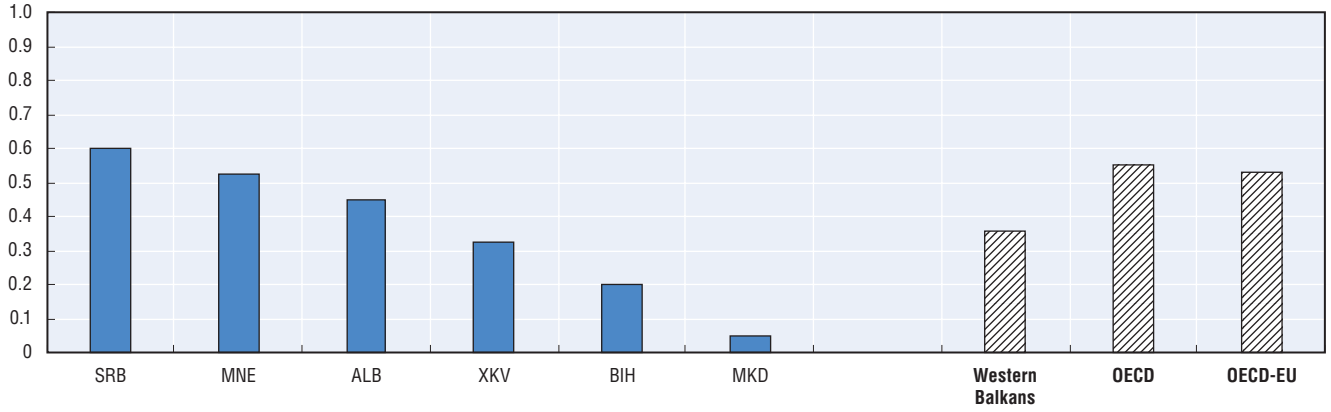
Further reading

OECD (2019), *Recommendation of the Council on Public Service Leadership and Capability*, *https://legalinstruments.oecd.org/en/instruments/OECD-LEGAL-0445*.

OECD (2016), *Engaging Public Employees for a High-Performing Civil Service*, *OECD Public Governance Reviews*, OECD Publishing, Paris, *https://doi.org/10.1787/9789264267190-en*.

Uudelepp, A., et al. (2018), "Analysis of the Professionalisation of the Senior Civil Service and the Way Forward for the Western Balkans", *SIGMA Papers*, No. 55, OECD Publishing, Paris, *https://doi.org/10.1787/8535b60b-en*.

6.3. Extent to which separate human resources management practices are used for SCS in central government, 2019



Source: OECD (2019), 2019 Survey for the Western Balkans on Strategic Human Resources Management in Central/Federal Government; For the OECD average and the OECD-EU average, OECD (2016), Strategic Human Resources Management Survey.

StatLink https://doi.org/10.1787/888934129201

6.4. Extent to which separate human resources management practices are used for SCS in central government – individual values, 2019

	There is a group of staff widely understood to be the "senior management"	Policies are in place to identify potential senior managers early on in their careers	There exist centrally defined skills profile for senior managers	Senior managers are recruited with a more centralised process	More emphasis is put into the management of senior managers' performance	The part of their pay that is performance-related is higher for senior managers
Albania	●	❍	●	●	❍	❍
Bosnia and Herzegovina	●	❍	❍	❍	❍	❍
Kosovo	●	❍	❍	●	❍	❍
Montenegro	●	❍	●	❍	❍	●
North Macedonia	❍	❍	❍	❍	❍	❍
Serbia	●	❍	●	●	●	❍
Western Balkans						
● Yes	83%	0%	50%	50%	17%	17%
❍ No	17%	100%	50%	50%	83%	83%
OECD						
● Yes	94%	31%	69%	61%	67%	33%
❍ No	6%	69%	31%	39%	33%	67%
OECD-EU						
● Yes	91%	24%	64%	64%	64%	27%
❍ No	9%	76%	36%	36%	36%	73%

Source: OECD (2019), 2019 Survey for the Western Balkans on Strategic Human Resources Management in Central/Federal Government; For the OECD average and the OECD-EU average, OECD (2016), Strategic Human Resources Management Survey.

StatLink https://doi.org/10.1787/888934129220

The civil service – together with the whole economy – experiences rapid changes in the type of work it carries out and, more significantly, how that work is executed. This often requires employees with new skills that can be achieved either through the recruitment of people with those new skills, the training and development of existing employees and the application of mobility schemes inside the civil service or the broader public service. Traditionally the civil service applied a career-based model of human resources management with recruitment at the entry level – often with the use of rigorous exams and other selection processes – and the development of civil servants through specific training. With the advent of New Public Management, the new skills requirements and the long periods of training needed to acquire some of those new skills led to the expansion of position-based hiring, especially for in-demand and hard-to-fill occupations, e.g. IT professionals, data scientists, etc. In many OECD countries it became the dominant system.

Unfortunately when budget cuts are needed, such as during the recent period of austerity in OECD countries, often the training budget is one of the first line items to be cut (OECD, 2016). Nevertheless, strategic and targeted learning and development investments are essential for the public service to keep up with rapid technological changes and the growing demand of citizens for quality public services. Learning and development opportunities are also key to attract people to the civil service and motivate them to be high-performing civil servants.

In the Western Balkan region, all those responded to the survey indicated to have a civil service-wide training strategy, while among the OECD countries only 63% developed those and the OECD-EU countries 64%. Four Western Balkans – Albania, Kosovo, North Macedonia and Serbia – have translated the civil service-wide strategy into organisational learning plans and also in four – Albania, Bosnia and Herzegovina, Kosovo and North Macedonia – civil servants are required to develop individual learning plans. In the OECD and the OECD–EU countries organisational learning plans are significantly more prevalent with 71% and 68% of countries having those plans, while individual learning plans are required in 51% and 50% of countries.

Looking across the region at priorities with regard to training and competency development, two leading areas are: 1) the whole of government training strategy (in all except Bosnia and Herzegovina); and 2) monitoring and evaluation of training investment (Albania, Bosnia and Herzegovina, Kosovo and Northern Macedonia). These two areas have a much higher priority in the region than in the OECD and the OECD–EU. Conversely, executive leadership training and coaching, and online course development were of slightly less importance in the region than in the OECD and OECD-EU ones. IT and digital skills training is included in the top priorities only in Bosnia and Herzegovina, below the OECD (50%) and OECD-EU countries (57%).

Methodology and definitions

Data were collected through the 2019 Survey for the Western Balkans on Strategic Human Resources Management in Central/Federal Government. The survey was completed in 2019 in the Western Balkans – Albania, Bosnia and Herzegovina, Kosovo, Montenegro, North Macedonia and Serbia, and in 2016 by 36 OECD countries.

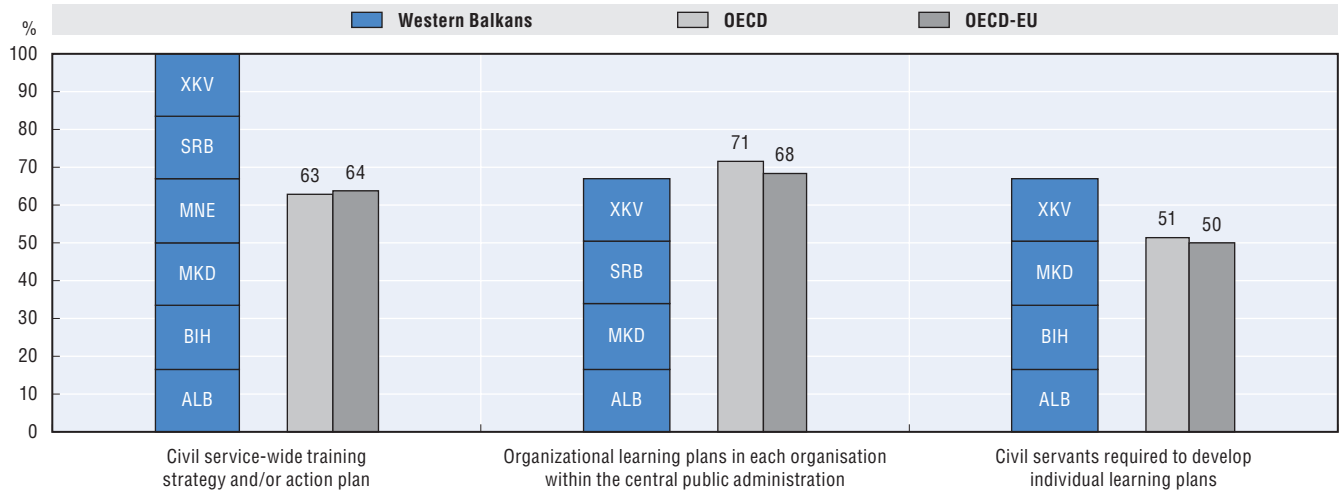
Further reading

OECD (2019), *Recommendation of the Council on Public Service Leadership and Capability*, *https://legalinstruments.oecd.org/en/instruments/OECD-LEGAL-0445*.

OECD (2017), *Skills for a High Performing Civil Service, OECD Public Governance Reviews*, OECD Publishing, Paris, *https://doi.org/10.1787/9789264280724-en*.

OECD (2016), *Engaging Public Employees for a High-Performing Civil Service*, OECD Public Governance Reviews, OECD Publishing, Paris, *https://doi.org/10.1787/9789264267190-en*.

6.5. Learning and development initiatives in central administrations, 2019



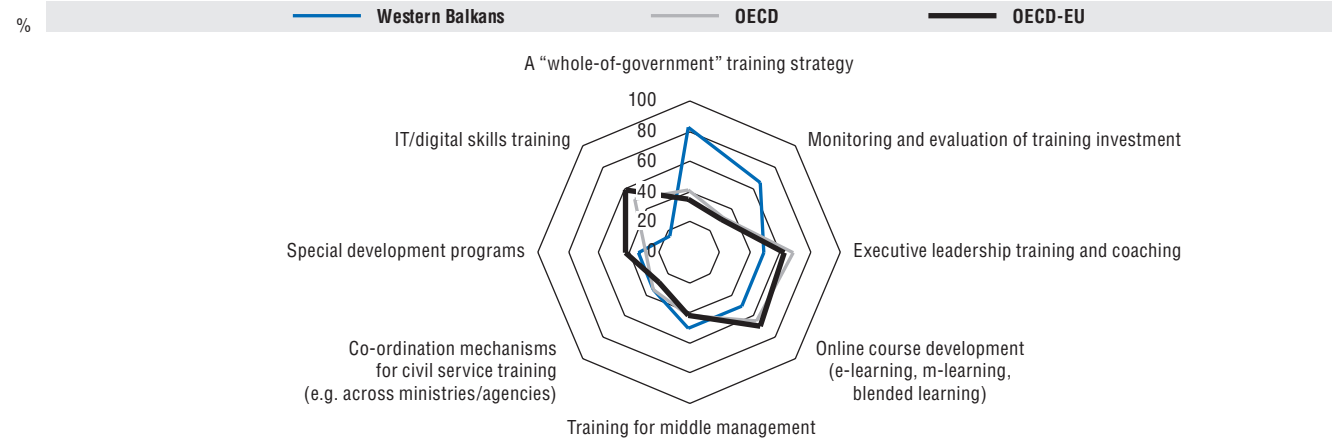
Source: OECD (2019), 2019 Survey for the Western Balkans on Strategic Human Resources Management in Central/Federal Government; For the OECD average and the OECD-EU average, OECD (2019), Strategic Human Resources Management Survey.

StatLink https://doi.org/10.1787/888934129239

6.6. Training priorities in central administrations, 2019

	A "whole-of-government" training strategy	Monitoring and evaluation of training investment	Executive leadership training and coaching	Online course development (e-learning, m-learning, blended learning)	Training for middle management	Co-ordination mechanisms for civil service training (e.g. across ministries/ agencies)	Special development programs	IT/digital skills training
Albania	●	●	●	❍	●	●	❍	❍
Bosnia and Herzegovina	❍	●	●	❍	❍	●	❍	●
Kosovo	●	●	❍	●	●	❍	❍	❍
Montenegro	●	❍	❍	❍	●	❍	●	❍
North Macedonia	●	●	●	●	❍	❍	❍	❍
Serbia	●	❍	❍	●	❍	❍	●	❍

● Yes
❍ No



Source: OECD (2019), 2019 Survey for the Western Balkans on Strategic Human Resources Management in Central/Federal Government; For the OECD average and the OECD-EU average, OECD (2019), Strategic Human Resources Management Survey.

StatLink https://doi.org/10.1787/888934129258

Chapter 7

Public procurement

Public procurement refers to the whole process from identifying what is needed, finding the best supplier, to ensuring the best quality product or service is delivered to the right place, at the right time and at the best price. Of course, the process must be carried out in a fair and transparent manner. Governments spend a large sum of money through public procurement to carry out their daily functions and deliver their mandates. As such, public procurement represents an important economic activity and a strategic lever to achieve economic, social and environmental policy goals. Yet, its economic significance as well as the close interaction between multiple actors, especially between the private and the public sectors, make it a government activity that is particularly susceptible to waste, misuse and corruption.

In 2018, spending on public procurement represented about one quarter of total government expenditures in the Western Balkan region (24%). This number ranged from 16% in North Macedonia to 37% in Kosovo. Compared to 2011, this share has significantly decreased in Kosovo (-12.1 p.p.) and North Macedonia (-7.7 p.p.), whereas slight increase was observed in Albania (+1.9 p.p.) and Bosnia and Herzegovina (+0.5 p.p.). The Western Balkans face challenges to ensuring value-for-money in their procurement spending as this in turn has significant implications on budgets. Indeed, a balance must be struck between revenue and expenditures while ensuring that quality public services are provided to citizens. As such, public procurement continues to be one of the key areas of public administration reforms in the Western Balkan region.

The size of public procurement in terms of GDP reflects the economic significance of this strategic governance tool. In 2018, the region spent approximately 8% of GDP on public procurement. The largest share was spent on public procurement in Kosovo (11%) and the smallest in North Macedonia (4.9%). This share has decreased since 2011 except for in Albania. Governments are under increasing pressure from citizens to use this large sum in an efficient way for a more effective delivery of services while mitigating and managing the risks of corruption and integrity breaches. Public procurement is a governance area with strict rules and heavy control. Governments continue to exert efforts to pursue efficiency gains and value-for-money while upholding good governance principles and rules through effective control.

Methodology and definitions

The size of general government procurement spending is estimated using data from the IMF Government Finance Statistics (IMF GFS) database which applies the concepts set out in the Government Finance Statistics Manual (GFSM). The GFSM provides a comprehensive conceptual and accounting framework suitable for analysing and evaluating fiscal policy. It is harmonised with the other macroeconomic statistical frameworks, such as the System of National Accounts (SNA). However, some differences exist between the GFSM and the SNA frameworks in several occurrences which led to the establishment, to a large extent, of correspondence criteria between the two statistical systems.

General government procurement includes intermediate consumption (goods and services purchased by governments for their own use, such as information technology services) and gross fixed capital formation (acquisition of capital excluding sales of fixed assets, such as building new roads). Costs of goods and services financed by general government, also part of government procurement, were not included in this indicator because they are not accounted for separately in the IMF GFS database. For this reason, the figures in this two-pager are not compared to the OECD data on general government procurement spending which is based on the SNA framework. Public corporations were excluded in the estimation of procurement spending.

Further reading

European Court of Auditors (2018), "Public Procurement in Western Balkans", *www.eca.europa.eu/other%20publications/synthesis_w_balkans/synthesis_w_balkans_en.pdf*

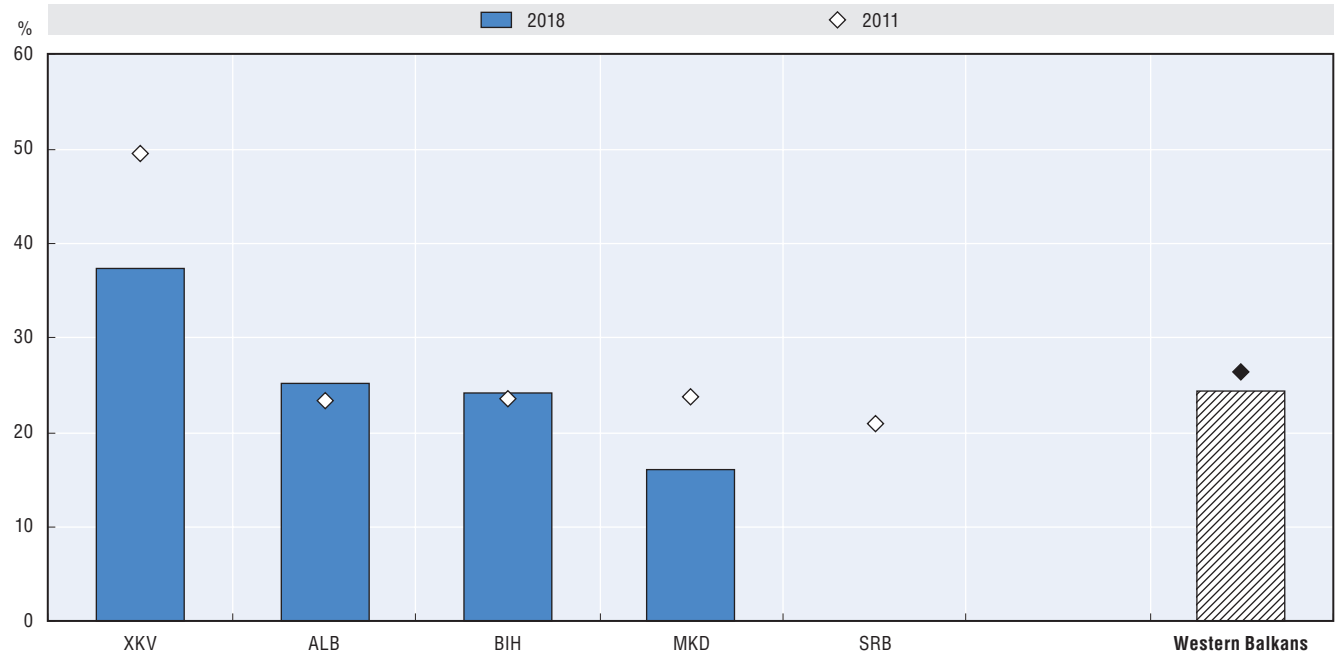
OECD (2019), *Reforming Public Procurement: Progress in Implementing the 2015 OECD Recommendation*, OECD Public Governance Reviews, OECD Publishing, Paris, *https://doi.org/10.1787/1de41738-en*

OECD (2015), Recommendation of the Council on Public Procurement, *https://legalinstruments.oecd.org/en/instruments/OECD-LEGAL-0411*

Figure notes

Data for Kosovo, North Macedonia and Serbia are recorded on a cash basis. Data for Montenegro are not available. Data for North Macedonia refer to 2013 rather than 2011. Data for Serbia are not included in the Western Balkan average because of missing time-series.

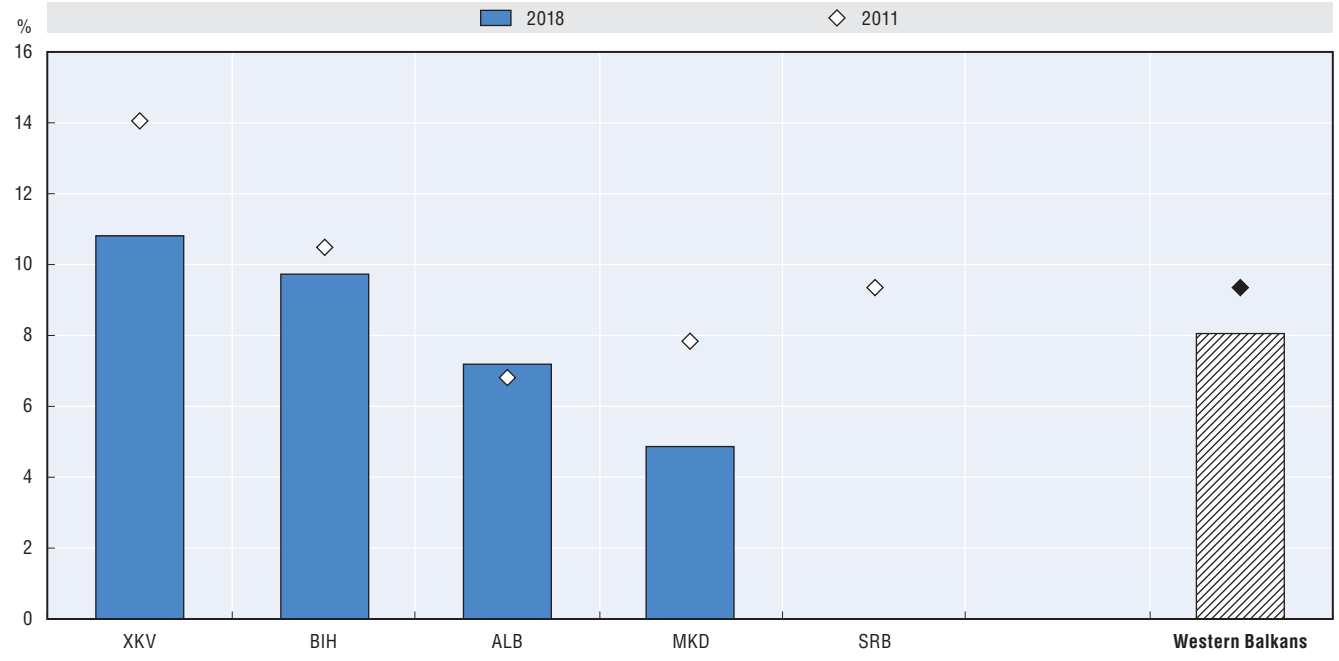
7.1. Government procurement spending as a share of total government expenditures, 2011 and 2018



Source: IMF Government Finance Statistics (IMF GFS) database.

StatLink https://doi.org/10.1787/888934129277

7.2. Government procurement spending as a percentage of GDP, 2011 and 2018



Source: IMF Government Finance Statistics (IMF GFS) database.

StatLink https://doi.org/10.1787/888934129296

Public procurement can play an important role as a strategic policy lever to advance diverse policy objectives – such as protecting the environment, promoting sustainable development, achieving more inclusive growth, and promoting ethical behaviour and responsible business conduct. While delivering goods and services necessary to accomplish their missions in a timely, economic and efficient manner remains the primary objective of public procurement, government increasingly recognises its economic and governance relevance to pursue broader policy objectives.

In 2019, most of the countries in the Western Balkan region have developed some policies and strategies to support the strategic use of public procurement. In particular, a grand majority of them have procurement strategies and policies supporting small and medium-sized enterprises (SMEs). Only North Macedonia has not yet developed any formal strategy in this area, however some instruments to support participation of SMEs are implemented. In particular, the public procurement regulatory frameworks of the Western Balkans include provisions related to facilitating SMEs' access to procurement opportunities of governments through simplifying contract award procedures, reducing administrative red tape, and providing training and consultation. In OECD countries, supporting SMEs is also a key policy objective addressed through public procurement – 94% of the countries surveyed have policies and strategies addressing this issue at the central level and/or at the level of specific procuring entities.

In contrast, the Western Balkans less commonly have policies and strategies addressing the strategic use of public procurement to support green procurement (Montenegro and Serbia), innovative goods and services (Montenegro and Serbia), women-owned businesses (Albania and Serbia), and responsible business conduct (Montenegro and Serbia). Except for women-owned businesses, more OECD countries address and reflect these policy objectives in public procurement frameworks. For instance, in terms of green public procurement, many OECD governments have in place specific legislative provisions to require contracting authorities to take into consideration energy efficiency, environmental considerations and life-cycle costs in procurement. In fact, the Strategy for the Development of the Public Procurement System in Montenegro 2016-2020 foresees integration of considerations on environmental impact, quality, innovation, etc. into the concept of best value for money in public procurement, and these developments would continue to be included in the forthcoming strategy for the next period. Yet, the sole criterion for awarding contracts is often the lowest price, which is detrimental to public procurement. Non-arbitrary, efficient and effective integration of such non-price considerations into public procurement processes would require not only enabling legal and regulatory frameworks but also reinforced capacity of the public procurement practitioners.

At the same time, the governments in the Western Balkan region need to exert more effort when it comes to measuring and monitoring the progress made in implementing these policies and strategies. Only Montenegro reported that it measures the results of strategies on green procurement; supporting SMEs in procurement; as well as integration of RBC considerations in public procurement. In comparison, three-fourths and two-thirds of OECD countries collect data on and monitor the implementation of the policies and strategies on green public procurement and SMEs support, respectively. Indeed, much fewer countries do so in relation to innovation, women-owned businesses and RBC.

Methodology and definitions

Data for the Western Balkans – Albania, Bosnia and Herzegovina, Kosovo, Montenegro, North Macedonia and Serbia – were collected through the 2019 Survey for the Western Balkans on Public Procurement. Data for the OECD countries were collected through the 2018 OECD Survey on the Implementation of the 2015 OECD Recommendations on Public Procurement to which 31 countries responded.

The European Commission defines green public procurement as "a process whereby public authorities seek to procure goods, services and works with a reduced environmental impact throughout their life cycle when compared to goods, services and works with the same primary function that would otherwise be procured."

Responsible business conduct refers to business contributing positively to economic, environmental and social progress to achieve sustainable development, and avoiding and addressing adverse impacts – whether from their own activities or through a business relationship – in the value chain.

Further reading

OECD (2019), *Reforming Public Procurement: Progress in Implementing the 2015 OECD Recommendation*, OECD Public Governance Reviews, OECD Publishing, Paris, *https://doi.org/10.1787/1de41738-en*

OECD (2015), Recommendation of the Council on Public Procurement, *https://legalinstruments.oecd.org/en/instruments/OECD-LEGAL-0411*

Figure notes

Data for the Czech Republic, Luxembourg, Switzerland, the United Kingdom, and the United States are not available. On data for Israel, see *http://doi.org/10.1787/888932315602*

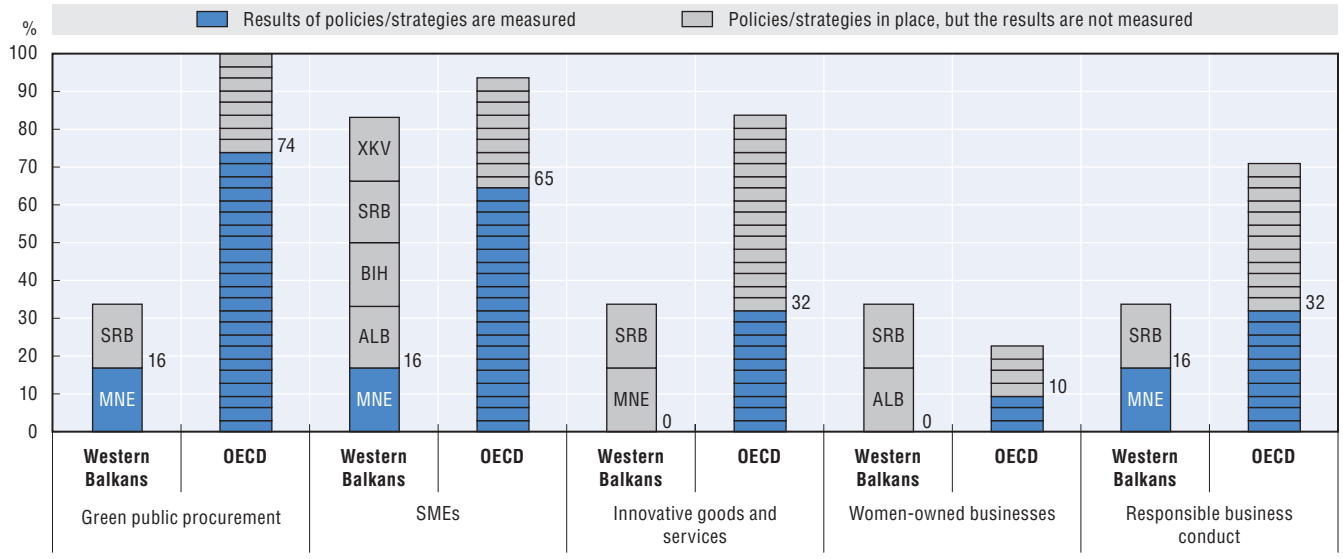
7.3. Development of policies and/or strategies to support strategic public procurement, 2019

	Green public procurement	Supporting SMEs	Procuring innovative goods and services	Supporting women-owned businesses	Promoting responsible business conduct
Albania	❍	●	❍	●	❍
Bosnia and Herzegovina	❍	●	❍	❍	❍
Kosovo	❍	●	❍	❍	❍
Montenegro	●	●	●	❍	●
North Macedonia	❍	❍	❍	❍	❍
Serbia	●	●	●	●	●
Western Balkans Total					
● Policy/strategy developed at the central level	2	5	2	2	2
▲ Specific procuring entity(ies) has(-ve) policy/strategy	0	0	0	0	0
❍ There is no policy/strategy	4	1	4	4	4
OECD Total					
Policy/strategy developed at the central level	28	24	22	6	18
Specific procuring entity(ies) has(-ve) policy/strategy	10	8	8	1	8
There is no policy/strategy	0	2	5	24	9

Source: For the data on the Western Balkans, OECD (2019), 2019 Survey for the Western Balkans on Public Procurement; For the OECD data, OECD (2018), 2018 OECD Survey on the Implementation of the 2015 OECD Recommendations on Public Procurement

StatLink https://doi.org/10.1787/888934129315

7.4. Measuring of the results of strategic public procurement, 2019



Source: For the data on the Western Balkans, OECD (2019), 2019 Survey for the Western Balkans on Public Procurement; For the OECD data, OECD (2018), 2018 OECD Survey on the Implementation of the 2015 OECD Recommendations on Public Procurement

StatLink https://doi.org/10.1787/888934129334

Ensuring fair and effective competition is a key element of public procurement system that functions soundly. To this end, potential supplies of all sizes should have access to procurement opportunities, i.e., a level playing field must be provided. However, specific challenges linked to public procurement – such as slow payment cycle, the complexity of the rules and procedures, excessive technical and financial requirements, myriad documents required – discourage certain groups of suppliers from participating in public procurement markets. These challenges are often considered to limit the access, in particular, of smaller businesses to procurement opportunities with governments.

The Western Balkans have adopted various approaches to facilitate suppliers' participation in public procurement – ranging from specific legal and regulatory provisions to those measures to reinforce the capacity of contracting authorities and suppliers. In fact, all of them allow procurement contracts to be divided into lots. In particular, dividing large and heterogeneous contracts into lots in an effective manner could allow businesses with relatively low capacity to participate in tenders, thus increasing competition. However, whereas in many OECD countries, especially the EU members, the division into lots is mandatory (when not divided, justification needs to be provided), it remains largely optional in the Western Balkan region. Some exceptions could be found in North Macedonia and Serbia where their laws on public procurement contain the provision on the mandatory division into lots in line with the EU public procurement directives. In addition, the public procurement regulatory frameworks in the region include a number of provisions to facilitate SME participation including limits on the minimum economic and financial requirements and on tender and performance securities.

Furthermore, in order to support the implementation of policies and various measures, Western Balkan governments also organise training and workshops (67%), and these trainings are supported through donor contributions to the region. Participation in the public procurement market requires not only information on procurement opportunities but also technical and legal knowledge. In this light, suppliers can benefit from capacity-building exercises that reflect their needs and capacity gaps.

The main challenges to fair access – especially inefficient and inappropriate tender design and choice of procedures, and size of contracts – imply weak assessment of the needs and of the market structure. Constant and regular engagement with stakeholders is central to close the information gap between the public and the private sectors and shape mutual understanding of the government's needs and the market. At the same time, these engagements should be designed and organised in a way that does not favour certain groups of suppliers and mitigates the risk of corruption, collusion, etc. OECD countries commonly organise dialogues between contracting authorities with suppliers and/or business associations on a regular basis. However, only North Macedonia in the Western Balkans region reports to hold regular dialogues with the private sector. In particular, the Public Procurement Bureau of North Macedonia held an "Open door day" where any economic operator or contracting authority who wished to participate came together to discuss their experiences with the public procurement system. While market research and stakeholder engagement in general remain weak in the region, some developments on private sector consultation should be noted. For instance, Serbia is engaging with the private sector on important developments of the public procurement system through discussions, events and workshops.

Methodology and definitions

Data for the Western Balkans – Albania, Bosnia and Herzegovina, Kosovo, Montenegro, North Macedonia and Serbia – were collected through the 2019 Survey for the Western Balkans on Public Procurement. Data for the OECD countries were collected through the 2018 OECD Survey on the Implementation of the 2015 OECD Recommendations on Public Procurement to which 31 countries responded, as well as 2016 OECD Survey on Public Procurement to which thirty countries responded.

Further reading

OECD/ETF/EU/EBRD (2019), *SME Policy Index: Western Balkans and Turkey 2019: Assessing the Implementation of the Small Business Act for Europe*, SME Policy Index, OECD Publishing, Paris. *https://doi.org/10.1787/g2g9fa9a-en*

OECD (2018), *SMEs in Public Procurement: Practices and Strategies for Shared Benefits*, OECD Public Governance Reviews, OECD Publishing, Paris, *https://doi.org/10.1787/9789264307476-en*.

Figure notes

Data for the Czech Republic, Luxembourg, Switzerland, the United Kingdom, and the United States are not available. On data for Israel, see *http://doi.org/10.1787/888932315602*

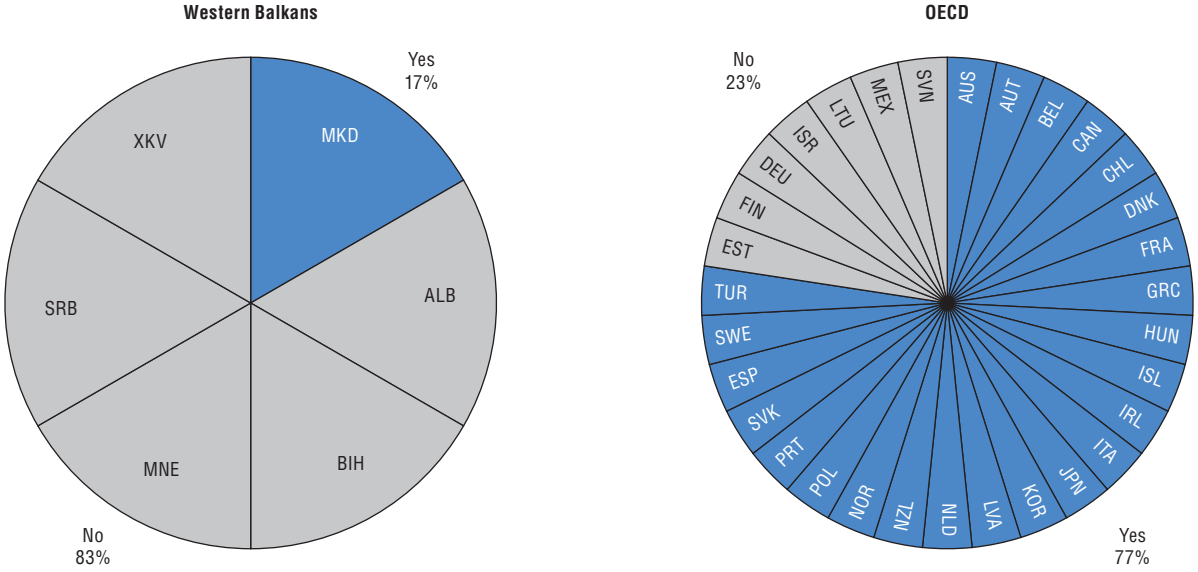
7.5. Approaches in place to support participation of SMEs in public procurement, 2019



Source: For the data on the Western Balkans, OECD (2019), 2019 Survey for the Western Balkans on Public Procurement; For the OECD data, OECD (2016), Survey on Public Procurement.

StatLink https://doi.org/10.1787/888934129353

7.6. Regular dialogues with the private sector, 2019



Source: For the data on the Western Balkans, OECD (2019), 2019 Survey for the Western Balkans on Public Procurement; For the OECD data, OECD (2018), 2018 OECD Survey on the Implementation of the 2015 OECD Recommendations on Public Procurement

StatLink https://doi.org/10.1787/888934129372

Increasing efficiency and delivering value-for-money in the use of public funds is a key objective of public procurement. Strategic centralisation of procurement needs could generate numerous benefits to this end – including better prices through economies of scale, lower transaction costs and improved capacity and expertise. As such, central purchasing bodies (CPBs) have been established in order to reap the benefits of strategic centralisation. Depending on the countries, CPBs' functions range widely, including acquiring goods or services; awarding public contracts for works, goods or services; and/or concluding framework agreements (FAs) for works, goods or services – intended for one or more contracting authorities (CAs).

In 2019, all Western Balkans except for Bosnia and Herzegovina reported that they organise centralised purchasing through CPBs. This is similar to the trends in OECD countries where an increasing number of governments also establish CPBs to aggregate procurement needs and to achieve better value for money. The different organisation of CPBs in each country could reflect the differences in the systems of public administration as well as the structures for the provision of public services. In Kosovo and North Macedonia, there exists one central contracting authority that operates as the CPB whereas in Albania and Montenegro, there exist several CPBs at the central level. For instance, besides the Central Purchasing Agency, Albania also has additional CPBs – the National Agency on Information Society for information technology products and the Legal Department of the Ministry of Health and Social Welfare, which organise centralised purchasing for drugs and other medical equipments. Furthermore, centralised purchasing could be organised according to different levels of government as is the case in Serbia which has CPBs at the central level as well as at the regional level.

In 2019, the most prominent role of CPBs in the Western Balkan region is aggregating demand and purchasing on behalf of other CA(s). In countries reporting that they have CPBs, this is one of their main responsibilities. In the case of OECD countries, rather than this role, establishing FAs and other procurement instruments to consolidate needs are the most key role of CPBs in the OECD area. The CPBs of four Western Balkans also undertake this role of awarding FAs.

CPBs can also bring about efficiency gains through leveraging its procurement capacity and expertise. Functioning as a knowledge and expertise centre, CPBs in OECD countries establish policies for CAs and coordinate training sessions for public procurement officials. In contrast, this is not observed in the Western Balkan region.

Methodology and definitions

Data for the Western Balkans – Albania, Bosnia and Herzegovina, Kosovo, Montenegro, North Macedonia and Serbia – were collected through the 2019 Survey for the Western Balkans on Public Procurement. Data for the OECD countries were collected through the 2018 OECD Survey on the Implementation of the 2015 OECD Recommendations on Public Procurement to which 31 countries responded, as well as 2016 OECD Survey on Public Procurement.

Contracting authority (CA) is any state, regional or local authority that carries out procurement activities.

Centralised purchasing activities are activities conducted on a permanent basis, in one of the following forms: the acquisition of supplies and/or services intended for CAs; and/or the awarding of public contracts or the conclusion of FAs for works, supplies, or services intended for CAs.

Framework agreement is an agreement with one or more economic operators for the supply of goods, services and, in some cases, works, the purpose of which is to establish the terms governing contracts to be awarded by one or more contracting authorities during a given period, in particular, with regard to maximum price, minimum technical specifications and, where appropriate, the quantities envisaged.

Further reading

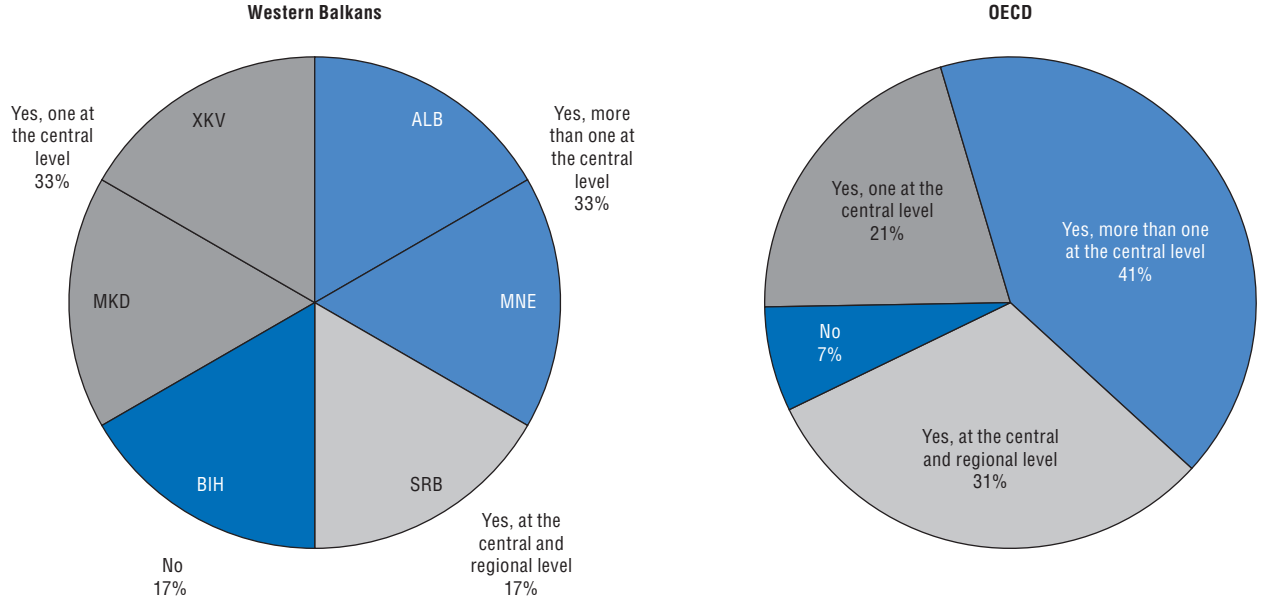
OECD (2019), *Reforming Public Procurement: Progress in Implementing the 2015 OECD Recommendation*, OECD Public Governance Reviews, OECD Publishing, Paris, *https://doi.org/10.1787/1de41738-en*

OECD (2015), Recommendation of the Council on Public Procurement, *https://legalinstruments.oecd.org/en/instruments/OECD-LEGAL-0411*

Figure notes

Data for the Czech Republic, Luxembourg, Switzerland, the United Kingdom, and the United States are not available. On data for Israel, see *http://doi.org/10.1787/888932315602*

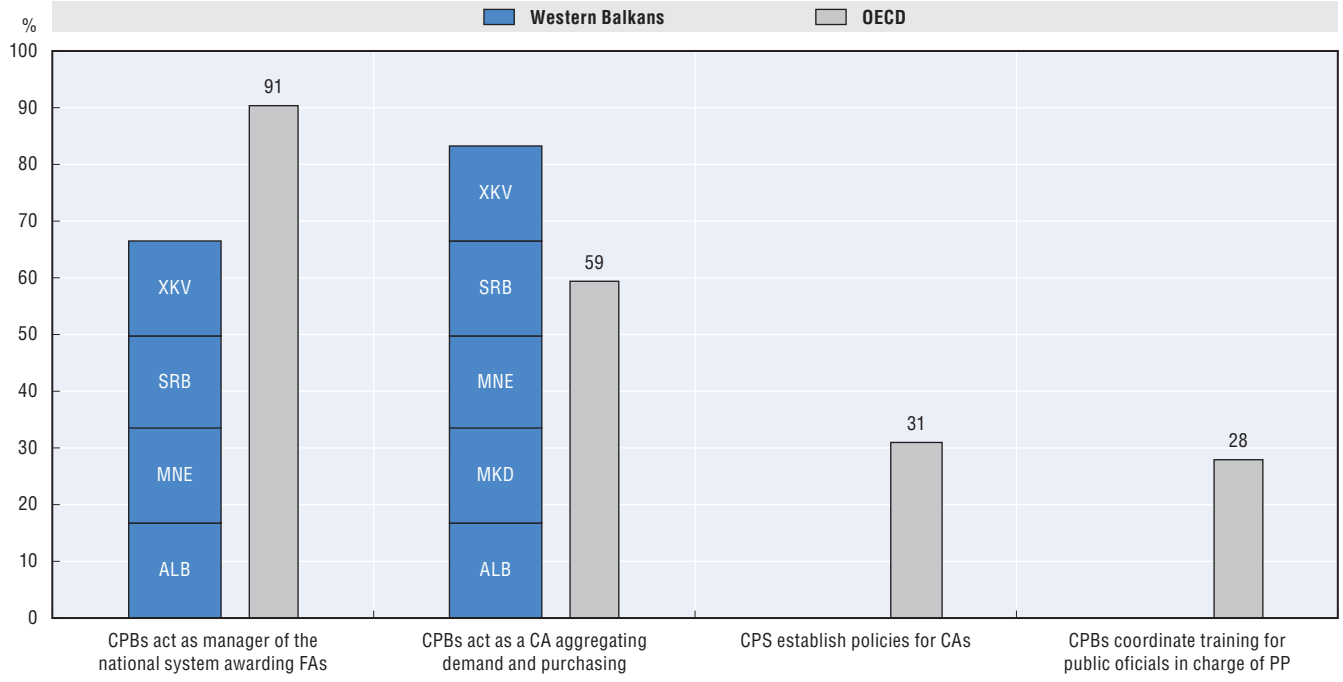
7.7. Establishment of central purchasing bodies, 2019



Source: For the data on the Western Balkans, OECD (2019), 2019 Survey for the Western Balkans on Public Procurement; For the OECD data, OECD (2016), OECD Survey on Public Procurement.

StatLink https://doi.org/10.1787/888934129391

7.8. Role of central purchasing bodies, 2019



Source: For the data on the Western Balkans, OECD (2019), 2019 Survey for the Western Balkans on Public Procurement; For the OECD data, OECD (2016), OECD Survey on Public Procurement.

StatLink https://doi.org/10.1787/888934129410

Governments increasingly adopt and use digital technologies in the public sector to unlock efficiency gains and support effective implementation and monitoring of policies. Public procurement systems are also going through digital transformation. In particular, electronic procurement (e-procurement) helps increase the transparency and competitiveness of the processes and hold public authorities more accountable. Furthermore, it accelerates the process, reduces the transaction costs for both public and private sectors, and also facilitates access to public procurement opportunities, and enables collection of consistent, up-to-date and reliable data.

Governments in the Western Balkan region have harnessed the use of digital technologies in public procurement but to varying degrees. They particularly use the e-procurement systems as means to disseminate public procurement information and documents. The most widely supported functionalities of e-procurement systems are publishing procurement plans (100%), announcing tenders (100%), provision of tender documents (100%), and notification of award (100%). These governments have central e-procurement systems in place, and tailored-made e-procurement systems used by specific procuring entities are rarely observed in the region. North Macedonia, for instance, has a central e-procurement system, the use of which is mandatory for publishing contract notices and tender documents for all contracts covered by the public procurement law. Similarly, all tenders in Kosovo are announced in their central e-procurement system.

E-procurement systems' functions comprise not only dissemination of information but also digitalisation of the interaction and communication between contracting authorities and suppliers. However, e-procurement systems in the region less often support functionalities related to this latter function. Electronic submission of bids are only supported in three – Albania, Kosovo and North Macedonia. However, Bosnia and Herzegovina, and Serbia have plans to introduce this functionalities to their e-procurement systems. Countries in the Western Balkan region do not appear to use online catalogues or electronic submission of invoices, whereas their use is supported in either central e-procurement systems or those of specific procuring entities in more than half of OECD countries.

In terms of the procurement cycle, the e-procurement systems' functionalities support planning stages up to awarding; however, little development is observed regarding post-tendering stages. In comparison, there is a higher share of OECD countries that have e-procurement systems supporting these functionalities, while similar variation around the procurement cycle is observed. Many OECD countries are also undergoing reforms to make these platforms more transactional and to cover the whole public procurement cycle. The European Commission has initiatives supporting a transition towards an e-procurement system that covers the whole public procurement cycle, including a plan on sequential application of mandatory use of e-submission of bids, e-invoicing, etc.

Methodology and definitions

Data for the Western Balkans – Albania, Bosnia and Herzegovina, Kosovo, Montenegro, North Macedonia and Serbia – were collected through the 2019 Survey for the Western Balkans on Public Procurement. Data for the OECD countries were collected through the 2018 OECD Survey on the Implementation of the 2015 OECD Recommendations on Public Procurement to which 31 countries responded.

E-procurement refers to the integration of digital technologies in the replacement or redesign of paper-based procedures throughout the procurement cycle.

Public procurement cycle refers to the sequence of related activities, from needs assessment, through competition and award, to payment and contract management, as well as any subsequent monitoring or auditing.

E-contract management is the electronic enhancement of the management of receivables, payments, contract settlements, contract variations, bid securities, and auditing and control activities. A transactional portal is a system that provides information on everything related to the procurement cycle.

Further reading

OECD (2019), *Reforming Public Procurement: Progress in Implementing the 2015 OECD Recommendation*, OECD Public Governance Reviews, OECD Publishing, Paris, *https://doi.org/10.1787/1de41738-en*

OECD (2015), Recommendation of the Council on Public Procurement, *https://legalinstruments.oecd.org/en/instruments/OECD-LEGAL-0411*

Figure notes

Data for the Czech Republic, Luxembourg, Switzerland, the United Kingdom, and the United States are not available. On data for Israel, see *http://doi.org/10.1787/888932315602*

7.9. Functionalities provided by the e-procurement system(s) – Pre-tendering and tendering stages, 2019

	Publishing procurement plans	Publication of opportunities	Announcing tenders	Provision of tender documents	Electronic submission of bids	e-reverse auctions
Albania	●	❍	●	●	●	❍
Bosnia and Herzegovina	●	❍	●	●	❍	●
Kosovo	●	●	●	●	●	❍
Montenegro	●	●	●	●	❍	❍
North Macedonia	●	●	●	●	●	●
Serbia	●	●	●	●	❍	❍
Western Balkans						
● Provided on central e-procurement system(s)	100%	67%	100%	100%	50%	33%
▲ Provided only by those of specific procuring entity(ies)	0%	0%	0%	0%	0%	0%
❍ Not provided	0%	33%	0%	0%	50%	67%
OECD						
● Provided on central e-procurement system(s)	68%	81%	97%	90%	81%	45%
▲ Provided only by those of specific procuring entity(ies)	13%	3%	3%	10%	13%	13%
❍ Not provided	19%	16%	0%	0%	6%	42%

Source: For the data on the Western Balkans, OECD (2019), 2019 Survey for the Western Balkans on Public Procurement; For the OECD data, OECD (2018), 2018 OECD Survey on the Implementation of the 2015 OECD Recommendations on Public Procurement

StatLink https://doi.org/10.1787/888934129429

7.10. Functionalities provided by the e-procurement system(s) – Post-tendering stage, 2019

	Notification of award	Online catalogue	Electronic submission of invoices	Ex-post contract management	FA module
Albania	●	❍	❍	❍	●
Bosnia and Herzegovina	●	❍	❍	❍	●
Kosovo	●	❍	❍	❍	●
Montenegro	●	❍	❍	❍	●
North Macedonia	●	❍	❍	▲	●
Serbia	●	❍	❍	❍	❍
Western Balkans					
● Provided on central e-procurement system(s)	100%	0%	0%	0%	83%
▲ Provided only by those of specific procuring entity(ies)	0%	0%	0%	17%	0%
❍ Not provided	0%	100%	100%	83%	17%
OECD					
● Provided on central e-procurement system(s)	97%	39%	35%	32%	48%
▲ Provided only by those of specific procuring entity(ies)	3%	16%	23%	23%	16%
❍ Not provided	0%	45%	42%	45%	35%

Source: For the data on the Western Balkans, OECD (2019), 2019 Survey for the Western Balkans on Public Procurement; For the OECD data, OECD (2018), 2018 OECD Survey on the Implementation of the 2015 OECD Recommendations on Public Procurement

StatLink https://doi.org/10.1787/888934129448

Public procurement is one of government activities that is especially susceptible to risks of misuse, fraud and corruption. While effective delivery of infrastructure projects represents one of the major mandates of governments in order to ensure sound provision of public goods and services, the risks involved in these projects are often more complex and have higher potential consequences. Infrastructure projects have direct implications on a country's economic capacity, human development, social inclusion and environmental sustainability. As such, government's role is more important in upholding the key principles of public governance, such as transparency, integrity and accountability, at all stages of infrastructure projects. Such stages range from where a project is planned and financing schemes are defined to making sure that the project is delivered in a cost-effective and secure way.

When deciding on the delivery mode of infrastructure projects, governments and contracting authorities assess and strike a balance between the associated risks, their allocation and value for money. In four Western Balkan economies, there is a dedicated unit in central government that is in charge of developing policies for infrastructure projects, including choosing their delivery modes. In the other two, these policies tend to be developed on an *ad hoc* basis. In comparison, more than half of the OECD countries (54%) reported that they develop these policies on an *ad hoc* basis. Having a dedicated entity could help reinforce consistent application of infrastructure governance policies, and also ensure that the choice of delivery mode is based on project and market characteristics.

In this context, a public procurement framework could be used as a governance tool for infrastructure projects and to shape its efficient and effective delivery. Infrastructure investment continues to be high in the region, and is an important growth driver. Safeguarding the public interest and investment effectiveness remains central to economic and social development. In the Western Balkan region, public procurement regulatory frameworks are at least partially applicable, and they apply to all infrastructure projects in North Macedonia and Serbia. Public procurement frameworks could support consistent application of major governance principles – including transparency, fairness and competition – and help mitigate the risks that are associated with procurement of major infrastructure delivery.

Methodology and definitions

Data for the Western Balkans – Albania, Bosnia and Herzegovina, Kosovo, Montenegro, North Macedonia and Serbia – were collected through the 2019 Survey for the Western Balkans on Public Procurement. Data for the OECD countries were collected through the 2018 OECD Survey on the Implementation of the 2015 OECD Recommendations on Public Procurement to which 31 countries responded.

Public infrastructure is defined as facilities, structures, networks, systems, plants, property, equipment or physical assets and the enterprises that employ them, that provide public goods or goods that meet a politically mandated, fundamental need that the market is not able to provide on its own.

Further reading

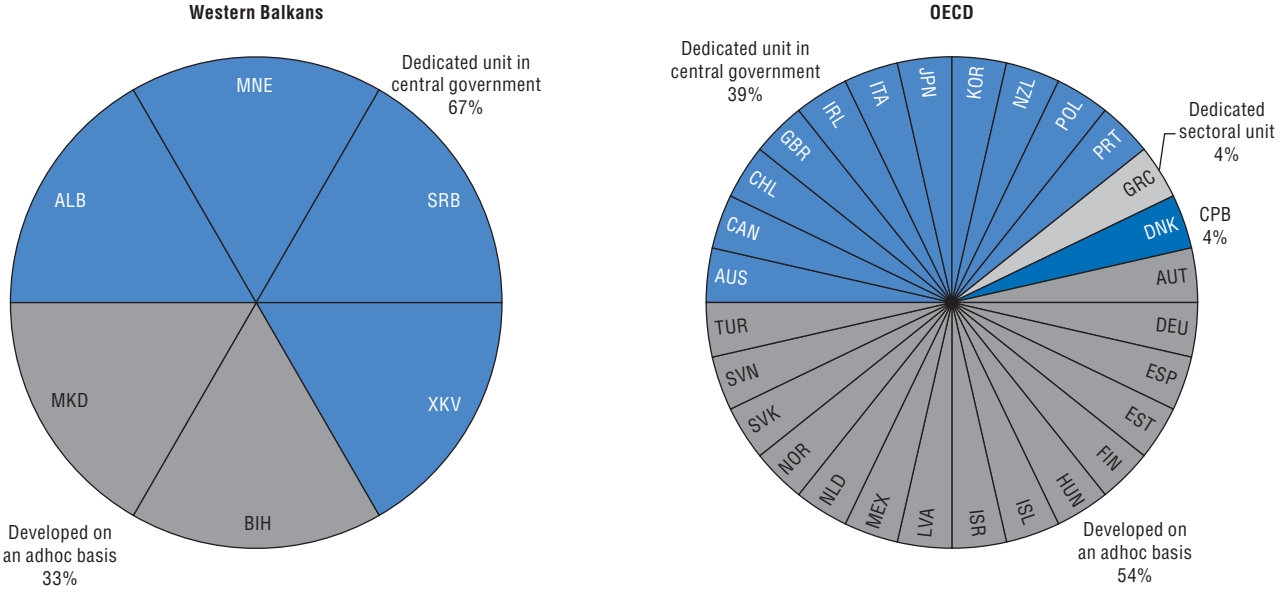
OECD (2019), *Reforming Public Procurement: Progress in Implementing the 2015 OECD Recommendation*, OECD Public Governance Reviews, OECD Publishing, Paris, *https://doi.org/10.1787/1de41738-en*

OECD (2015), Recommendation of the Council on Public Procurement, *https://legalinstruments.oecd.org/en/instruments/OECD-LEGAL-0411*

Figure notes

Data for the Czech Republic, Luxembourg, Switzerland, the United Kingdom, and the United States are not available. On data for Israel, see *http://doi.org/10.1787/888932315602*

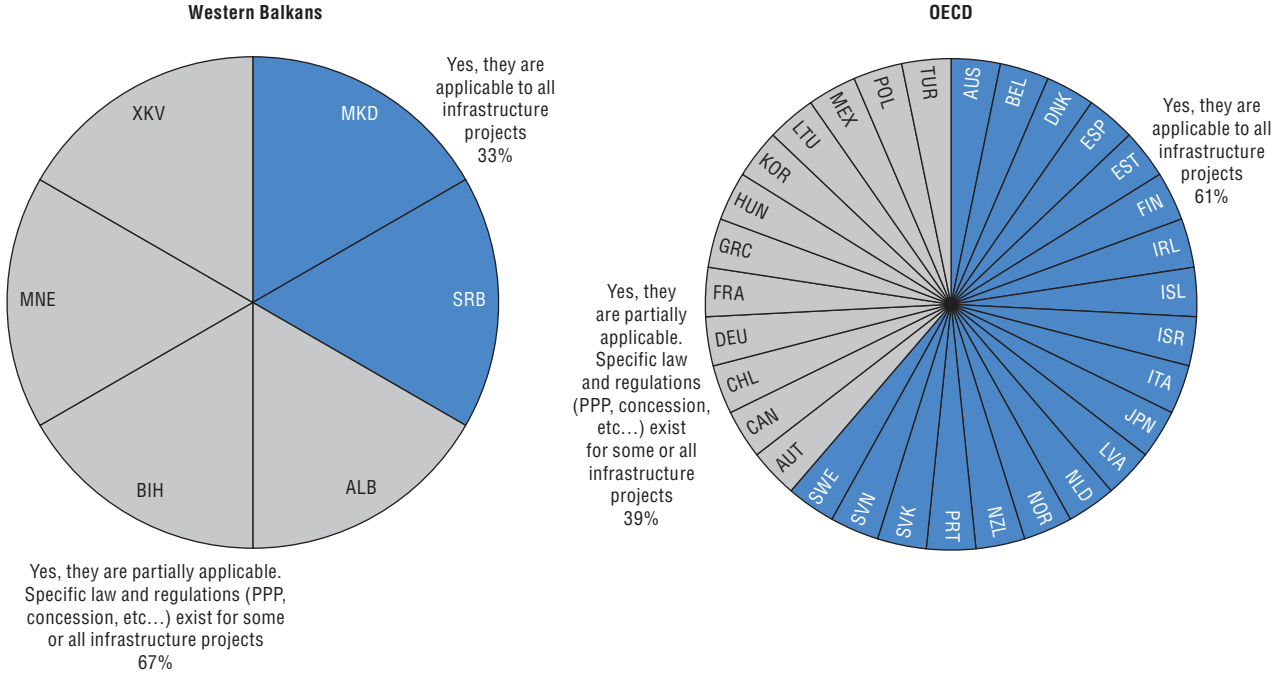
7.11. Entity (or entities) in charge of developing policies for infrastructure projects, 2019



Source: For the data on the Western Balkans, OECD (2019), 2019 Survey for the Western Balkans on Public Procurement; For the OECD data, OECD (2016), Survey on Public Procurement.

StatLink https://doi.org/10.1787/888934129467

7.12. Application of public procurement law and regulations to infrastructure projects, 2019



Source: For the data on the Western Balkans, OECD (2019), 2019 Survey for the Western Balkans on Public Procurement; For the OECD data, OECD (2018), 2018 OECD Survey on the Implementation of the 2015 OECD Recommendations on Public Procurement

StatLink https://doi.org/10.1787/888934129486

Chapter 8

Digital government

In the era of rapid and significant digital disruptions, governments continue to undertake reforms to adapt, manage and embrace the digital transformation. These reforms reflect the paradigm shift from e-government to digital government: this shift represents a transition from using technology to support more efficient public sector operations, to a strategic decision-making approach. This approach entails integration of digital technologies sustained by overarching, coherent strategies for the whole public sector that is aligned with broader reform and modernisation agendas. This aims to support the design and delivery of more effective and inclusive public policies and services that can respond swiftly to citizens' changing expectations. An integrated and sustainable implementation of digital government policies can only be done based on an effective governance framework, which enables secure policy leadership and coordination across different sectors and levels of government.

Having a national digital government strategy (NDGS) constitutes a key element in achieving this end. In particular, a national strategy helps not only in clarifying and establishing common understanding of the objectives, their subsequent actions, roles and responsibilities of the involved actors, but also demonstrates political leadership and commitment. Except for Bosnia and Herzegovina, all Western Balkans have developed NDGS. The NDGS found in the region is often integrated as a part of the national digital agenda strategy, or of the public administration reform strategy focusing on adoption of ICT tools to improve public service delivery. In the case of OECD countries, all except Sweden indicated that they have developed an NDGS. While having one does not always translate into its effective implementation, it reflects governments' on-going efforts and their coordinated willingness to harness the digital transformation into the modernisation reforms of the public sector in ways to support coherent decisions across the whole public sector.

An effective governance framework furthermore requires institutional models that are in line with the digital government policy objectives. In particular, their roles and responsibilities should be clearly defined and examined according to the changing environments, new technological trends and the strategic priorities. In this sense, having a public sector organisation with the role of leading and coordinating the digital government policies could greatly support a coherent and effective institutional framework. In fact, all OECD countries and Western Balkans have reported to have such body (-ies) in place, and have assigned them various responsibilities. Among these bodies in the Western Balkan region, advisory responsibilities (soft policy levers) – such as coordinating the development of the NDGS, monitoring its implementation, and developing technical guidelines for the development of ICT architecture – are more frequent than decision-making responsibilities (hard policy levers). More specifically, the responsibilities of these bodies in the Western Balkan region only sometimes extend to prioritising ICT project investments (50%), carrying out ex-ante revisions and evaluation of ICT projects (50%), and even less frequently to approving ICT projects across the government (33%), and providing financial support for the development and implementation of ICT projects (0%). In comparison, this is often the case in OECD countries (68%, 79%, 68% and 50%, respectively). Effective and strategic use of such hard policy levers could have significant impacts on implementation of digital transformation strategies especially by avoiding fragmentation and enhancing coherence of ICT projects across the public sector.

Another key enabler of successful digital transformation is to ensure coherence and maximise synergies between projects and initiatives also through technical coordination across different levels and sectors of government. OECD countries (68%), including those that are also in the EU (63%), have in place a formal coordination mechanism that is responsible for government IT projects at the central level – such as through meetings of the Council of Chief Information Officers. This type of mechanism exists in three Western Balkan governments. Notably, this role is carried out by the National Agency for Information Society in Albania, the National Council for ICT in North Macedonia, and eGovernment Coordination Council in Serbia.

Methodology and definitions

Data were collected through the 2019 Survey for the Western Balkans on Digital Government. The survey was completed in June 2019. The data for Bosnia and Herzegovina, due to the complex constitutional setup, reflect the consolidated responses submitted by the State level, based on the individual responses received from the State level, the Entities and Brcko District. Data for OECD countries are derived from the 2019 OECD Survey on Digital Government

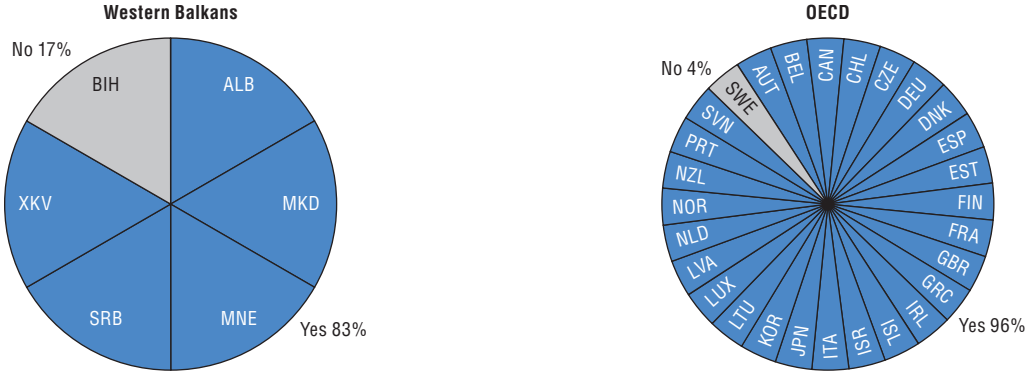
Further reading

OECD (2014), "Recommendation of the Council on Digital Government Strategies", *www.oecd.org/gov/digital-government/Recommendation-digital-government-strategies.pdf*

Figure notes

Data for Australia, Hungary, Mexico, Poland, the Slovak Republic, Switzerland, Turkey and the United States are not available.

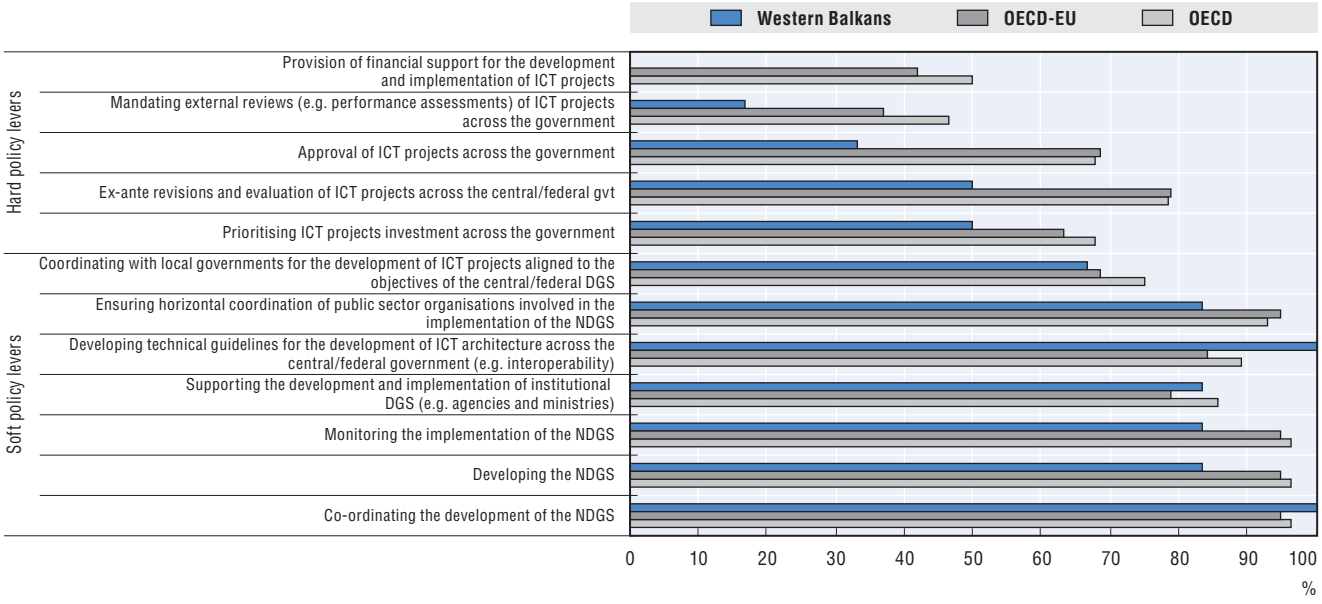
8.1. Existence of a national digital government strategy (NDGS), 2019



Source: For data on the Western Balkans n, OECD (2019), Survey for the Western Balkans on Digital Government; For data on OECD, OECD (2019), Survey on Digital Government.

StatLink https://doi.org/10.1787/888934129505

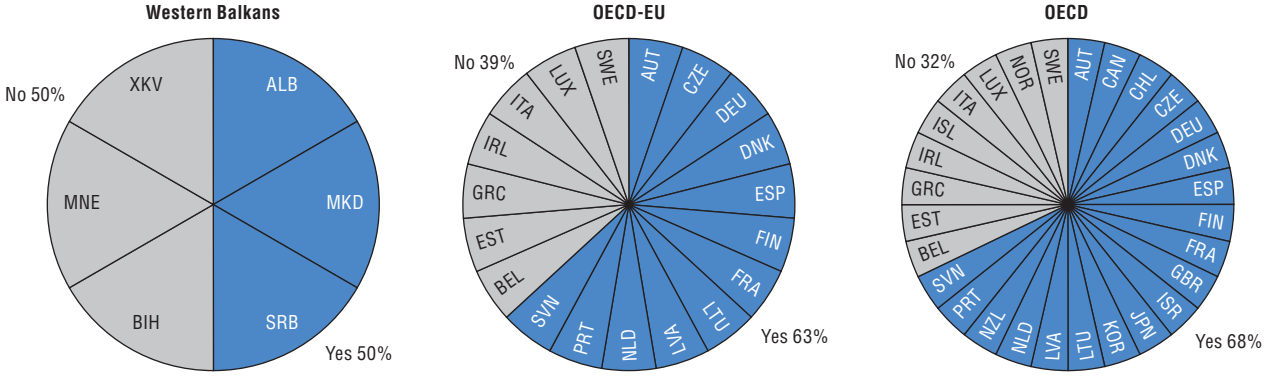
8.2. Main advisory and decision-making responsibilities of the public sector organisation leading and coordinating digital government policies, 2019



Source: For data on the Western Balkans, OECD (2019), Survey for the Western Balkans on Digital Government; For data on OECD, OECD (2019), Survey on Digital Government.

StatLink https://doi.org/10.1787/888934129524

8.3. Formal coordination body/mechanism responsible for government IT projects at the central level, 2019



Source: For data on the Western Balkans n, OECD (2019), Survey for the Western Balkans on Digital Government; For data on OECD, OECD (2019), Survey on Digital Government.

StatLink https://doi.org/10.1787/888934129543

Digital transformation offers huge opportunities for the design and organisation of public services and processes. Governments have seen rapid technological progress as central to their modernisation strategies but the significant benefits are in shifting the focus to designing and delivering user-driven services, i.e. approaches that understand users' needs, engage with them throughout the design process, and promote continuous iteration and improvement (OECD, forthcoming). Being user-driven constitutes a critical element of digital government. Indeed, improving outcomes also helps increase accessibility, transparency, responsiveness, reliability and integrity of public governance.

A single, consolidated list of digital services provided by the public sector is an important step toward digital transformation. As the channels through which governments provide public services can often be multiple and diverse, the presence of a clear and complete overview helps prevent government services from becoming incoherent or fragmented. Taking steps to deliver this list digitally makes it easier for users to see and access all services. While these are widely implemented practices in OECD (82%) and OECD-EU (74%) countries, only half among the Western Balkans have this list in place, and only Albania makes this list available online. Performance data about these services is also important for informing ongoing improvement and Albania produces reports on a regular basis on the fully transactional digital services as an important element of the implementation of the national digital agenda. The report includes list of all the e-services and their related statistics, including on the user registration, usage by the public administration and by businesses and citizens, etc.

Governments have been equipping themselves with enabling frameworks for further integrating government organisations and data to provide coherent, proactive services in support of a full transition toward digital government. Ensuring interoperability in this way supports the development of digital solutions for cross-sector and cross-level public services. This is particularly important in the case of countries where cross-border public services are needed to support the flow of goods and people as is especially the case in the EU area, and the ongoing ISA^2 Programme on digital interoperability provides evidence. All Western Balkans have common interoperability frameworks, base registries framework and shared ICT infrastructure in place. Other enabling frameworks that are widely observed in the region include common data architecture and shared services. Such enabling frameworks could bring significant efficiency benefits through standardisation, simplification of access and processes for users as well as through facilitating the design of the new services and monitoring.

Another basic yet fundamental enabler of public services is the implementation and use of digital identity systems. Four of the Western Balkans have indicated to make available a single digital identity system at the central level. In comparison, all OECD countries, except for Greece and Sweden, do so at the central level. These systems however are implemented with uneven penetration and usage rates. Robust digital identity systems enable trustworthy and reliable remote access to public services, and better management and exchange of information and data. Thus, governments need to ensure citizens' access and facilitate the use in order to fully reap the benefits of these systems especially on effective and tailored service delivery.

Methodology and definitions

Data were collected through the 2019 Survey for the Western Balkans on Digital Government. The survey was completed in June 2019. The data for Bosnia and Herzegovina, due to the complex constitutional setup, reflect the consolidated responses submitted by the State level, based on the individual responses received from the State level, the Entities and Brcko District. Data for OECD countries are derived from the 2019 OECD Survey on Digital Government

Further reading

OECD (forthcoming), *Digital Government in Chile – A strategy for improving public service design and delivery*, OECD Digital Government Studies, OECD Publishing, Paris.

European Commission (2018), "Measures in support of a Digital Agenda for the Western Balkans", Commission staff working document, *ec.europa.eu/neighbourhood-enlargement/sites/near/files/swd_measures_in_support_of_a_digital_agenda_for_the_western_balkans.pdf*

Figure notes

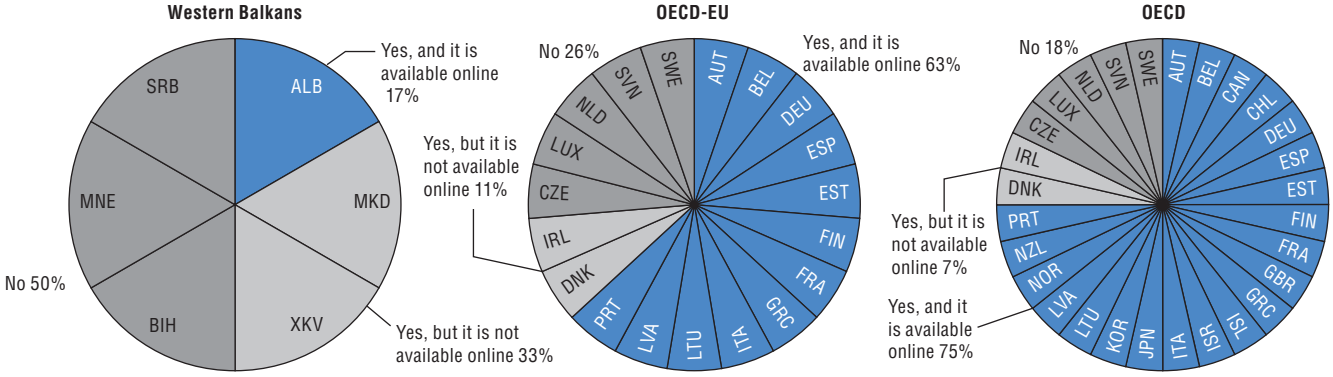
Data for Australia, Hungary, Mexico, Poland, the Slovak Republic, Switzerland, Turkey and the United States are not available.

8.4. After the data collection in June 2019, North Macedonia launched the national e-services portal (*www.uslugi.gov.mk*) in December 2019, and Serbia's new eGovernment portal (eUprava) became operational in February 2020 where this list is made available.

8.5. The data for Bosnia and Herzegovina comes from the state level. In 2016, the Council of Ministers adopted an operational plan for implementation of an interoperability framework for the country. In the same year, the government of the Federation of Bosnia and Herzegovina decided to implement the decision on the interoperability framework. The government of Brcko district accepted an interoperability framework of the country and implemented an interoperability information system, which is ready but not yet in use.

8.6. In the case of Bosnia and Herzegovina, the entity of Republika Srpska has a single digital identification system. In the case of North Macedonia, after the data collection in June 2019, the single digital identity system was recognised and is being used on the national e-services portal.

8.4. Central list with all fully transactional digital services provided in the public sector, 2019

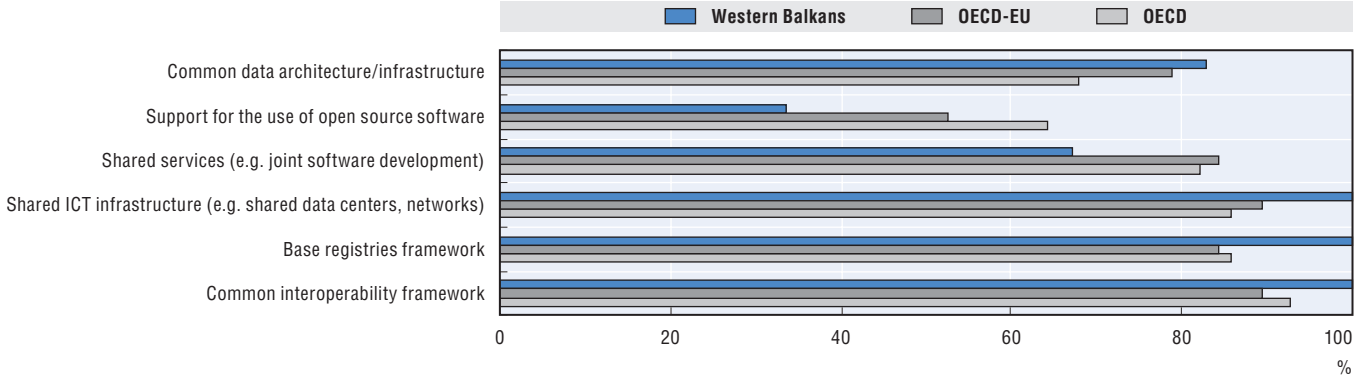


Source: For data on the Western Balkans, OECD (2019), Survey for the Western Balkans on Digital Government; For data on OECD, OECD (2019), Survey on Digital Government.

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8.5. Enabling frameworks for digital government, 2019

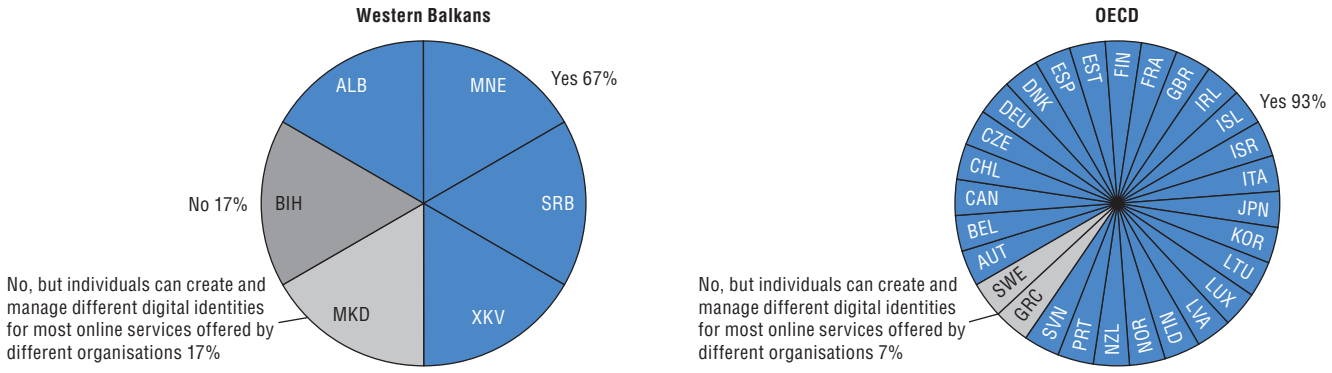
	Common interoperability framework	Base registries framework	Shared ICT infrastructure (e.g. shared data centres, networks)	Shared services (e.g. joint software development)	Support for the use of open source software	Common data architecture/infrastructure
Albania	●	●	●	●	❍	●
Bosnia and Herzegovina	●	●	●	●	❍	●
Kosovo	●	●	●	❍	●	●
Montenegro	●	●	●	❍	●	❍
North Macedonia	●	●	●	●	❍	●
Serbia	●	●	●	●	❍	●



Source: For data on the Western Balkans, OECD (2019), Survey for the Western Balkans on Digital Government; For data on OECD, OECD (2019), Survey on Digital Government.

StatLink https://doi.org/10.1787/888934129581

8.6. Use of single digital identity system at the central government level, 2019



Source: For data on the Western Balkans, OECD (2019), Survey for the Western Balkans on Digital Government; For data on OECD, OECD (2019), Survey on Digital Government.

StatLink https://doi.org/10.1787/888934129600

The digital revolution has brought opportunities and challenges for governments. New technologies have created new ways to generate, store, share and process data, and apply it in the creation of business, social and good governance value. In this context, a data-driven public sector governs and manages data as a strategic asset of and for public governance. It promotes efficient and trustworthy data management practices (from its generation to its re-use inside and outside the public sector) to design, deliver and monitor public policies and services, and measure the outcomes and performance of public governance.

Deploying a data-driven public sector implies setting the foundations right. This requires new institutional and policy frameworks to govern data production, management, sharing, processing and investment. The goal is for these data to contribute to business value, within the framework of data protection and security regulations, supported by the ethical handling of data. At a more technical level, data governance frameworks often address issues related to common data standards to ensure coherence and consistency, and streamline data flows in the public administrations. However, the Western Balkan region does not yet have a comprehensive policy on public sector data. In all Western Balkans except for Bosnia and Herzegovina, the governance and management of public sector data are often addressed as part of open government policies. While it is also the case in the majority of the OECD countries, four of them have developed a comprehensive public sector data policy.

Sharing of data within the public sector is crucial to seize the opportunities – of better anticipatory governance and monitoring of outcomes – brought by digital transformation, and to improve the coherence and effectiveness of public policies as a whole, thus benefiting citizens. Yet, challenges prevail in this respect, including barriers to interoperability and data exchange. In order to reduce existing legal and regulatory barriers to enable data exchange, more than half of the Western Balkans have adopted formal requirements to mandate public sector organisations to share all government data. Translating them into practice, however, would also require coordination between organisations, adoption of supporting technical architecture, harmonisation of data standards, etc. For instance, in order to enable and facilitate data sharing, Albania has integrated internal government IT systems based on which electronic records of public sector organisations are exchanged in real time in a secure way.

The principle of openness by default is also one critical element in developing a data-driven public sector, particularly when designing and implementing open government data efforts. It supports disclosure of public sector data in open formats, unless there is a need to protect them due to privacy or security risks. In addition, the use of digital technologies contributes to opening up the government processes. It is often observed in the Western Balkan region to require government data to be open. North Macedonia and Serbia have these requirements set out in their legal frameworks – Law on public sector data use in North Macedonia, and Law on eGovernment and by-law on the work of the open data portals in Serbia. These requirements also exist in more than half of OECD countries (57%).

Methodology and definitions

Data were collected through the 2019 Survey for the Western Balkans on Digital Government. The survey was completed in June 2019. The data for Bosnia and Herzegovina, due to the complex constitutional setup, reflect the consolidated responses submitted by the State level, based on the individual responses received from the State level, the Entities and Brcko District. Data for OECD countries are derived from the 2019 OECD Survey on Digital Government

Further reading

OECD (2019), *The Path to Becoming a Data-Driven Public Sector*, OECD Digital Government Studies, OECD Publishing, Paris, *https://doi.org/10.1787/059814a7-en*.

van Ooijen, C., Ubaldi, B. and Welby, B. (2019), "A data-driven public sector: Enabling the strategic use of data for productive, inclusive and trustworthy governance", OECD Working Papers on Public Governance, No. 33, OECD Publishing, Paris, *https://doi.org/10.1787/09ab162c-en*.

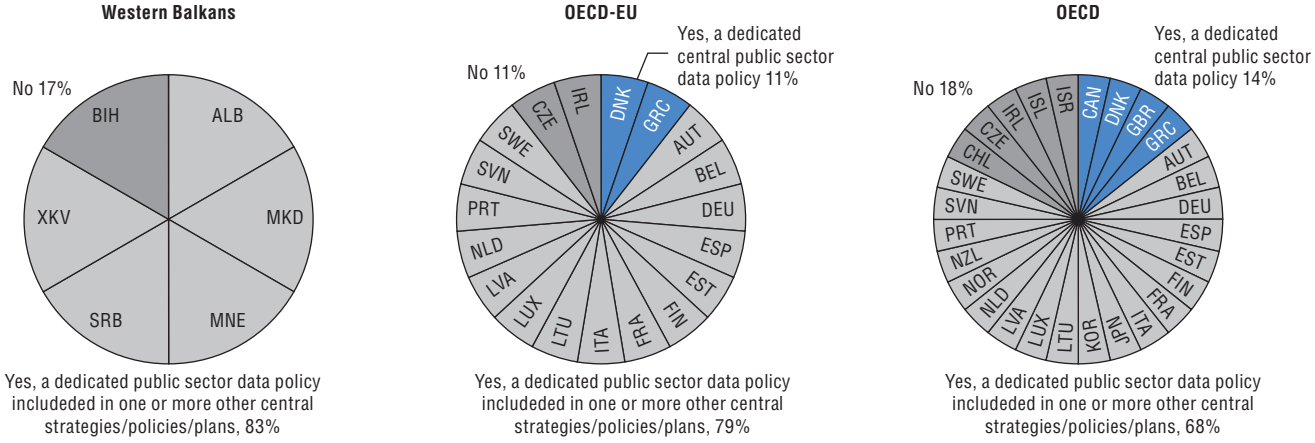
Rivera Perez, A., Emilsson, C. and Ubaldi, B. (2020), "OECD Open, Useful and Re-usable data (OURdata) Index: 2019", OECD Policy Papers on Public Governance No. 1, March 2020. OECD Publishing, Paris, *http://www.oecd.org/gov/digital-government/policy-paper-ourdata-index-2019.htm*

Figure notes

Data for Australia, Hungary, Mexico, Poland, the Slovak Republic, Switzerland, Turkey and the United States are not available.

8.7. In the case of some OECD countries, even though there is no single dedicated public sector data policy, some central/federal line ministries and central/federal agencies – more than 50% in Iceland and Ireland, and between 10 and 50% for the Czech Republic – have their own formal public sector data policy in place.

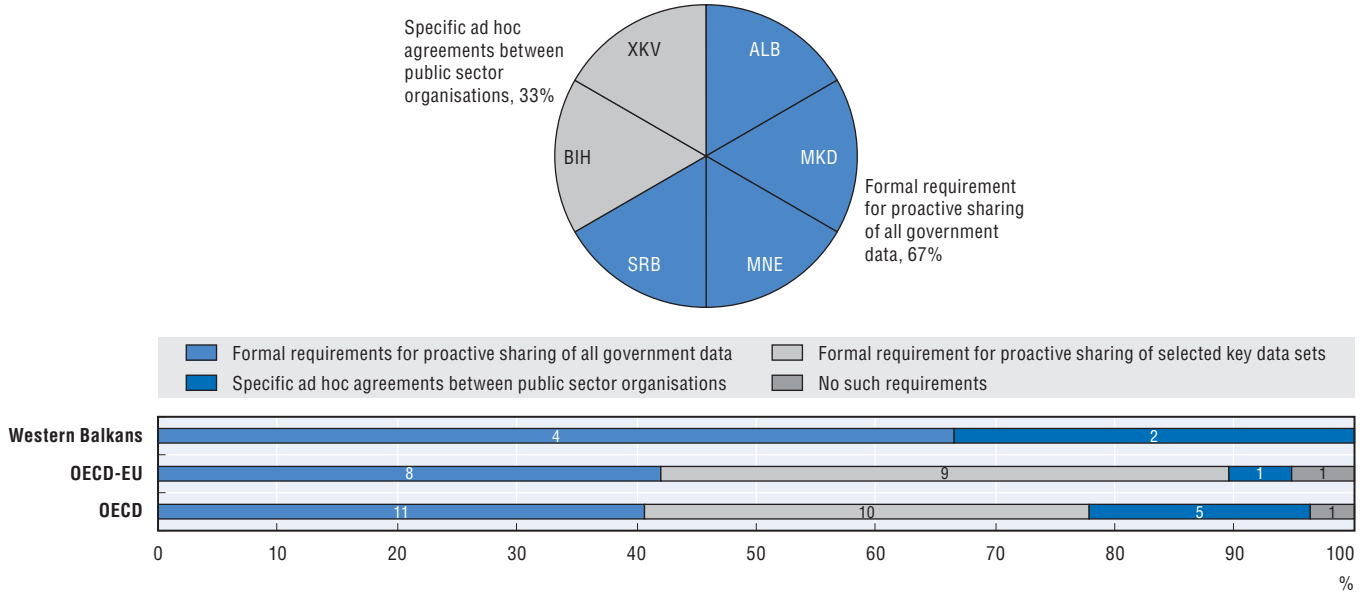
8.7. Existence of a comprehensive public sector data policy, 2019



Source: For data on the Western Balkans, OECD (2019), Survey for the Western Balkans on Digital Government; For data on OECD, OECD (2019), Survey on Digital Government.

StatLink https://doi.org/10.1787/888934129619

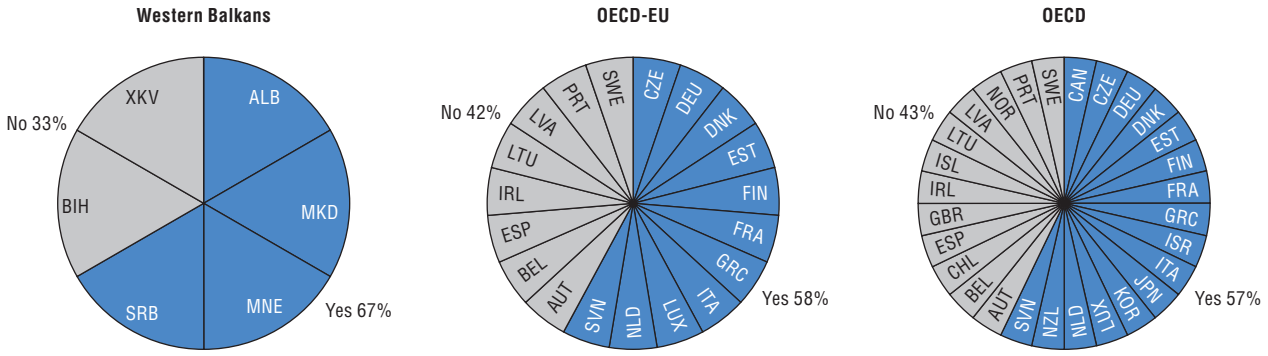
8.8. Formal requirement on data sharing between public sector organisations, 2019



Source: For data the Western Balkans, OECD (2019), Survey for the Western Balkans on Digital Government; For data on OECD, OECD (2019), Survey on Digital Government.

StatLink https://doi.org/10.1787/888934129638

8.9. Formal "open by default" requirements for government data, 2019



Source: For data on the Western Balkans, OECD (2019), Survey for the Western Balkans on Digital Government; For data on OECD, OECD (2019), Survey on Digital Government.

StatLink https://doi.org/10.1787/888934129657

Chapter 9

Core government results

Trust is defined as a person's belief that another person or institution will act consistently with their expectations of positive behaviour (OECD, 2017). Institutional trust is the basis upon which the legitimacy of governments is built and is key for ensuring compliance with regulations and the tax system; it is of essence for implementing reforms and ensuring governments' capacity to govern without resorting to force.

The Gallup World Poll survey is the most comprehensive source for internationally comparable data on trust in governance. According to the 2019 edition, citizens in the Western Balkan region tend to have less confidence in their national governments than their counterparts in the OECD and OECD-EU countries. Since 2007, trust in government has eroded on average by 4 p.p. across the region. However, trust in Albania and Serbia has actually increased, from 30% to 34% and from 34% to 48% respectively. Serbians have the highest level of trust in Western Balkans as 48% of the citizens reported that they have confidence in their national government. On the contrary, people in Bosnia and Herzegovina have the least confidence in their national government (23%). Citizens of Bosnia and Herzegovina and North Macedonia lost most confidence in their national government since 2007 (15 and 13 p.p). In turn, confidence in OECD and OECD-EU governments has remained stable at about 44% and 45% respectively since 2007.

The Gallup World Poll 2019 survey shows that on average trust in national governments in the Western Balkans is higher for the older than for the younger cohorts. Citizens aged 50 and above tend to have the highest level of confidence in the national government (37%) compared to those aged 15-29 and 30-49 (31% and 32% respectively). Citizens aged 15 to 29 have the least confidence in their governments in the region (31%), unlike in the OECD-EU and OECD countries where citizens aged 30-49 have the lowest levels of confidence in the national government (42% and 43%) across the three age groups. Serbian citizens aged 50 and above had the highest level of trust in national governments (61%). On the contrary, young people (ages 15-29) in Bosnia and Herzegovina reported the lowest levels of confidence in the government as only 23% stated that they have confidence in the government.

There is a strong negative relationship between perceived corruption and confidence in government. OECD countries with high levels of trust in government, such as Denmark, Finland and New Zealand report low levels of perceived corruption. Conversely, countries and economies such as Bosnia and Herzegovina and Kosovo have significantly lower levels of confidence in national government and correspondingly substantially higher levels of perceived corruption. As much as 88% of Bosnians believed that corruption was widespread throughout the government in 2019.

Methodology and definitions

Data were drawn from Gallup World Poll 2019 and 2009 surveys. Gallup World Poll is based on a representative sample of 1 000 citizens in each country. The question on confidence in the national government does not differentiate between politicians and the bureaucracy nor does it specify which parts of national government are assessed. More information about the survey is available at: *www.gallup.com/home.aspx*.

Further reading

OECD (2017), *OECD Guidelines on Measuring Trust*, OECD Publishing, Paris, *https://doi.org/10.1787/9789264278219-en*.

OECD (2017), *Trust and Public Policy: How Better Governance Can Help Rebuild Public Trust*, *OECD Public Governance Reviews*, OECD Publishing, Paris, *https://doi.org/10.1787/9789264268920-en*.

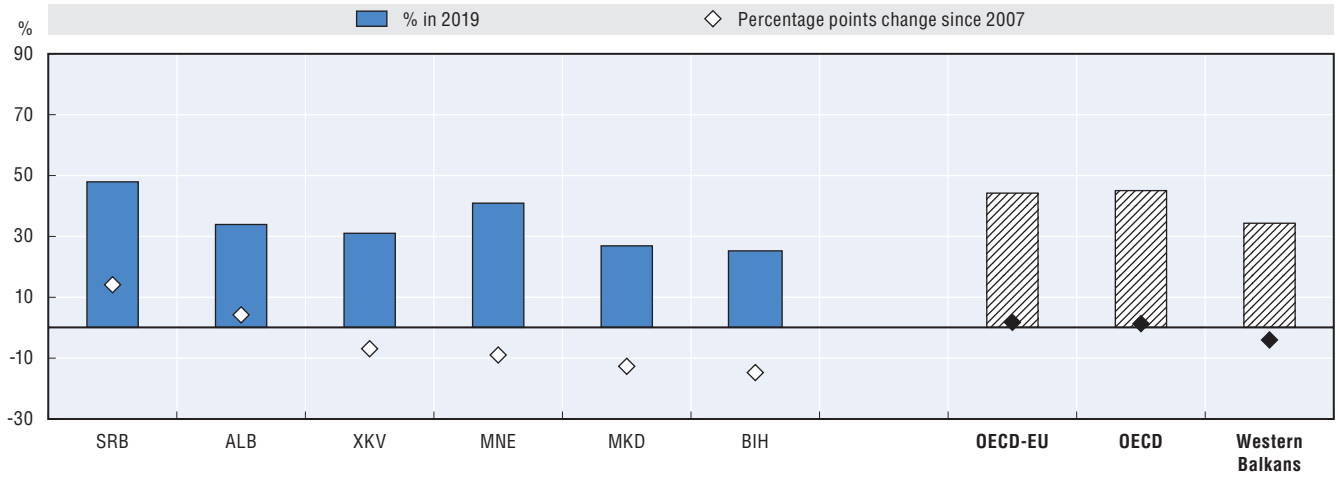
Figure notes

Data for Bosnia and Herzegovina and Serbia are for 2018 rather than 2019

Data refer to the percentage who answered "yes" to the question: "Do you have confidence in national government?".

9.3. Data refer to the percentage who answered "yes" to: "Is corruption widespread throughout the government in this country, or not?".

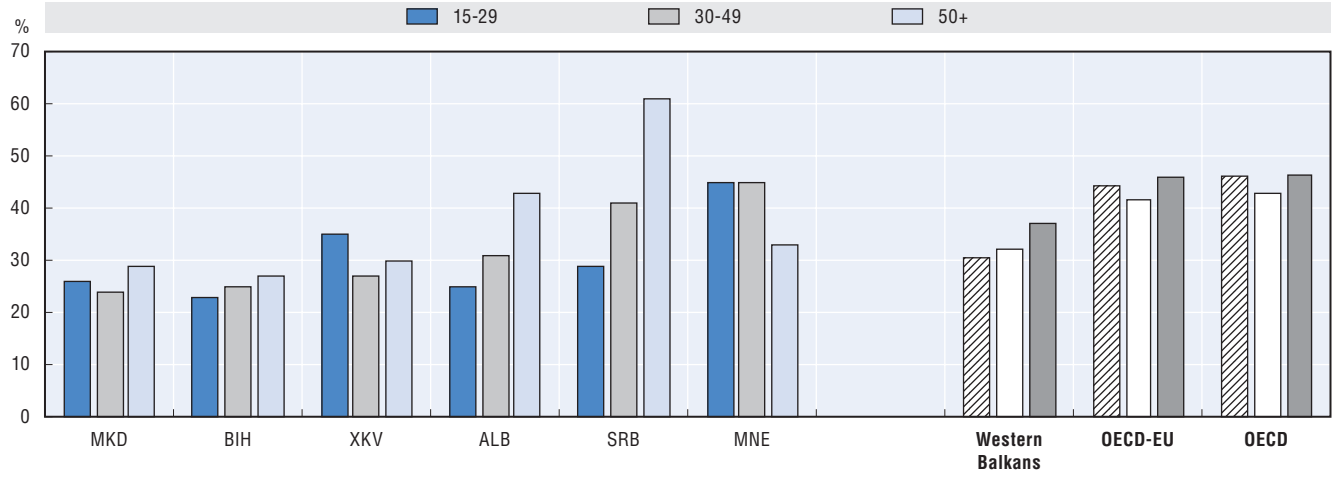
9.1. Confidence in national government in 2019 and its change since 2007



Source: Gallup World Poll 2019 and 2007 (database).

StatLink https://doi.org/10.1787/888934129676

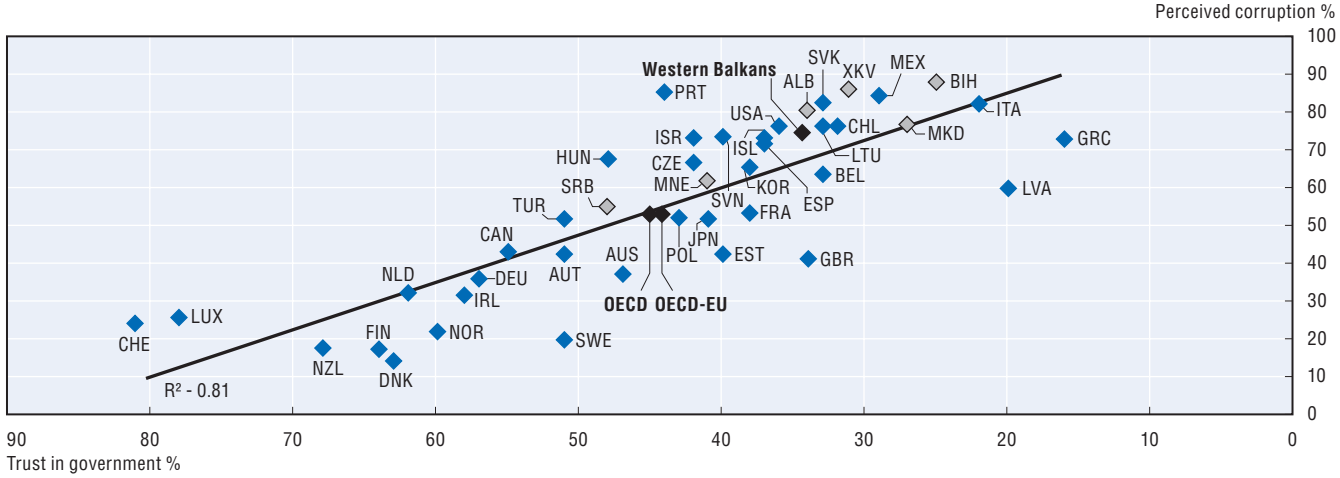
9.2. Confidence in national government by age group, 2019



Source: Gallup World Poll 2019 (database).

StatLink https://doi.org/10.1787/888934129695

9.3. Correlation between confidence in national government and perception of government corruption in Western Balkans and OECD, 2019



Source: Gallup World Poll 2019 (database).

StatLink https://doi.org/10.1787/888934129714

The foundation of democratic systems is based on the idea that everyone including the government is equal before the law (i.e. the rule of law). The concept is implemented in practice through a set of laws and regulations, enshrined in codes and procedures that ensure basic rights and provide equal access to justice. These underpinnings also guarantee predictability, reliability and accountability of the legal system. The Rule of Law (RoL) is considered a key element of good public governance as it is an essential prerequisite for maintaining peace and order, guaranteeing the continuous provision of public goods and services, seeking the effective control of corruption and promoting economic development.

This section is based on a framework developed by the World Justice Project (WJP). WJP presents one of the most systematic approaches to conceptualising and measuring the rule of law worldwide. According to the methodology, the systems upholding the rule of law comprise four universal principles: 1) the government as well as private actors are accountable under the law; 2) the laws are clear, publicized, stable and just; are applied evenly; and protect fundamental rights, including the security of persons, contract and property rights, and certain core human rights; 3) the processes by which the laws are enacted, administered, and enforced are accessible, fair, and efficient; 4) justice is delivered in a timely manner by competent, ethical, and independent and neutral representatives who have adequate resources, and reflect the makeup of the communities they serve (WJP, 2020). The WJP assesses the rule of law through eight factors that measure different aspects of the concept. This section focuses on the results of two of the Rule of Law factors: constraints on government powers and fundamental rights. Other WJP data is presented in the serving citizens' chapter.

The measure of constraints on government powers captures "the extent to which those who govern are bound by law. It comprises the means, both constitutional and institutional, by which the powers of the government and its officials and agents are limited and held accountable under the law. It also includes non-governmental checks on the government's power, such as a free and independent press." (WJP 2020) The WJP's 2020 edition shows that there are significantly less constraints on government powers in the Western Balkan region than in OECD and OECD-EU countries. The regional average is 0.46 (with 1 being the highest possible value), which is 0.31 points lower than in the OECD-EU where it reaches 0.77. Kosovo (0.52) and North Macedonia (0.47) stand out in the Western Balkan region for having the highest values. In recent years, countries and economies in the Western Balkan region with high scores on this aspect have changed. In 2015, Albania and Bosnia and Herzegovina were the top two countries in the region. Over the past five years, index scores for Albania, Bosnia and Herzegovina, and Serbia have dropped by 0.10 on average.

The WJP's measure of the protection of fundamental rights combines information on effective law enforcement and due process of law, and the adherence to a range of basic human and labour rights that are established under international law. The protection of fundamental rights in the Western Balkans is rated much lower than in OECD and OECD-EU. The average index score of the region is at 0.59, in comparison with an OECD-EU average of 0.78 and OECD average of 0.76. There are no significant differences across the region in this area in 2020, but the score in Bosnia and Herzegovina deteriorated from 0.66 in 2015 to 0.59 in 2020.

Countries that have fundamental rights in place tend to have limited government powers and vice versa. The figure shows a strong positive correlation between constraints on government powers and the existence of fundamental rights, a pattern that is also observed in Western Balkans. Western Balkans score significantly higher for fundamental rights than for constraints on government powers (0.59 compared to 0.46), on average, and are all placed to the right of the regression line.

Methodology and definitions

The World Justice Project collects data via a set of questionnaires based on the Rule of Law Index's conceptual framework. For the dimension on "constraints on government powers" and "fundamental rights" questionnaires are administered to legal experts who frequently interact with their national state institutions. On average 30 experts per country are surveyed. All variables used to score each of the factors are codified and normalised to range between 0 (lowest) and 1 (highest). For more information on the variables used for building the composite, see *https://worldjusticeproject.org/our-work/research-and-data/wjp-rule-law-index-2019/methodology*.

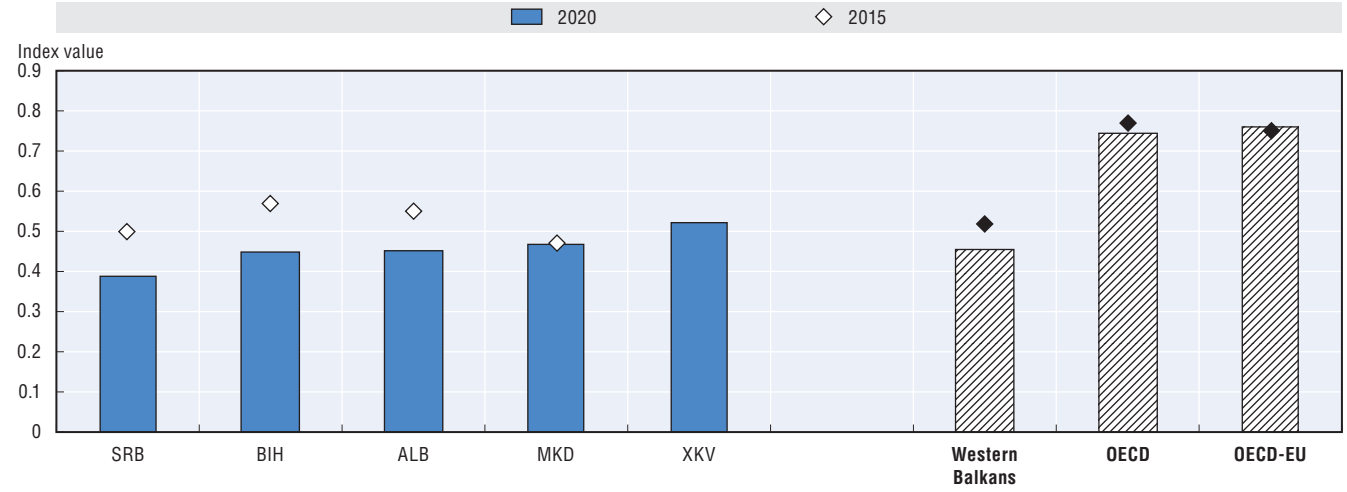
Further reading

World Justice Project (2020), *Rule of Law Index 2020, World Justice Project*, Washington, DC, *https://worldjusticeproject.org/sites/default/files/documents/WJP-ROLI-2020-Online_0.pdf*.

Figure notes

9.4., 9.5.: Data for Kosovo are only available for year 2020. Data for Montenegro are not available.

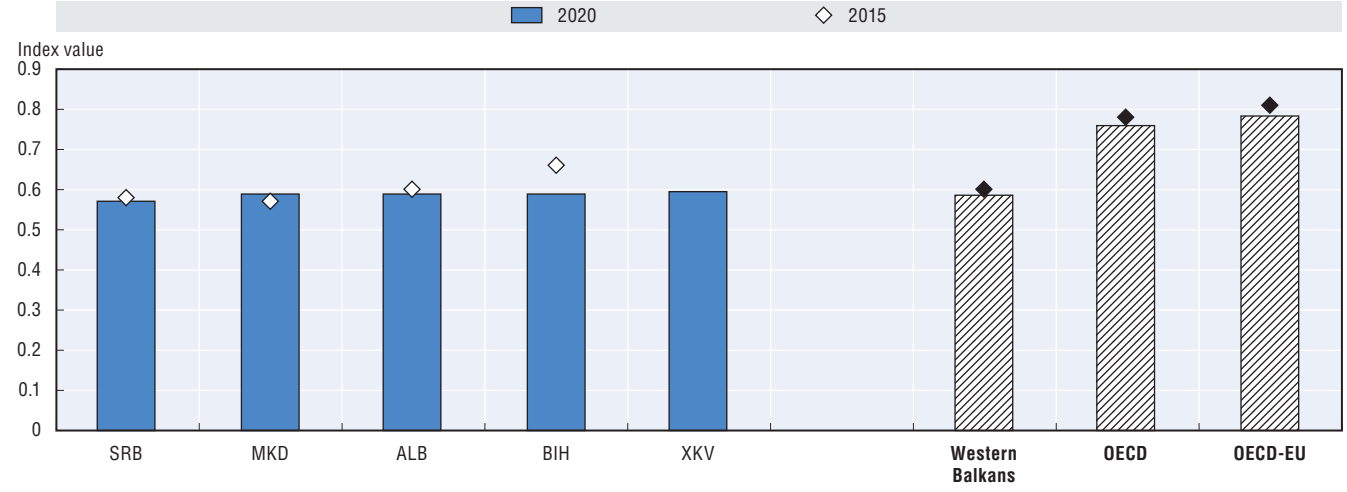
9.4. Constraints on government powers, 2015 and 2020



Source: World Justice Project (2020), Rule of Law Index 2020.

StatLink https://doi.org/10.1787/888934129733

9.5. Fundamental rights, 2015 and 2020



Source: World Justice Project (2020), Rule of Law Index 2020.

StatLink https://doi.org/10.1787/888934129752

9.6. Relationship between constraint on government powers and fundamental rights, 2020



Source: World Justice Project (2020), Rule of Law Index 2020.

StatLink https://doi.org/10.1787/888934129771

Policies and regulations set by governments can support an environment that is favourable to business development and performance or conversely create obstacles to their economic activity. The World Bank Doing Business survey measures various factors that influence entrepreneurial activity, with a focus on business regulations and the ease of doing businesses, especially for Small and Medium-Sized Enterprises (SMEs).

According to the World Bank's ease of doing business index, the Western Balkan region performs fairly well compared to OECD and OECD-EU countries. In 2020, the regional average was 73 (on a scale from 0-100) compared to 77 and 78 in OECD and OECD-EU countries respectively. However, there is significant differences in the business environment of the Western Balkans. North Macedonia is the regional frontrunner at 81 and is above OECD and OECD-EU average scores. On the other side of the spectrum, Bosnia and Herzegovina has the least favourable business environment in the region, with a total score of 65. As mentioned in chapter 1, governments in the Western Balkan region have made concerted efforts to boost their economic growth and competitiveness, inter alia through the Economic Reform Programmes, and these efforts seem to have been paying off.

The average scores of the Western Balkan region vary significantly across the index components, but in most cases Western Balkans, OECD and OECD-EU countries follow the same pattern. In absolute values, the Western Balkan region perform best in starting a business (85) and trading across borders (95). On the contrary, countries and economies across the region have the lowest scores for protecting minority investors (59) and enforcing contracts (62). These are on average also challenging components for the OECD and OECD-EU countries, as the differences across regional averages is comparatively small, 7 and 5 points respectively. The greatest differences from the Western Balkan regional average to the OECD-EU average is in the ease of paying taxes and getting electricity, where the region's averages are 13 and 12 points below the OECD-EU average, respectively. Getting credit is the only area where the average of the region is above the OECD-EU average, with 16 p.p. difference. As explained in chapter 1, access to finance is a key barrier for SMEs in the region, so this seems to contradict the Doing Business scores. However, this component of the index mainly measures the strengths of legal rights of lenders and borrowers and the existence of an online collateral registry, not the actual uptake of credit.

Examining the sub-components shows that Western Balkans have the greatest distance to OECD and OECD-EU averages in the area of paying taxes. The ease of paying taxes for businesses also varies widely across the region, from 60 in Bosnia and Herzegovina to 82 in Kosovo. Businesses in the Western Balkans generally have to make a high number of payments in order to pay all necessary taxes and it takes a long time to comply with regulations. In three countries in the region businesses need to make over 30 payments, namely in Albania (35), Serbia (33) and Bosnia and Herzegovina (33) in order to comply with their fiscal obligations making it a lengthy and cumbersome process. On average, it takes 244 hours a year for an incorporated business to deal with tax forms in the Western Balkans, compared with an OECD-EU average of 164 hours and an OECD average of 163 hours. Businesses in Bosnia and Herzegovina spend 411 hours per year complying with tax obligations, 2.5 times more than the OECD-EU average and 3.5 times more than North Macedonian businesses.

Methodology and definitions

The World Bank Doing Business index benchmarks regulations affecting SMEs across the world. Doing Business captures several important regulations affecting domestic firms. It provides quantitative indicators on how easy or complicated it is to start a business, deal with construction permits, get electricity, register property, get credit, protect minority investors, pay taxes, trade across borders, enforce contracts, and resolve insolvency. The information on these regulations are summarised in a composite index of Ease of Doing Business. The scores for the composite index and its components are reflected on a scale from 0 to 100, where 0 represents the lowest and 100 represents the highest performance.

The index is established so that it uses simple business cases to ensure international comparability. Doing Business encompasses two types of data and indicators. "Legal indicators," such as those on investor protections and legal rights for borrowers and lenders, provide a measure of legal provisions in the laws and regulations on the books. "Time and motion indicators" on administrative procedures such as starting a business, registering property and dealing with construction permits, measure the efficiency and complexity in achieving a regulatory goal by recording the procedures, time and cost to complete a transaction in accordance with all relevant regulations from the point of view of the entrepreneur. For some indicators—for example, the indicators on dealing with construction permits, enforcing contracts and resolving insolvency—part of the cost component (where fee schedules are lacking) and the time component are based on actual practice rather than the law on the books.

For more information on the variables used for building the ease of doing business measure, see *https://www.doingbusiness.org/en/methodology*.

Further reading

World Bank (2019), *Doing Business 2019: Training for Reform, World Bank*, Washington, DC, *https://www.doingbusiness.org/content/dam/doingBusiness/media/Annual-Reports/English/DB2019-report_web-version.pdf*.

Figure notes

Table 9.9.: Paying taxes - time in hours, measured as a median number of hours required to complete the procedure.

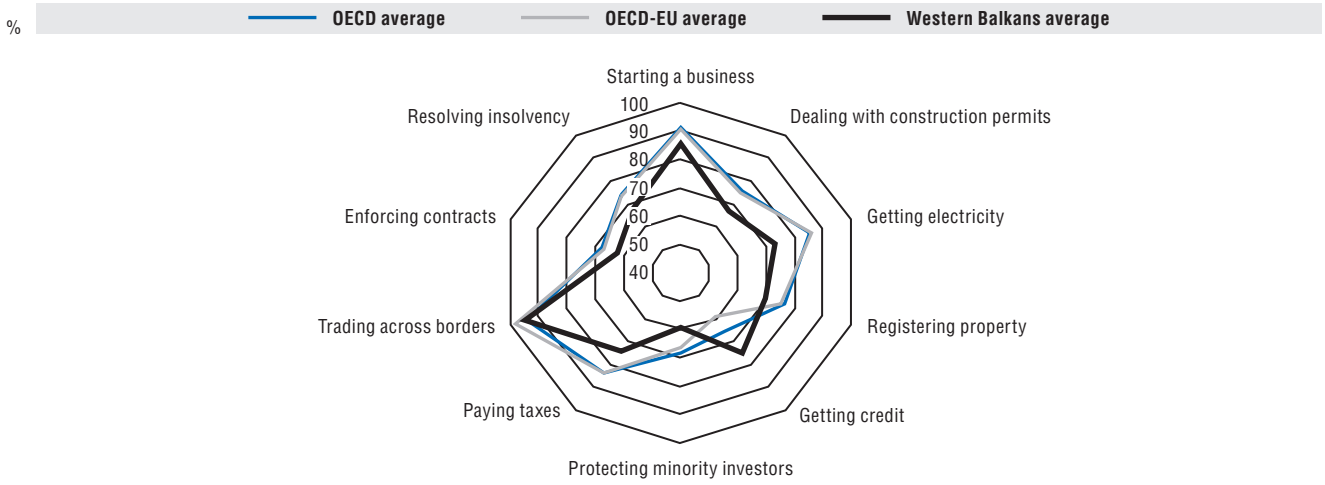
9.7. Ease of doing business score, 2020



Source: World Bank (2020), Doing Business database (*http://www.doingbusiness.org*).

StatLink https://doi.org/10.1787/888934129790

9.8. Ease of doing business components, regional averages, 2020



Source: World Bank (2020), Doing Business database (*http://www.doingbusiness.org*).

StatLink https://doi.org/10.1787/888934129809

9.9. Number of tax payments and time spent paying taxes, 2020

	Paying taxes score	Paying taxes - # of payments	Paying taxes – time (hours)
Albania	65	35	252
Bosnia and Herzegovina	60	33	411
Kosovo	82	10	154
Montenegro	77	18	300
North Macedonia	85	7	119
Serbia	75	33	226
Western Balkans	74	23	244
OECD-EU	84	10	163
OECD	84	10	161

Source: World Bank (2020), Doing Business database (*http://www.doingbusiness.org*).

StatLink https://doi.org/10.1787/888934129828

Chapter 10

Serving citizens

Citizens' satisfaction with public services and institutions can be considered a direct outcome of a government's policy and actions, and the results from satisfaction surveys can reveal a lot about how well governments are functioning, both in terms of citizens' actual experiences but also their expectations.

The Gallup World Poll surveys on a regular basis the satisfaction of citizens with public services (e.g. health, education and justice). The collected data allows policymakers to evaluate how satisfaction has changed over time and compare the level of satisfaction across jurisdictions.

Over the past decade, citizens in the Western Balkan region have grown more satisfied with health services but less satisfied with education services. For both types of services they are less satisfied than citizens living in OECD and OECD-EU countries. Confidence in the judiciary system and courts has remained stable in the past decade, remaining at a very low level compared to the OECD and the OECD-EU levels.

In 2019, 52% of the citizens in the Western Balkans, on average, reported that they were satisfied with the quality of healthcare systems. This is higher than in 2009 (44%), but significantly lower than the average satisfaction level in OECD countries (69%) in 2019. Kosovo reported the highest rate of satisfaction (57%) with the healthcare system while North Macedonia reported the lowest rate (46%). Over the past decade, the satisfaction with healthcare systems has improved significantly in Albania and Kosovo (by 21 and 27 p.p. respectively). On the contrary, satisfaction rates declined in North Macedonia (7 p.p.) and Montenegro (5 p.p.).

More than half of the citizens in the region, on average, were satisfied with their education systems and schools (57%). Nevertheless, this is lower than the satisfaction rate in OECD and OECD-EU countries on average (67% and 68%). Over the past decade, overall satisfaction with education systems and schools has decreased in most Western Balkans (on average 7 p.p.). Albania has the highest rate of satisfaction in the region (59%). Citizens of North Macedonia recorded the lowest satisfaction rate with the education system and schools (54%). Kosovo had the largest decline in satisfaction rates, from 73% in 2009 to 56% in 2019. This mirrors the relatively low performance on PISA exams for students in Kosovo, which compare the outcomes of education systems across the world, as shown in the section on student performance and equity in education. Montenegro has also experienced a large decline (14 p.p.) in satisfaction with the education system. Albania is the only country in the Western Balkan region where satisfaction improved in the past decade (10 p.p.).

Confidence in the judiciary system and the courts is remarkably low in the Western Balkan region, compared with OECD and OECD-EU countries. In 2019, on average, the level of confidence stood at 33%, compared to 56% for OECD-EU countries. Only 22% of citizens in North Macedonia have confidence in the judiciary system. This is the lowest rate registered in the region. In the past decade, confidence levels have slightly decreased in the Western Balkans. This trend differs from the OECD-EU countries where generally the level of confidence has increased (7 p.p.). While Bosnia and Herzegovina, Kosovo and North Macedonia reported a decrease in the confidence level (7 p.p., 2 p.p. and 1 p.p., respectively), Albania and Serbia recorded an increase of 3 and 6 p.p. The interpretation of cross-country comparisons of citizen satisfaction and confidence with services should be made with caution as perceptions can be influenced by many other reasons beyond the access, responsiveness and quality of services, such as differing expectations, cultural factors, communications, current events or other factors.

Methodology and definitions

Data were drawn from Gallup World Poll 2019 and 2009 surveys. Gallup World Poll is based on a sample of 1 000 citizens in each country. More information about the survey is available at: *www.gallup.com/home.aspx*.

Data on the level of satisfaction with healthcare refer to the percentage of people who answered "satisfied" to the question: "In the city or area where you live, are you satisfied or dissatisfied with the availability of quality healthcare?"

For education, data refer to the percentage of people who answered "satisfied" to the question: "In the city or area where you live, are you satisfied or dissatisfied with the educational system or the schools?"

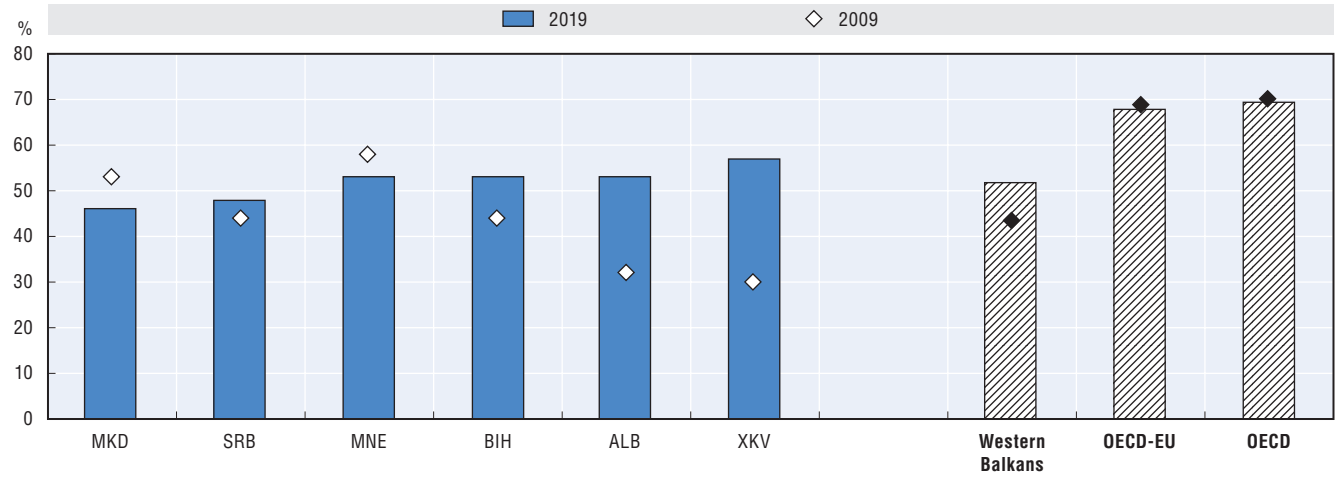
For justice, data refer to the percentage of people who answered "yes" to the question: "In this country, do you have confidence in the judicial system and courts?"

Figure notes

Data for Bosnia and Herzegovina and Serbia are for 2018 rather than 2019. There is an overrepresentation of citizens in major urban centres due to oversampling or exclusion of rural areas.

10.4. (Confidence in the local police, 2009 and 2019) is available online in Annex C.

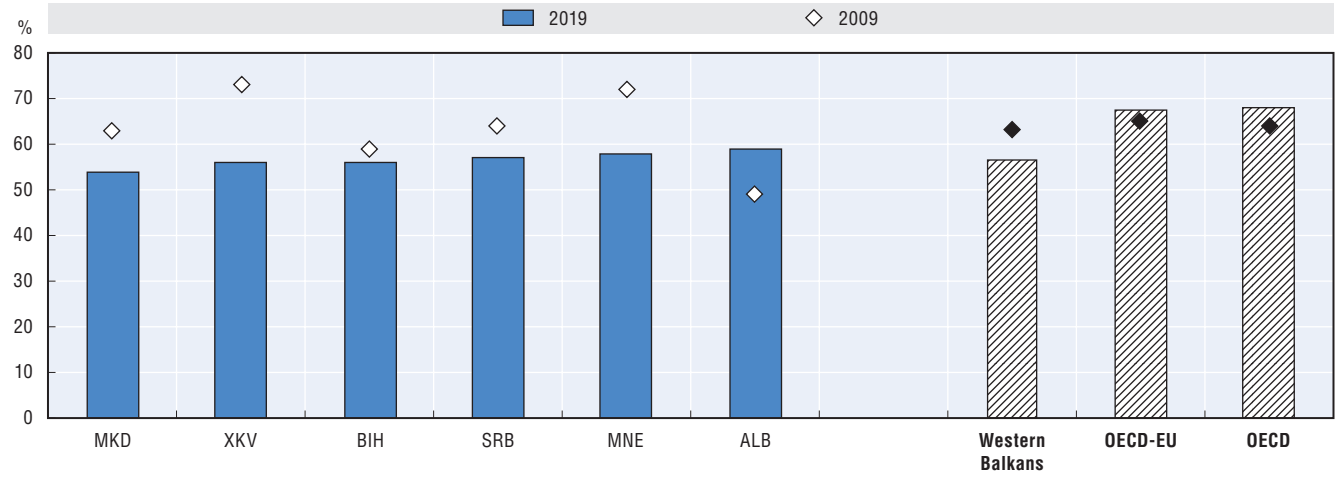
10.1. Citizen satisfaction with the healthcare system, 2009 and 2019



Source: Gallup World Poll 2019 and 2009 (database).

StatLink https://doi.org/10.1787/888934129847

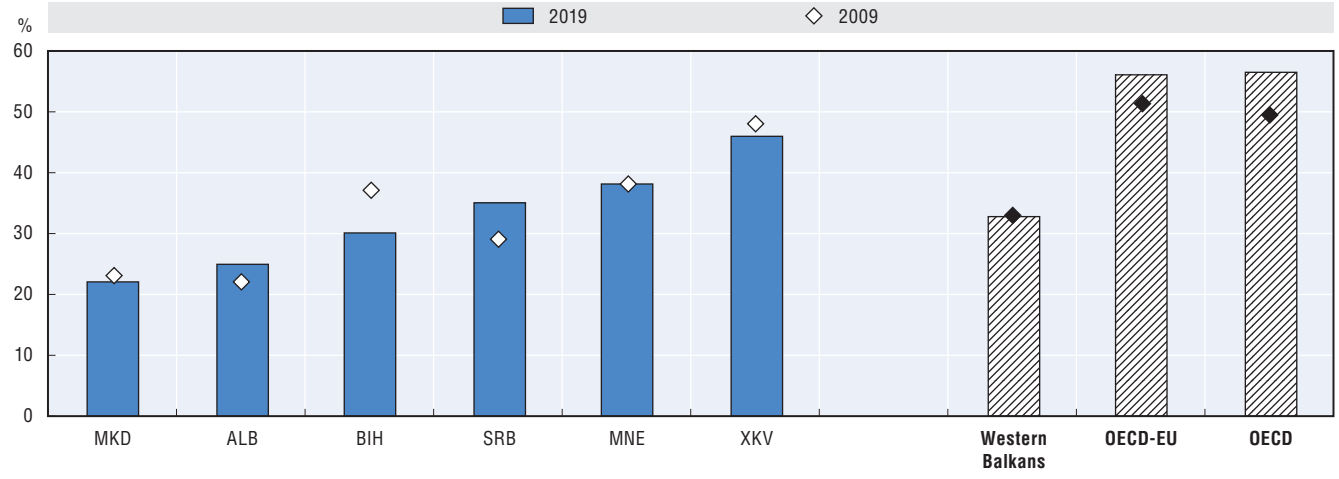
10.2. Citizen satisfaction with the education system and schools, 2009 and 2019



Source: Gallup World Poll 2019 (database).

StatLink https://doi.org/10.1787/888934129866

10.3. Citizen confidence in the judiciary system and the courts, 2009 and 2019



Source: Gallup World Poll 2019 (database).

StatLink https://doi.org/10.1787/888934129885

Access to justice is defined as the ability of citizens to seek and obtain a just resolution of legal problems through a wide range of legal and justice services. This involves legal information, counsel and representation to formal (e.g. courts) and alternative dispute resolution, and enforcement mechanisms. Nowadays, more emphasis is placed on legal empowerment, which enables citizens' meaningful participation in the justice system and in building their capabilities to understand and use the law for themselves (OECD, 2019). The rule of law requires an impartial and non-discriminatory justice system. Without equal access, a large portion of the population would be left behind. For example, in all Western Balkans, except for Serbia and Albania, the lack of an adequate system for compensating legal costs for the winning party can create additional barriers for access to administrative justice.

Legal needs surveys are useful in helping policymakers understand citizens' experiences in seeking justice, the pathways they follow and the obstacles they face in resolving disputes. These surveys ask respondents whether they experienced any legal problems over the course of the reference period, whether they sought legal help and from whom, whether they attempted to solve the dispute and how, among others. Some countries have included modules on legal needs in their household surveys, but these are not regularly collected (OECD/Open Society Foundations, 2019). Since 2016, the World Justice Project collects data on access to justice in its General Population Poll across the world, making cross-country comparisons possible.

Based on the data from General Population Poll, only one-fifth of citizens in the Western Balkans who experienced a legal problem received legal advice. In over half of these cases, the advice came from a friend or family member, not a legal aid office, professional lawyer or formal institution. People in Albania and North Macedonia rely less on family and friends and use professional legal services more than in Serbia and Bosnia and Herzegovina. In the OECD-EU countries approximately one-third of citizens who experienced a legal problem received advice, and also half of those relied on friends and family.

Across the Western Balkans, of those citizens that experienced a legal problem but did not seek legal assistance, most of them answered that the problem was not difficult, whereas one-third (32%) of respondents reported that the reason they did not seek legal assistance was because of barriers to access such as lack of knowledge of the possibility of receiving advice or where to do so, distance, fear of getting legal support or of financial costs. People in Albania were most likely to report barriers as the cause for not seeking legal assistance (39%), as opposed to North Macedonia where the fewest people answered that barriers discouraged them from seeking legal aid (26%). Still, despite not feeling discouraged by access barriers, the share of respondents who took action to solve their disputes in North Macedonia is the same as in other Western Balkans. The regional average for respondents reporting barriers to access is approximately the same as in the average of OECD-EU countries (31%).

Methodology and definitions

Data were extracted from the World Justice Project General Population Poll (GPP) conducted in 2017 and 2018. The GPPs are based on 1 000 sample respondents in the three largest cities of every country. A quota sampling technique was used, and interviews were conducted online and face to face. Disputes cover any issues that the individual had with service providers, the government, their employer, their neighbours, their relatives, among others. Examples of such issues include malpractice, power abuse from the police, unfair dismissals, disputes over boundaries and divorces. Individuals who reported experiencing any such issue were asked whether they sought advice from any person or organisation and whether they made a claim with a court or any other mediator. As a follow-up, respondents who did not seek assistance were asked to explain why. Reasons for not seeking help included: thinking that the issue was not difficult, access barriers and other reasons.

Further reading

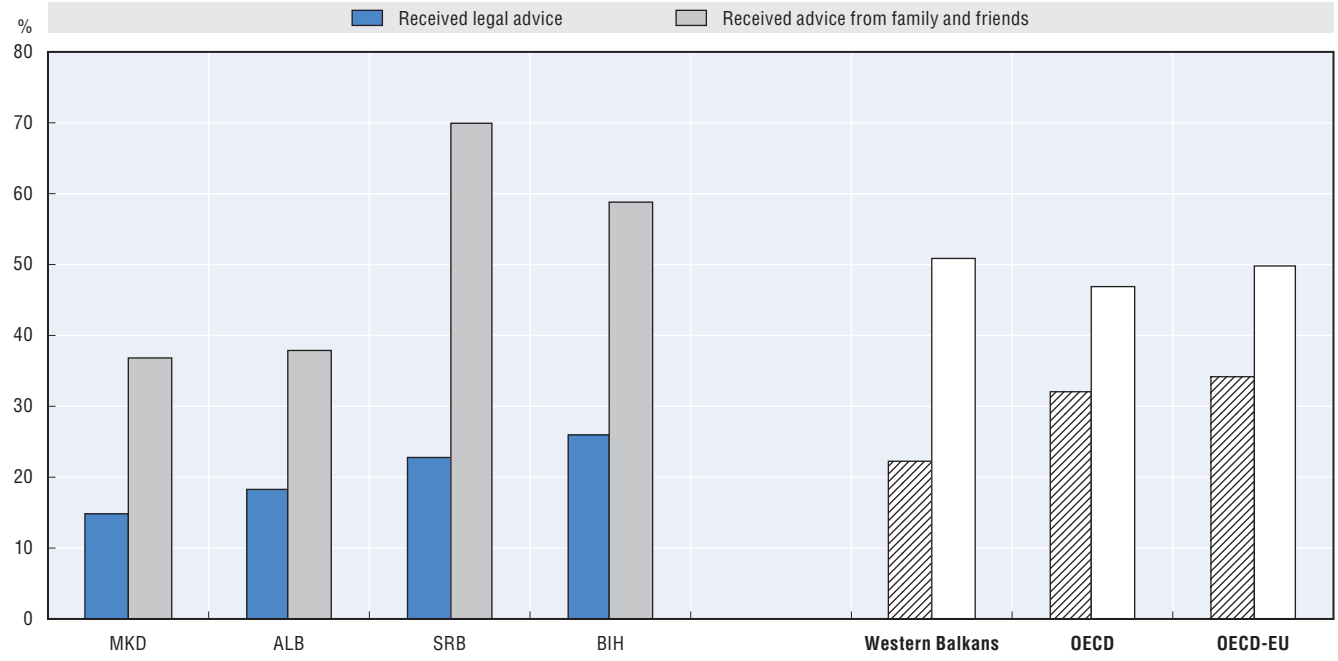
OECD (2019), *Equal Access to Justice for Inclusive Growth: Putting People at the Centre*, OECD Publishing, Paris, *https://doi.org/10.1787/597f5b7f-en*.

OECD/Open Society Foundations (2019), *Legal Needs Surveys and Access to Justice*, OECD Publishing, Paris, *https://doi.org/10.1787/g2g9a36c-en*.

Figure notes

Data for Bosnia and Herzegovina, North Macedonia and Serbia are from 2017 instead of 2018. Data for Kosovo and Montenegro are not available.

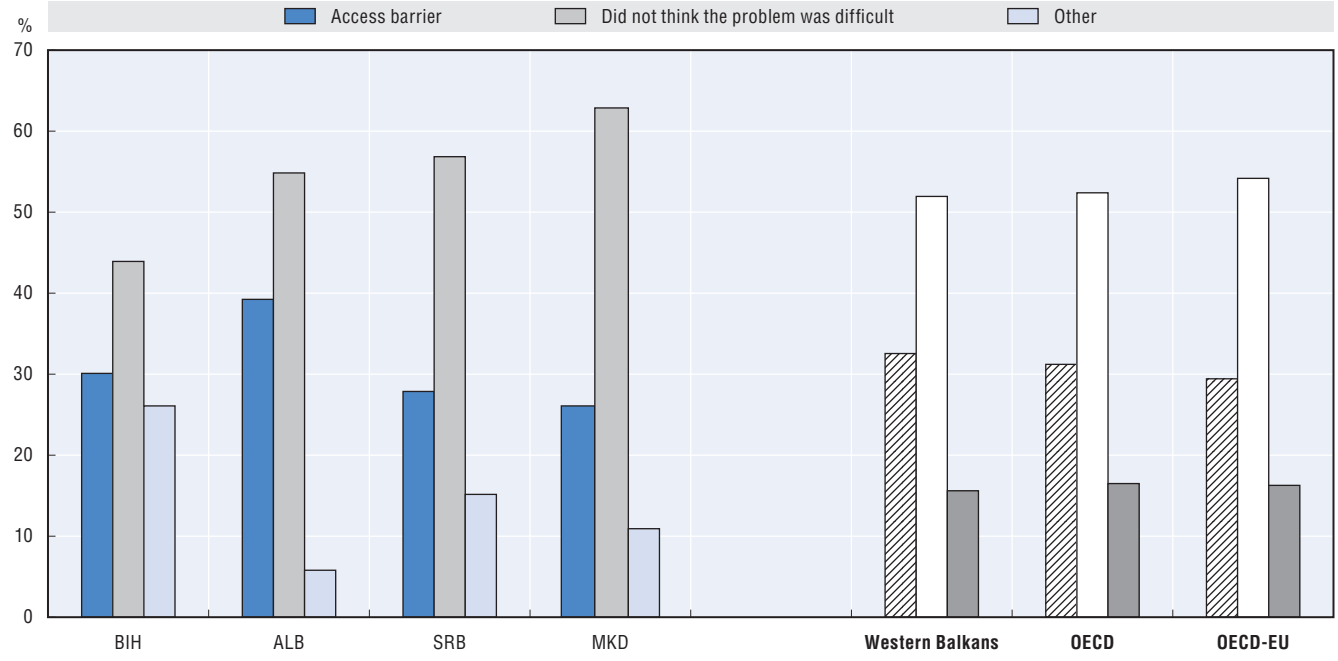
10.5. Percentage of individuals who received legal advice and who took action to resolve their disputes over the past two years, 2018



Source: World Justice Project (2018), "General Population Poll".

StatLink https://doi.org/10.1787/888934129904

10.6. Reasons for not attempting to obtain legal assistance to resolve a dispute, 2018



Source: World Justice Project (2018), "General Population Poll".

StatLink https://doi.org/10.1787/888934129923

Delays in solving legal issues can have several implications – costs, productivity, health, employment and relationships – and could deter citizens from following legal procedures to resolve their disputes in the future. The responsiveness of the justice system ensures that the "right" mix of services are provided to the "right" clients, in the "right" areas of law, in the "right" locations and at the "right" time.

There are several factors that can hinder timeliness of dispute resolutions such as a shortage of judges and other relevant professionals, lack of court rooms for hearings, limited use of alternative dispute resolution mechanisms, and other issues related to a lack of funds. In addition to material barriers, inflexibility in justice systems (which do not allow for reallocation of cases), ineffective procedural rules (e.g. which do not allow prosecuting witnesses who refuse to testify), ineffective allocation of resources and low use of ICTs also affect case management.

Assessments conducted by SIGMA in 2017 across the region found inadequate electronic case management systems for administrative court cases in Kosovo and Albania. In Albania, Bosnia and Herzegovina and Kosovo the ability of the administrative courts to ensure timely delivery of justice is further undermined by the low number of legal assistants supporting the judges in resolving disputes. They also show DTs are artificially low compared to EU countries, due to the "ping-pong" of cases between different court instances. Similar observations are made by the Council of Europe for several countries in the Western Balkan region.

For litigious civil and commercial cases, the disposition time (DT) in first instance courts was the longest in Bosnia and Herzegovina, where it took an estimated 574 days to solve a case on average, compared to just 159 days in Albania. Both in Albania and in Bosnia and Herzegovina, the number of days to solve a case has been reduced since 2012, by 33 and 82 days respectively. The number of days to solve litigious civil and commercial cases has increased in Montenegro (13 days), North Macedonia (48 days) and Serbia (73 days) since 2012.

DT for first instance administrative cases is above a year for North Macedonia (370 days) and over two years for Kosovo (788 days) in 2016. Albania reported the shortest disposition time, 115 days. DT has been shortened in Albania by more than half, from 287 days to 115 days since 2012. However, in all other Western Balkans (no data is available for Kosovo) DT for first instance administrative cases increased in the same period. North Macedonia had the largest increase, of 53 days, from 317 in 2012 to 370 days in 2016.

Methodology and definitions

The European Commission for the Efficiency of Justice (CEPEJ) database reports the evaluation of judiciary systems over time. The latest available year is 2016.

Length of proceedings indicates the estimated time needed to solve a case, which implies the time taken by a first instance court to reach a decision. This is expressed as the disposition time (DT). It is calculated by dividing the number of pending cases in a given year by the number of cases that were solved the same period, multiplied by 365. Although it does not provide information on the average time needed to solve a case, it does provide an estimate of the length of the process within a specific jurisdiction. Litigious civil and commercial cases refer to disputes between parties, such as litigious divorces. Commercial cases are addressed by dedicated courts in some countries and by civil courts in others. Administrative cases refer to disputes between citizens and local, regional or national authorities. While specialised courts deal with these types of disputes in some countries, civil courts hear them in others; hence, the DT can vary.

Countries differ in the ways they administer justice and distribute responsibilities between courts so cross-country comparisons must be taken with caution. There are differences in the types of courts and cases included in this exercise, as well as different methods of data collection and categorisation.

Further reading

CEPEJ (2018), *European Judicial Systems: Efficiency and Quality of Justice*, Council of Europe, Strasbourg.

European Network of Councils for the Judiciary (2011), *Timeliness Report 2010-11*, ENCJ, Brussels.

OECD (2019), *Equal Access to Justice for Inclusive Growth: Putting People at the Centre*, OECD Publishing, Paris, *https://doi.org/10.1787/597f5b7f-en*.

Koprić I., Kovač P., Đulabić, V., Džinić, J. (2016), *Legal remedies in Administrative Procedures in Western Balkans: Comparative Study*, ReSPA - Regional School of Public Administration, Danilovgrad.

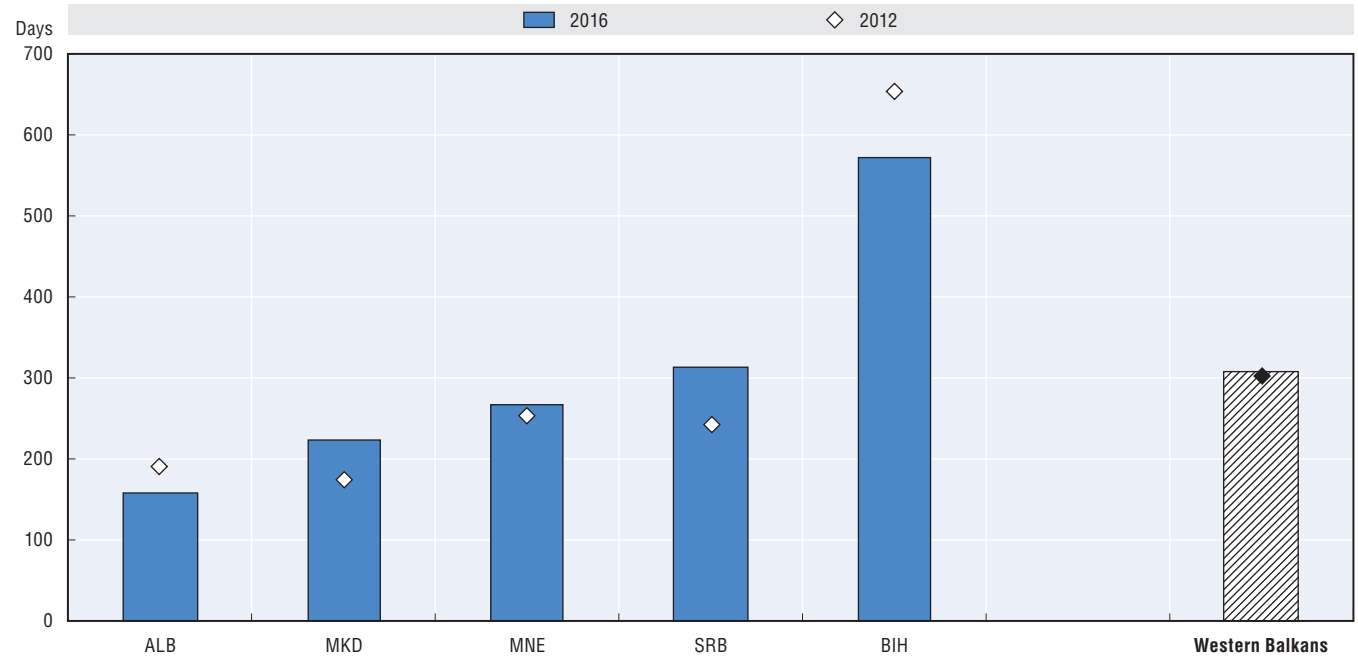
Figure notes

Data are ranked in ascending order regarding the time needed in days on the latest year when data was available.

10.7.: Data for Kosovo are not available.

10.8.: The figure representing Kosovo's DT data for first instance administrative cases refers to data from the OECD SIGMA Kosovo Monitoring report 2017 (*http://sigmaweb.org/publications/Monitoring-Report-2017-Kosovo.pdf*).

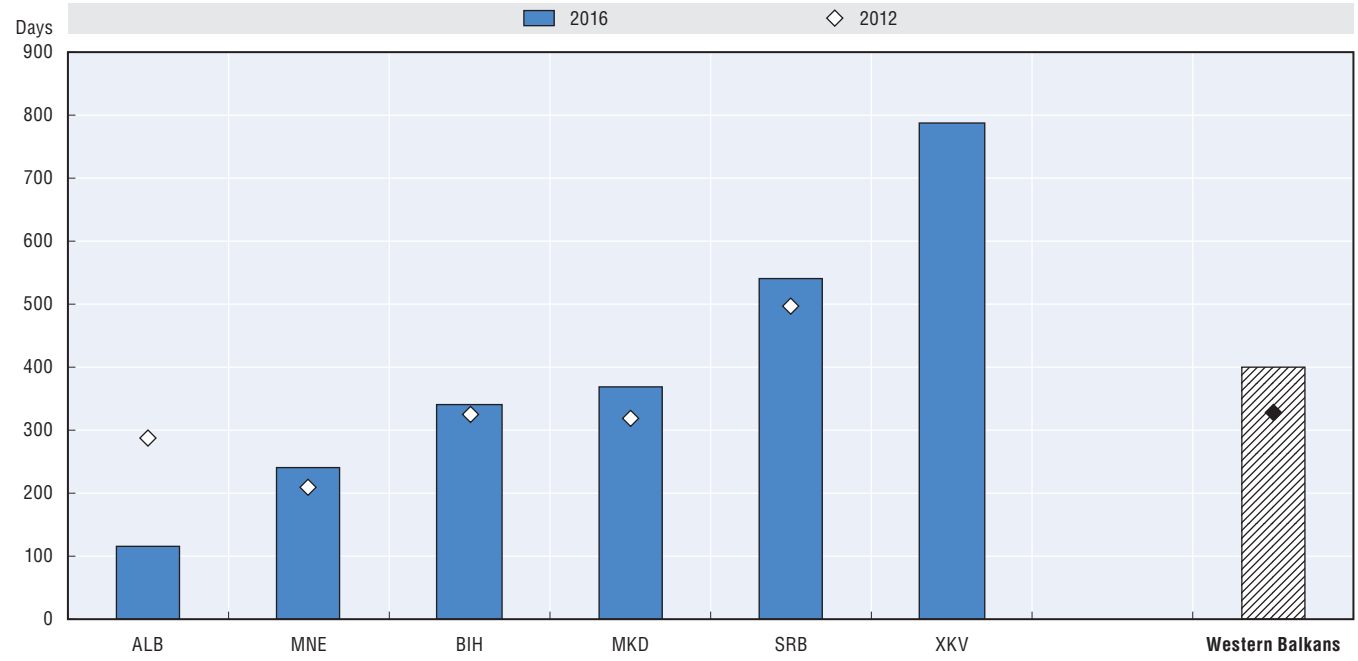
10.7. Disposition time for litigious civil and commercial cases, 2012 and 2016



Source: Council of Europe European Commission for the Efficiency of Justice (CEPEJ) (database), 2016.

StatLink https://doi.org/10.1787/888934129942

10.8. Disposition time for first instance administrative cases, 2012 and 2016



Source: Council of Europe European Commission for the Efficiency of Justice (CEPEJ) (database), 2016.

StatLink https://doi.org/10.1787/888934129961

Well-functioning judicial systems play a crucial role in society by guaranteeing the security of citizens' rights and by ensuring that the legal needs of citizens are met. The effective and fair justice system requires consideration of the full continuum of services, ranging from accessibility of legal information and legal assistance to formal (such as courts) and alternative dispute resolution, and their enforcement mechanisms (OECD, 2019).

Courts remain a core element of the justice systems. Effective functioning of courts and fair application of the law in turn requires judges to be independent from external pressure. A survey of European judges in 2017 found that undue pressure might come from the court management and political parties or their lawyers. One-third of respondents also doubted that councils for the judiciary have the appropriate mechanisms with which to defend their independence (ENCJ, 2017).

According to data from the WJP Rule of Law Index, there is a strong positive linear relationship between effective implementation of civil justice and the absence of improper government influence in the civil justice system. Experts and legal practitioners from the Western Balkans place their countries and economies at the bottom end of both scales compared to their European neighbours. In 2020, the average for the Western Balkan region stood at 0.48 in effective enforcement of civil justice while the OECD-EU countries scored 0.68, on average. The region performed slightly better in freedom from improper government influence on administrative justice lawsuits (0.39) but the surveyed performance of the region stood below the OECD-EU average of 0.75. Based on the evidence, the perception of citizens and experts that the system is effectively enforced has slightly improved in Bosnia and Herzegovina (0.06) and Serbia (0.17) while it decreased in Albania (-0.04) between 2015 and 2020. Improper government influence in civil justice systems has increased in the region since 2015, especially in Albania (-0.10).

From the various types of justice that the judiciary system deals with, criminal justice is one of the most sensitive ones as it affects people's freedom. In criminal cases, two fundamental human rights collide: personal security and presumption of innocence. Victims have the right to demand an investigation and prosecution of their offender in order to defend themselves and society from future threats, and the accused have the right to a fair process where all guarantees are upheld. For example, pre-trial detention must be avoided and, when used, it must be as short as possible to avoid violating individual freedoms. Court decisions must be fast and fair in order to guarantee that the rights of both the accused and accuser are safeguarded.

Countries where the criminal adjudication system is considered timely and effective are more likely to report lower propensity of resorting to violence to redress personal grievances. Again, according to the WJP Rule of Law Index, which surveys experts and legal practitioners, the Western Balkans score lower on average (0.45, 0.52) on both variables compared to OECD-EU countries (0.63, 0.67). The criminal adjudication system is considered more timely and effective in Bosnia and Herzegovina (0.56), compared to the others in the region, despite the fact that the country has the lowest perception that people do not resort to violence to redress personal grievances. While the criminal adjudication system is perceived the least timely and effective (0.34), people in Kosovo (0.62) have the highest perception in the non-use of self-administered justice in disputes in the region.

Methodology and definitions

Data for this section is drawn from the World Justice Project's Rule of Law Index. The index is based on replies from a general population survey using a representative sample of 1 000 respondents and a survey of qualified respondents completed by practitioners and academics with expertise in civil law. For more information on the underlying data see: worldjusticeproject.org/rule-of-law-index.

"Freedom from improper influence" is gauged by asking how likely a litigant is to win a case against the state, how likely the government is to respect such decisions or seek to influence the court. "Effective enforcement of civil justice" enquired about the enforcement of court rulings and their timeliness.

"Criminal adjudication system" measures whether perpetrators of crimes are prosecuted and punished. It also measures the degree to which criminal judges and other judicial officers are competent and produce speedy decisions without abuse of pre-trial detention. "People do not resort to violence to redress personal grievances" measures the degree to which people use intimidation or violence to resolve civil disputes amongst themselves, or to seek a resolution of the issue with the government, and the degree to which people are free from mob/riot violence.

Further reading

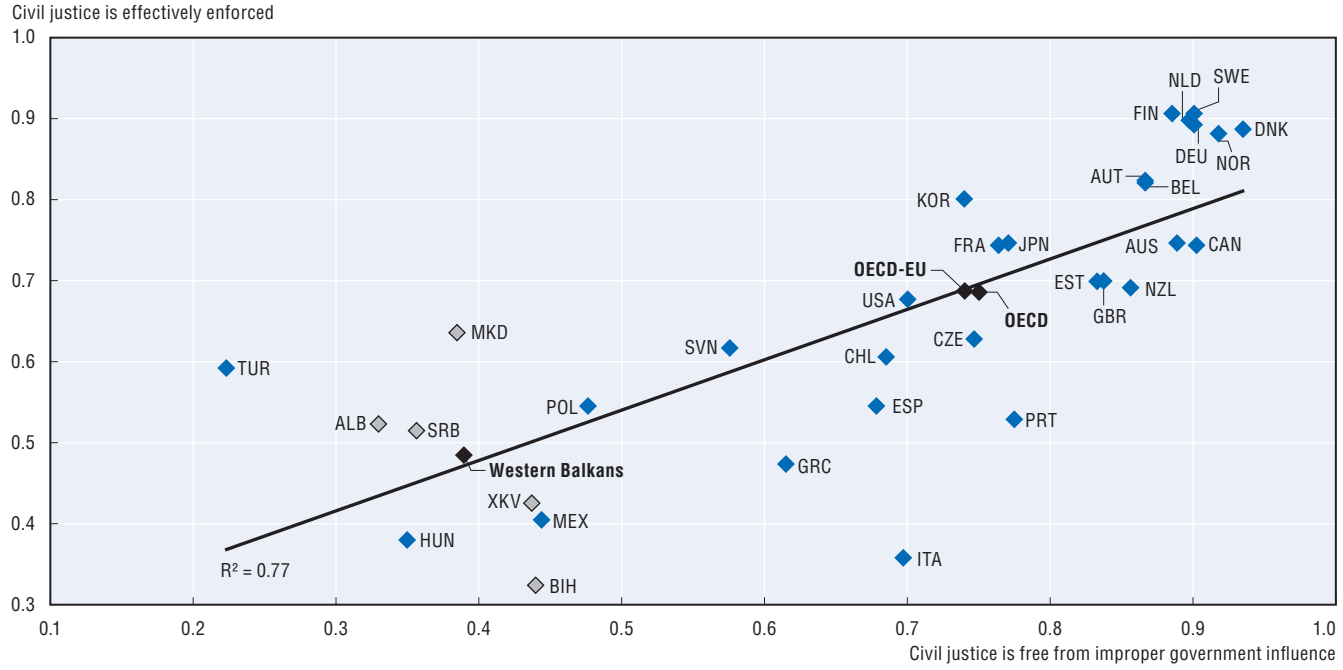
European Network of Councils for the Judiciary (2017) *Data ENCJ Survey on the Independence of Judges 2016-2017*, ENCJ, Brussels

OECD (2019), *Equal Access to Justice for Inclusive Growth: Putting People at the Centre*, OECD Publishing, Paris, *https://doi.org/10.1787/597f5b7f-en*.

Figure notes

Data for Montenegro, Iceland, Ireland, Israel, Latvia, Lithuania, Luxembourg, the Slovak Republic and Switzerland are not available.

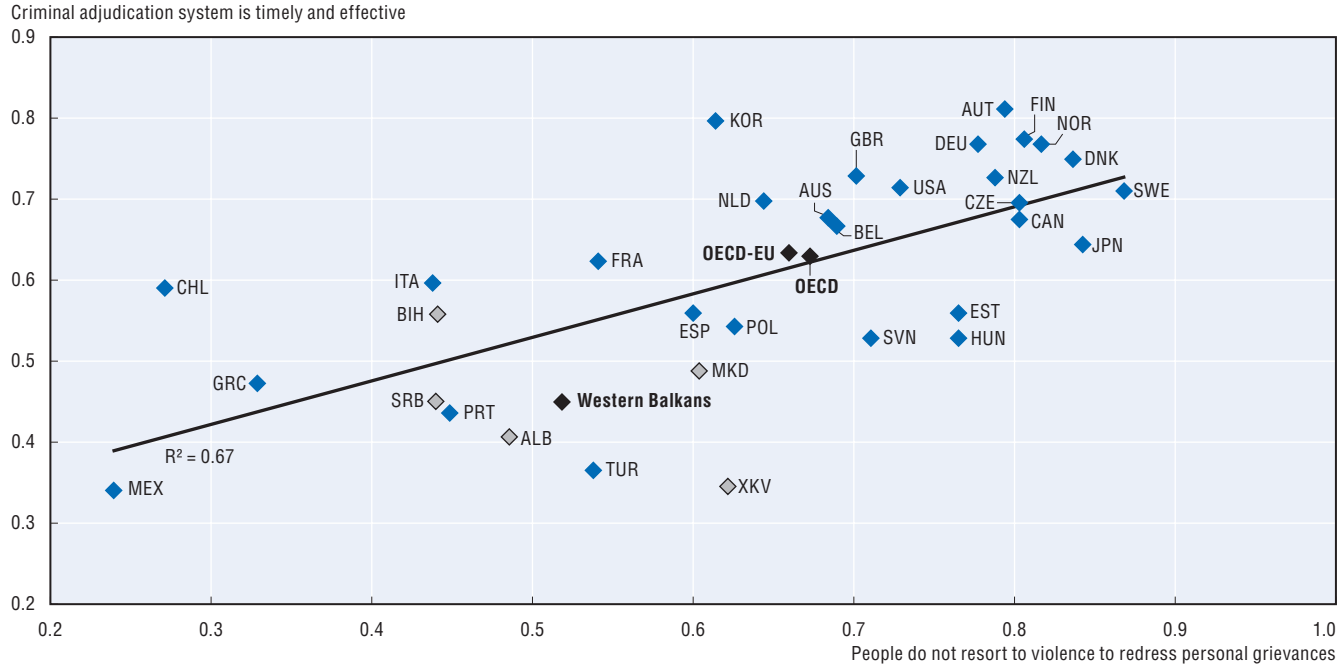
10.9. Effective enforcement of civil justice and freedom from improper government influence, 2020



Source: World Justice Project (2020), Rule of Law Index 2020

StatLink https://doi.org/10.1787/888934129980

10.10. Effectiveness/timeliness of the adjudication system of criminal justice courts and the extent that violence is used to redress personal grievances, 2020



Source: World Justice Project (2020), Rule of Law Index 2020.

StatLink https://doi.org/10.1787/888934129999

Health is at the heart of citizens' well-being. Improving human health and providing access to affordable, high-quality healthcare is a key concern of all countries. The healthcare system is responsible for preventing health problems as well as protecting citizens from threats related to health. Quality of healthcare can be measured through outcome measures, such as estimated life expectancy at birth and number of healthy years. It is important to note that these measures can also be affected by other factors, such as lifestyle and behaviour (e.g. smoking, alcohol consumption) and self-care attitudes of the population (e.g. following recommended schedules of medical check-ups) that are beyond the control of the healthcare system.

Health status in the Western Balkan region has improved considerably since the turn of the millennium. Life expectancy has increased from 72 years in 2000 to 76 years in 2017. By comparison, the average life expectancy in OECD-EU countries was 80 years on average in 2017, with an equivalent increase of four years compared to 2000. Overall, the Western Balkans still lag behind OECD-EU countries, but there is a positive convergence trend.

Significant variations can be observed within the Western Balkan region, with Kosovo having the lowest life expectancy (72 years) and Albania having the highest (78 years). Life expectancy has increased the most in Serbia (5 years) and the least in North Macedonia (2 years) when comparing the years 2000 and 2017.

In 2016, the number of healthy years that a citizen of in the Western Balkans could expect was on average 68 years, whereas the number of healthy years on average in OECD countries was 71 years. The number of healthy years does not vary significantly among Western Balkans. Albania ranks the highest with an average of 68.1 healthy years and North Macedonia the lowest with 67.1 years. The number of healthy years has increased by 2.7 years since 2000 in the Western Balkan region. The highest increase is in Albania and Montenegro (both 3.2 years) and the lowest increase in Bosnia and Herzegovina (1.7 years).

Healthcare outcomes such as life expectancy and number of healthy years are linked to the services covered by healthcare. Providing universal coverage and equal access to the healthcare system for all remains a challenge for the Western Balkan region. On average, the coverage of essential health services (e.g. prevention, treatment, rehabilitation) index score was at 65 in 2017 whereas the OECD average stood at 80. For example, in Montenegro the World Bank has recommended implementing reforms related to service delivery, in order to address the dual challenges of a rising burden of non-communicable diseases and an aging population. These reforms aim to increase the quality and coverage of primary and preventive care, and streamline the hospital network. Similar to life expectancy, there is significant variation across the region for the coverage of essential health services. The highest rate of the region belongs to North Macedonia (72) and the lowest to Albania (59), a difference of 13 points. However, the index is relatively stable over time recording the highest increase in North Macedonia (+2) compared to 2015.

Methodology and definitions

Life expectancy at birth measures the average number of years that people born today could expect to live based on currently prevailing age-specific death rates. Life expectancy at birth for the population as a whole is computed as a weighted average of life expectancy for men and women. Data is drawn from the World Bank database.

The World Health Organisation (WHO) collects data on number of healthy years. Healthy life expectancy (HALE) is a form of health expectancy that uses disability weights to health states to compute the equivalent number of years of good health that a newborn can expect.

The Universal Health care (UHC) Index of service coverage is a composite indicator prepared by the WHO. The index allows policymakers to compare the coverage of essential health services across countries. The index is the geometric mean of 14 selected indicators of health service coverage and it is presented as a score from 0 to 100. The indicators are grouped into four components of service coverage: reproductive, maternal, newborn and child health; infectious diseases; non-communicable diseases; and service capacity and access. For more information see: *https://apps.who.int/gho/data/node.imr.UHC_AVAILABILITY_SCORE?lang=en*.

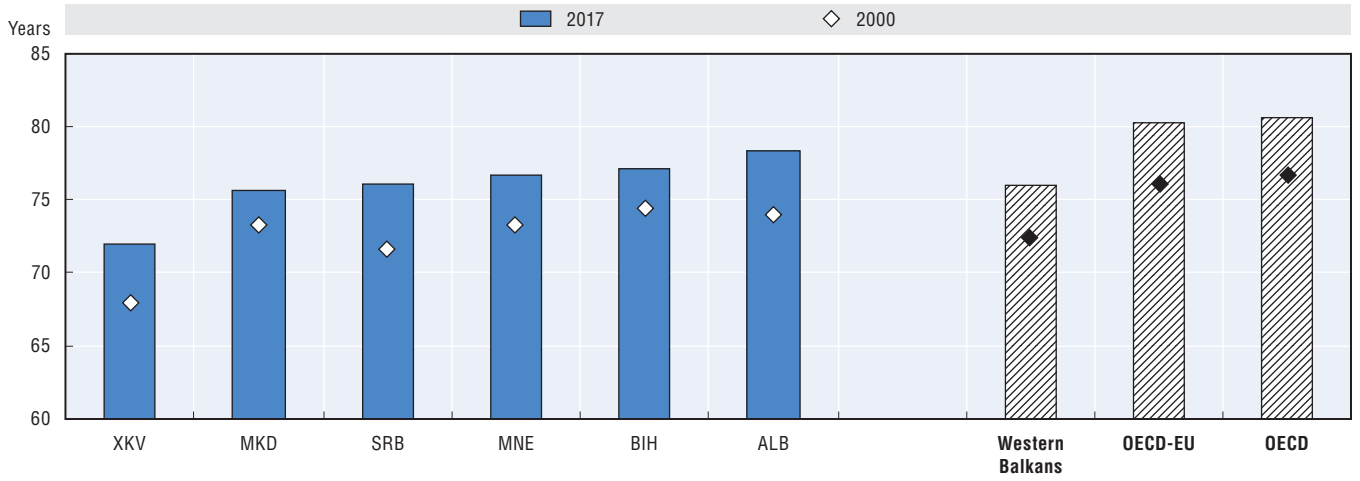
Further reading

World Bank (2019), *Montenegro Public Finance Synthesis Report: Restoring Sustainability and Strengthening Efficiency of Public Finance*, World Bank, Washington.

Figure notes

10.12., 10.13.: Data for Kosovo are not available.

10.11. Life expectancy at birth, 2000 and 2017



Source: The World Bank (2017) World Development Indicators.

StatLink https://doi.org/10.1787/888934130018

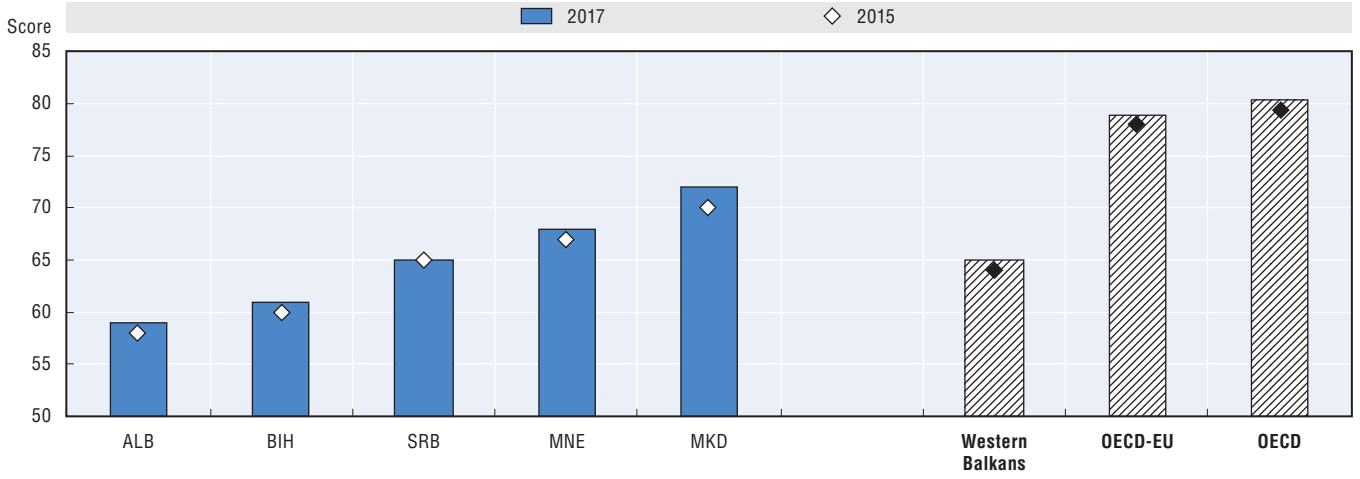
10.12. Number of healthy years at birth, 2000 and 2016



Source: World Health Organisation (2017) Global Health Observatory (GHO) data.

StatLink https://doi.org/10.1787/888934130037

10.13. UHC Index of service coverage, 2015 and 2017



Source: World Health Organisation (2017) UHC Service Coverage Index (SCI).

StatLink https://doi.org/10.1787/888934130056

Education is an essential public service, as it equips students with the knowledge and skills to thrive in the society in which they live. Providing education of a comparable quality to all students, regardless of their socioeconomic background is key to reducing inequalities and poverty, and is conducive to inclusive growth. Students' performance can be used as a proxy measure to assess the quality of education in a country.

The Western Balkans lag behind OECD and OECD-EU countries based on standardised test scores, such as PISA. Students in the Western Balkan region tend to have lower scores in reading (402), mathematics (414) and science (408). The largest gap is in reading (89 points difference to the OECD-EU average), followed by mean scores in science (84 points gap). However, the data shows that the quality of education improved substantially between 2015 and 2018 in the region. Moreover, the improvements in each of the three domains have been generally greater than in the OECD average. For instance, Western Balkan average in mathematics increased by 23 points from 2015 while the mean score in mathematics changed by 2 points on average in the OECD countries.

In the latest PISA edition (2018), Serbian students outperformed their counterparts in the Western Balkan region in all three domains, even if results were worse than in 2015. The mean scores in 2018 for Serbian students were 439 in reading (446 in 2015), 448 in mathematics (449) and 440 in science (445). Kosovo students had the lowest mean score in reading (353), mathematics (366) and science (365). Despite comparable levels of financial investments, evaluations show that the management of Kosovo's education sector has been inefficient and disorganised, with a lack of adequate policies and standards for teacher development and accreditation. Merit-based recruitment of teachers has suffered from an absence of central regulations. Municipalities have had much discretionary power without sufficient oversight or central quality assurance.

Beyond mean scores, the share of PISA top and low performers in a country is indicative of the level of equality and equity in education. A result below 2 on the PISA scale is regarded as poor performance. On average, 54% of the students in the Western Balkans have a level of proficiency in mathematics that is below 2. In Kosovo, 77% of the students scored below level 2, followed by North Macedonia (61%) and Bosnia and Herzegovina (58%). In Albania, Montenegro and Serbia the share of students who have low performance in mathematics is below 50%.

Similarly, 54% of students in the Western Balkan region were below level 2 in terms of reading proficiency. The scores in reading are unevenly distributed. Montenegro and Serbia are the only countries in the Western Balkan region where just over half of the students have at level two or above. More importantly, Serbia has the highest share of students who have level four proficiency or above in reading (3%). At the other end of the scale is Kosovo where 79% of students have a reading proficiency that is less than level 2.

Methodology and definitions

The OECD's Programme on International Student Assessment (PISA) is an international assessment of 15-year old students enrolled at 7th grade or higher in reading, mathematics, and science, collected every three years. The 2018 round was the seventh since the start of the programme and covered 79 countries. The data were collected through a two-stage sampling process. At the first stage, at least 150 schools were selected by country and in the second stage, around 42 students were selected from each school to take the exam. Skills in reading, mathematics and science are each assessed separately. The average score shown here represents the average score across the three assessments.

Top performers are those students who attained level 5 or 6 in a given subject and bottom performers are those whose score was below 2. A score of 2 in reading indicates that the student is able to identify the main idea in a text of moderate length, find information based on explicit, though sometimes complex, criteria, and reflect on the purpose and form of texts when explicitly directed to do so. A score of 2 in mathematics indicates that the student can interpret and recognise, without direct instructions, how a (simple) situation can be represented mathematically (e.g. comparing the total distance across two alternative routes, or converting prices into a different currency). For more information on the underlying data see: *www.oecd.org/pisa*

Further reading

Mehmeti, S., Boshtrakaj, L. & Mehmeti, F. (2019), *Mid-term Evaluation: Implementation of Kosovo Education Strategic Plan 2017 – 2021*, Kosovo Education and Employment Network – KEEN project.

Figure notes

10.15., 10.16.: Countries and economies are ranked in descending order of the percentage of students who performed at or above Level 2.

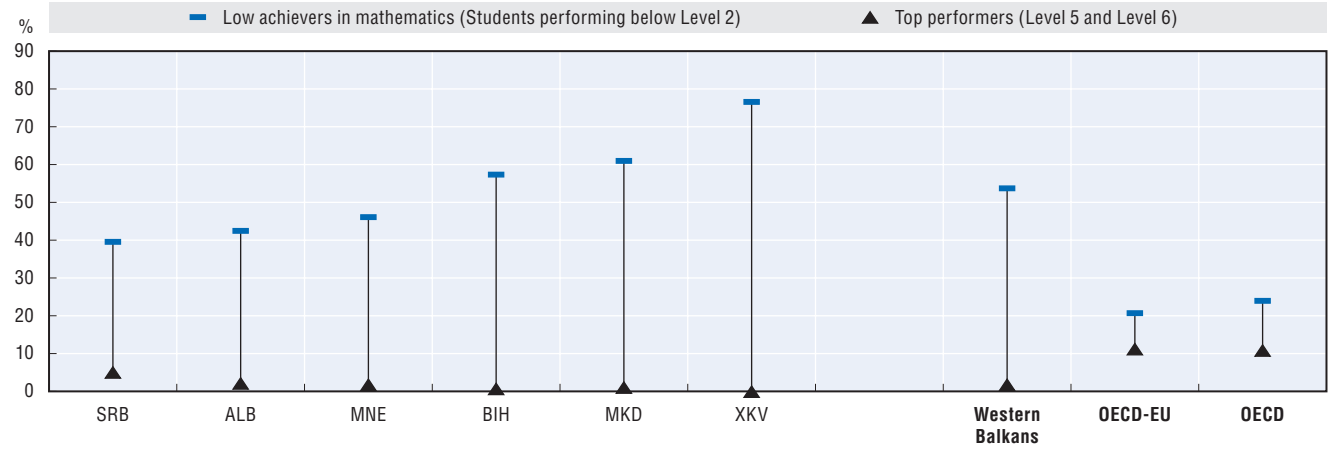
10.14. PISA mean scores in reading, mathematics and science, 2015 and 2018

	PISA mean score in reading		PISA mean score in mathematics		PISA mean score in science	
	2015	2018	2015	2018	2015	2018
Albania	405	405	413	437	427	417
Bosnia and Herzegovina	..	403	..	406	..	398
Kosovo	347	353	362	366	378	365
Montenegro	427	421	418	430	411	415
North Macedonia	352	395	371	394	384	413
Serbia	446	439	449	448	445	440
Western Balkans	383	402	391	414	400	408
OECD-EU	493	491	494	496	494	492
OECD	490	487	487	489	491	489

Source: OECD, PISA 2018 Database, Tables I. B1.4, I. B1.5, I. B1.6, I. B1.10, I. B1.11 and I. B1.12.

StatLink https://doi.org/10.1787/888934130075

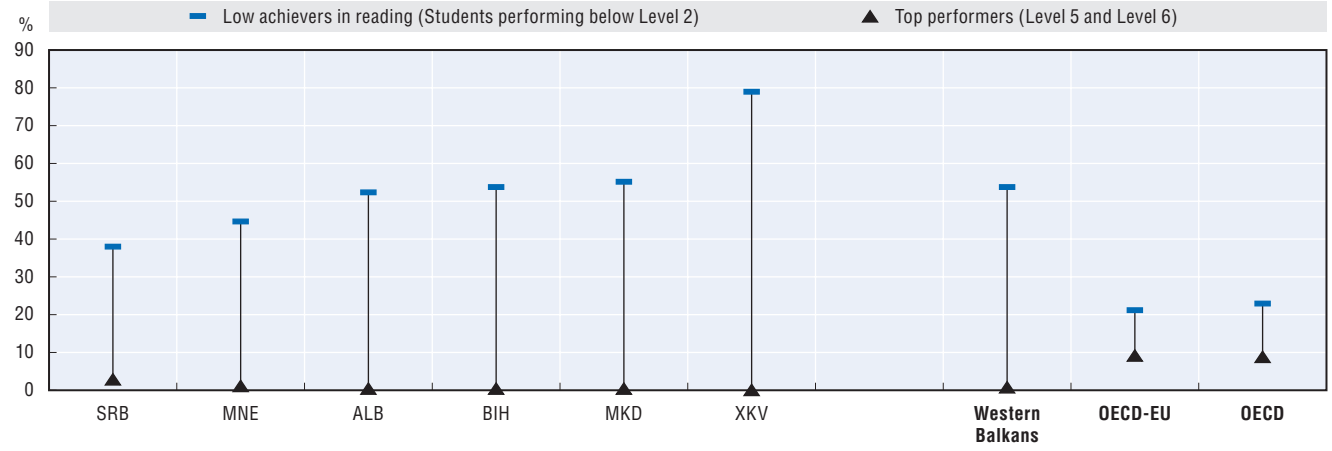
10.15. PISA top and low performers in mathematics, 2018



Source: OECD, PISA 2018 Database, Tables I.B1.2 and I.A2.1.

StatLink https://doi.org/10.1787/888934130094

10.16. PISA top and low performers in reading, 2018



Source: OECD, PISA 2018 Database, Tables I.B1.1 and I.A2.1.

StatLink https://doi.org/10.1787/888934130113

The use of ICT in the public sector is fundamental to serve the needs of citizens and businesses, and can bring governments closer to their citizens and businesses and enhance transparency. Transparency and better accessibility to services increases trust in government.

The EU eGovernment Benchmark is a monitoring instrument provided by the European Commission that aims to assess the use of ICT in the public sector. The EU eGovernment benchmark evaluates the maturity of online public services in three key domains: user centricity, transparency, and use of key enablers. In addition, it considers the dimension of cross-border service delivery that measures how online services serve citizens cross-borders.

The most recent EU eGovernment benchmark shows that the countries in the Western Balkan region are lagging behind in terms of overall maturity of the use of ICT in public sector. This implies that some essential online government services are not in place; it is difficult to find information online on government services; and they are not available outside the country. In 2017-2018, the Western Balkan average stood at 41%, significantly below the OECD-EU average of 70%. There is no significant difference in the overall score across countries in the Western Balkan region. The overall score varies from 37% (North Macedonia) to 44% (Albania).

In terms of user centricity (including online availability, usability and mobile friendliness), the region scores 65% on average, that is 23 p.p. below the OECD-EU average. Albania has the highest level in user centricity in the region (74%), because of high scores in usability of the online services provided by the government and in mobile friendliness of the online public services. The Albanian scores in these two domains is higher than in the OECD-EU average. Among the four Western Balkans, Montenegro has the lowest overall score in user centricity of public services (59%). Mobile friendliness of the online services could be enhanced in Montenegro as the country ranks the lowest in Europe in that category.

The EU eGovernment benchmark indicator on transparent government is an average of transparency in service delivery, transparency in public organisations and transparency in personal data. In 2017-2018, the countries comprising the Western Balkan region scored 43% in transparent government while the OECD-EU average was 66%. Albania has the highest score in this domain (45%) while Serbia reported the lowest scores (40%). Especially transparency in service delivery (17%) could be improved in Serbia.

When looking at the scores for cross-border mobility, which captures how users of public services from another country can use digital public services, business mobility is higher than citizen mobility, both in the countries of the Western Balkan region and OECD-EU countries. Citizen mobility is rated at 21% in the countries of the Western Balkan region and at 50% in OECD-EU countries. Business mobility stands at 38% in the region and 67% in the OECD-EU. Montenegro has the highest rate of citizen mobility in the region and North Macedonia performs best in terms of business mobility. Albania has the lowest score in citizen mobility (1%) as two out four criteria are not in place, namely cross-border e-identification and e-documents.

In line with the other domains of the EU eGovernment benchmark, countries in the Western Balkan region score at the bottom end of the scale in key enabling factors of the use of ICT in public services such as the use of e-identification or digital post service. The largest gap (44 p.p.) between the average regional performance and OECD-EU countries is found in the key enablers category. Within the region, there is significant variation, from only 6% in North Macedonia to 28% in Albania.

Methodology and definitions

Data for the EU eGovernment Benchmark is collected by the European Commission. The methodology is based on mystery shoppers that measure a process of public service in four domains: User-centric Government, Transparent Government, Cross Border Mobility and Key enablers. The results of mystery shopping are validated by representatives from the EU28+ countries. The benchmark spans a set of eight life events and each life event consists of a user journey representing common public services that citizens or businesses will go through. Four life events are measured each year.

User centricity of the public services refers to the degree to which services are provided online, the mobile friendliness of the services provided online and the user-experience of the services.

Transparency covers the process of service delivery, responsibilities and performance of public organisations and the personal data processed in public services.

Correspondingly, cross-border mobility considers how users of public services from another country can use the public services offered online.

Lastly, key enablers measures the level of technical and organisational preconditions for the eGovernment service provision are in place (e.g. electronic identification and authentic sources).

Further reading

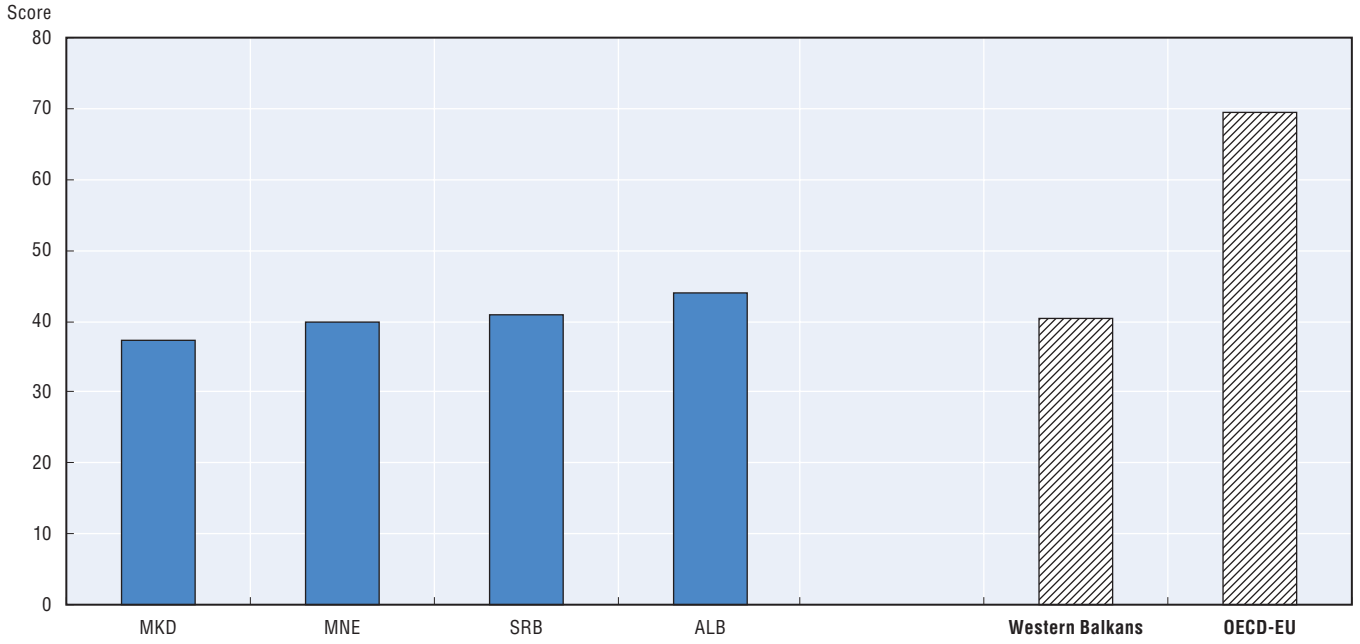
European Commission (2019), *eGovernment Benchmark 2019: Empowering Europeans Through Trusted Digital Public Services: Insight Report*.

European Comission (2017), *eGovernment Benchmark Framework 2012-2017: Method Paper for the benchmarking exercises*.

Figure notes

Bosnia and Herzegovina and Kosovo are not included in the EU eGovernment benchmark.

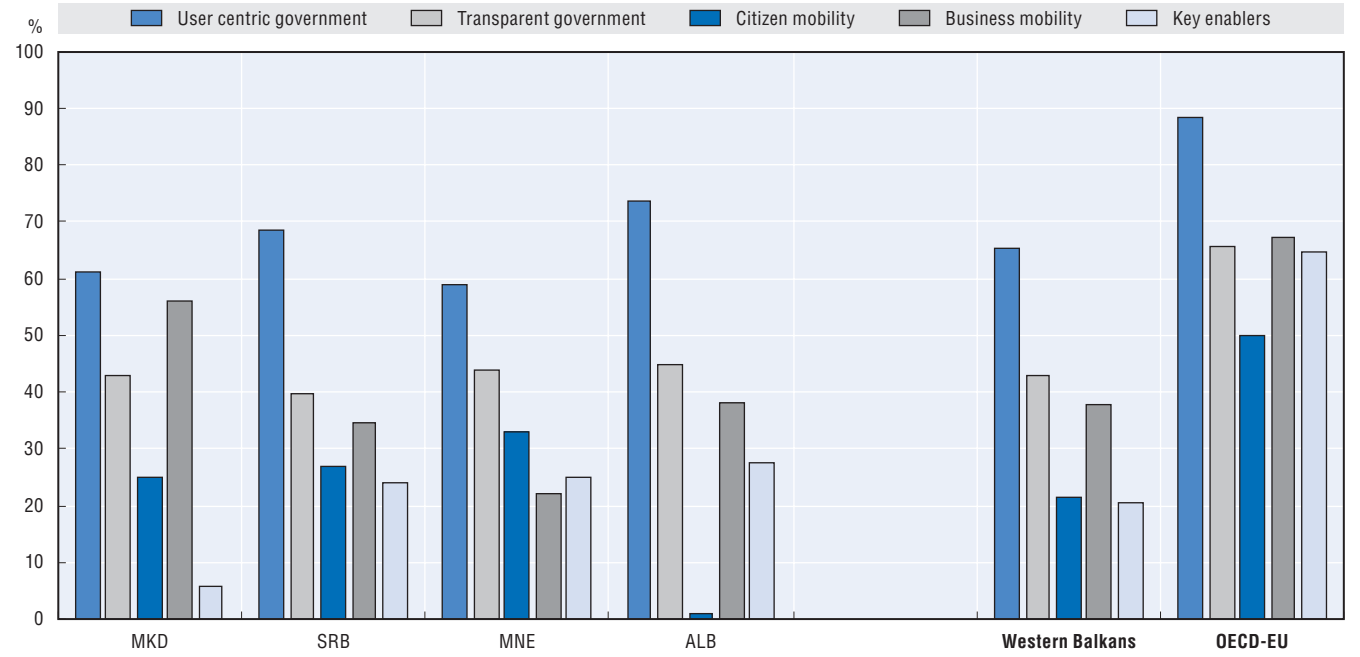
10.17. EU eGovernment benchmark score, biannual average 2017-2018



Source: European Comission eGovernment Benchmark 2019, *https://ec.europa.eu/digital-single-market/en/news/egovernment-benchmark-2018-digital-efforts-european-countries-are-visibly-paying.*

StatLink https://doi.org/10.1787/888934130132

10.18. Components of the EU eGovernment Benchmark, 2017-2018



Source: European Comission eGovernment Benchmark 2019, *https://ec.europa.eu/digital-single-market/en/news/egovernment-benchmark-2018-digital-efforts-european-countries-are-visibly-paying.*

StatLink https://doi.org/10.1787/888934130151

ANNEX A

HRM practices composite indexes

This edition of *Government at a Glance: Western Balkans* included two composite indexes on human resource management (HRM) practices. They are: 1) delegation in human resources management practices; and 2) separate human resources practices for senior civil servants. Data used to construct the composite indexes were derived from 2019 Survey for the Western Balkans on Strategic Human Resources Management and the data for the OECD averages from the 2016 OECD survey on Strategic Human Resources Management. Survey respondents were predominantly senior officials in central government HRM departments, and data refer only to HRM practices at the central government level.

The composites presented here, including the variables comprising each index and their relative weights, are based on concepts that reflect contemporary public sector HRM developments and dilemmas on how best to manage human resources in the public sector in the 21st century. These include characteristics of HRM practices that were previously reviewed by the OECD's Working Party on Public Employment and Management in 2016. In order to eliminate scale effects, all the variables were normalised between "0" and "1" prior to the final computation of the index.

The narrowly defined composite indexes presented in this publication represent the best way of summarising discrete, qualitative information on key aspects of HRM practices. However, the development of composite indexes and their use can also be controversial, as these indexes are easily and often misinterpreted by users due to a lack of transparency as to how they were generated, resulting in difficulties understanding what they are actually measuring. When making cross-country comparisons, it is crucial to consider that definitions of the civil services, as well as the organisations governed at the central level of government, may differ across countries.

Extent of delegation of hrm practices in line ministries in central government – variables, weights and scoring

Question number[1]	Question text	Scoring and weight	
Q1 [Q21]	Is there a central agency/department/unit in charge of human resources at central/national/federal government level?	a) Yes: 0.750; b) No: 1.000; c) Not responsible, but a central agency/ department aims to coordinate the HR policies across departments: 1.000	20%
Q2 [Q8]	Number of posts and budget allocation (see list below): *where are the following issues primarily determined?* (see options in scoring section) (1) Numbers and types of posts within organisations; (2) Allocation of budget envelope between payroll and other expenses.	Each sub-question 2(1) and 2(2) was scored as follows: a) Central HRM body (which sets the rules and is closely involved in applying them)/Ministry of Finances: 0.250; b) Central HRM body but with some latitude for ministries/departments/ agencies in applying the general principles: 0.500; c) Ministries/ departments/ agencies, within established legal and budgetary limits: 0.750; d) Unit/team level: 1.000 The final score for this question is an average of the scores for 2(1) and 2(2). If more than one answer, score is the average of answers provided.	20%

Question number[1]	Question text	Scoring and weight	
Q3 [Q10]	Pay (see list below): *where are the following issues primarily determined?* (see options in scoring section) (1) General management of pay systems (salary levels, progressions) (2) Management of the variable portion of pay – benefits	Each sub-question 3(1) and 3(2) was scored as follows: a) Central HRM body (which sets the rules and is closely involved in applying them)/Ministry of Finances: 0.250; b) Central HRM body but with some latitude for ministries/departments/ agencies in applying the general principles: 0.500; c) Ministries/ departments/ agencies, within established legal and budgetary limits: 0.750; d) Unit/team level: 1.000 The final score for this question is an average of the scores for 3(1) and 3(2). If more than one answer, score is the average of answers provided.	20%
Q4 [Q12]	Delegation of decisions regarding position classification, recruitment and dismissals - Management (see list below): *where are the following issues primarily determined?* (see options in scoring section) (1) Post classification system – grades (2) Original individual recruitment into the civil service (3) Individual recruitment of casual staff (4) Individual duration of employment contract in the civil service (5) Individual duration of contract in specific posts (6) Individual career management (7) Individual dismissal (7a) following lack of performance (7b) following organisational restructuring (7c) following misconduct	Each sub-question 4(1) - 4(7a-c) was scored as follows: a) Central HRM body (which sets the rules and is closely involved in applying them)/Ministry of Finance: 0.250; b) Central HRM body but with some latitude for ministries/departments/ agencies in applying the general principles: 0.500; c) Ministries/ departments/ agencies, within established legal and budgetary limits: 0.750; d) Unit/team level: 1.000 The final score for this question is an average of the scores for 4(1) - 4(7a-c). Sub-questions a-c of 4(7) carried equal weight as 12(1) – 12(6); (e.g. no average was taken for sub-questions 7a-c). If more than one answer, score is the average of answers provided.	20%
Q5 [Q14]	Delegation of conditions of employment – work conditions (see list below): *where are the following issues primarily determined?* (see options in scoring section) (1) Flexibility of working conditions (numbers of hours, etc.) (2) Adjustments to working conditions (part time, etc.) (3) Performance appraisal systems (4) Code of conduct (5) Ethics, equal opportunity, equity issues	Each sub-question 5(1) - 5(5) was scored as follows: a) Central HRM body (which sets the rules and is closely involved in applying them)/Ministry of Finances: 0.250; b) Central HRM body but with some latitude for ministries/departments/ agencies in applying the general principles: 0.500; c) Ministries/ departments/ agencies, within established legal and budgetary limits: 0.750; d) Unit/team level: 1.000 The final score for this question is an average of the scores for 5(1) - 5(5). If more than one answer, score is the average of answers provided.	20%

Extent to which separate human resources management practices are used for senior civil servants in central government – variables, weights and scoring

Question number	Question text	Scoring and weight	
Q19 [Q74]	Is there a defined group of staff in central/ national/federal government who are widely understood to be the "senior management"?	a) Yes: 1.000; b) No: 0.000	20%
Q20 [Q77]	Are there policies in place to identify potential senior managers early on in their careers?	a) Yes, they are recruited as part of group selected at entry in the public service or a few years after entry: 1.000; b) Yes, potential leadership is systematically identified in performance assessments and staff careers are managed accordingly: 1.000; c) No: 0.000	20%
Q21 [Q82]	Is there a centrally defined skills profile for senior managers?	a) Yes: 1.000; b) Yes, but it only applies to some organisations: 0.500; c) No	20%
Q22 [Q85]	How different is the employment framework of senior managers from that of regular staff?	This is a multiple-choice question and respondents were to select all items that applied. Each item selected from the list below receives a score (the values of which are shown below) and the final score is a sum of all items selected. 22a. Recruited with a more centralised process: 0.125 22b. More attention is paid to the management of their careers: 0.250 22d. More emphasis on the management of their performance: 0.500 22e. More emphasis on avoiding conflicts of interest: 0.125 22f. Pay that is not basic salary and not performance-related is higher than for regular staff (ex. guaranteed benefits): 0.250 22g. The part of their pay that is performance-related is higher: 0.500 22i. Appointment is shorter than for regular staff: 0.250	40%

Notes

1. Questions numbers in the 2019 Survey for the Western Balkans on Strategic Human Resources Management in Central/Federal Governments. Those in square brackets refer to the question numbers in the 2016 OECD Strategic Human Resources Management Survey.

ANNEX B

Classification and definition of occupations

The following classification was used for the 2019 Survey for the Western Balkans on Strategic Human Resources Management in Central/Federal Government, which resulted from the 2016 OECD Survey on Strategic Human Resources Management updated in 2019. Such classification defines the four main hierarchical levels on occupations. These definitions are broadly based on the International Standard Classification of Occupations (ISCO) maintained by the International Labour Organisation, and full definitions are available via the following link: *www.ilo.org/public/english/bureau/stat/isco/isco08/index.htm*. The classification and the definition of the occupations are an adaptation of the International Standard Classification of Occupations (ISCO-08) developed by the International Labour Organization (ILO). The reason for the adaptation is that not all countries follow the ISCO model to classify their occupations in government, as the occupations included at the national level may differ due to specific legal and administrative frameworks.

Table B.1. **Classification and definition of occupations**

Top Managers
D1 Managers (part of ISCO-08 1112) are top public servants just below the minister or Secretary of State/ junior minister. They can be a member of the senior civil service and/or appointed by the government or head of government. They advise government on policy matters, oversee the interpretation and implementation of government policies and, in some countries, have executive powers. D1 managers may be entitled to attend some cabinet/council of ministers meetings, but they are not part of the Cabinet/council of ministers. They provide overall direction and management to the ministry/secretary of state or a particular administrative area. In countries with a system of autonomous agencies, decentralized powers, flatter organizations and empowered managers, D1 managers will correspond to Director Generals.
D2 Managers (part of ISCO-08 11 and 112) are just below D1 managers. They formulate and review the policies and plan, direct, co-ordinate and evaluate the overall activities of the ministry or special directorate/unit with the support of other managers. They may be part of the senior civil service. They provide guidance in the co-ordination and management of the programme of work and leadership to professional teams in different policy areas. They determine the objectives, strategies, and programmes for the particular administrative unit / department under their supervision.
Middle managers (have managerial responsibilities for at least 3 staff)
D3 Managers (part of ISCO-08 12) are just below D2 managers. They plan, direct and co-ordinate the general functioning of a specific directorate/administrative unit within the ministry with the support of other managers usually within the guidelines established by a board of directors or a governing body. They provide leadership and management to teams of professionals within their particular area. These officials develop and manage the work programme and staff of units, divisions or policy areas. They establish and manage budgets, control expenditures and ensure the efficient use of resources. They monitor and evaluate performance of the different professional teams.
D4 Managers (part of ISCO-08 121) are just below D3. They formulate and administer policy advice, and strategic and financial planning. They establish and direct operational and administrative procedures, and provide advice to senior managers. They control selection, training and performance of staff; prepare budgets and oversee financial operations, control expenditures and ensure the efficient use of resources. They provide leadership to specific professional teams within a unit.
D5 Managers (optional) (part of ISCO-08 1211, 1212, and 1213) are just below D4. They may be senior professionals whose main responsibility is to lead the execution of the work programme and supervise the work of other professionals and young professionals.
D6 Managers (optional) (part of ISCO-08 1211, 1212, and 1213) may be professionals whose main responsibility is to lead the execution of the work programme and supervise the work of other professionals or young professionals.
Professionals
Senior Economists / Policy Analysts (part of ISCO-08 242 and 2422) do not have managerial responsibilities (beyond managing 3 staff maximum), and are above the ranks of junior analysts and administrative/secretarial staff. They are usually required to have a university degree. They have some leadership responsibilities over a field of work or various projects, develop and analyse policies guiding the design, implementation and modification of government operations and programmes. These professionals review existing policies and legislation in order to identify anomalies and out-of-day provisions. They analyse and formulate policy options, prepare briefing papers and recommendations for policy changes. Moreover, they assess the impact, financial implications and political and administrative feasibility of public policies. Staffs in this group have the possibility of becoming a manager through career progression. Their areas of expertise may vary from law, economics, politics, public administration, international relations, to engineering, environment, pedagogy, health economics etc. Senior policy analysts/economists have at least 5 years of professional experience.

Table B.1. **Classification and definition of occupations** *(cont.)*

Junior economists/policy analysts (part of ISCO-08 242 and 2422) are above the ranks of administrative/ secretarial staff. They are usually required to have a university degree. They have no leadership responsibilities. They develop and analyse policies guiding the design, implementation and modification of government operations and programmes. These professionals review existing policies and legislation in order to identify anomalies and out-of-day provisions. They analyse and formulate policy options, prepare briefing papers and recommendations for policy changes. Moreover, they assess the impact, financial implications and political and administrative feasibility of public policies. Their areas of expertise may vary from law, economics, politics, public administration, international relations, to engineering, environment, pedagogy, health economics etc. Junior policy analysts/economists have less than 5 years of professional experience.
Secretarial positions
Secretaries (general office clerks) (part of ISCO-08 411 and 4110) are generally not required to have a university degree although many do. They perform a wide range of clerical and administrative tasks in connection with money-handling operations, travel arrangements, requests for information, and appointments. record, prepare, sort, classify and fill information; sort, open and send mail; prepare reports and correspondence; record issue of equipment to staff; respond to telephone or electronic enquiries or forwarding to appropriate person; check figures, prepare invoices and record details of financial transactions made; transcribe information onto computers, and proof read and correct copy. Some assist in the preparation of budgets, monitoring of expenditures, drafting of contracts and purchasing or acquisition orders. The most senior that supervise the work of clerical support workers are excluded from this category.

ANNEX C

Additional figures accessible online

Chapter 2. Public finance and economics

2.5. Annual average growth rate of real government gross debt per capita, 2008-18 [*https://doi.org/10.1787/888934130170*]

Chapter 10. Serving citizens

10.4. Confidence in the local police, 2009 and 2019 [*https://doi.org/10.1787/888934135224*]

Glossary

Appropriation	Appropriation refers to an authorisation made by law or legislative enactment directing payment out of government funds under specified conditions or for specific purposes.
Award criterion	The criterion by which the successful tender is to be selected.
Award of a procurement contract	A final stage of the procurement resulting in the conclusion and entry into force of a procurement between the procuring entity and selected supplier(s).
Awarding procedures	Are the procedures carried out by Contracting Authorities in order to award a public contract for goods, works or services
Budget	A comprehensive statement of Government financial plans which include expenditures, revenues, deficit or surplus and debt. The budget is the Government's main economic policy document, demonstrating how the Government plans to use public resources to meet policy goals and to some extent indicating where its policy priorities
Budget Circular	A document/memorandum issued by the Central Budget Authority to guide line ministries/agencies in the preparations of their initial budget proposals/budget estimates. A budget circular, for instance, may contain information or guidance on automatic productivity cuts, medium-term or annual expenditure ceilings, etc.
Budget Cycle	The budget cycle refers to the major events or stages of the budgetary decision-making process, as well as the implementation and ex-post review of those decisions over time. Specifically, the budget cycle includes three principal stages: formulation (which includes planning), approval, and execution
Cabinet	This term is used to refer to the collective meeting of Ministers. In some countries it is called the Council of Ministers, in others Government, and there are a number of other less common names
Capital expenditure	Investments in physical assets such as buildings and equipment that can be used for a number of years.
Cash transfers	Benefits provided to eligible individuals by governments that are not required to be spent on a specific good or service. Examples of cash transfers include pensions, unemployment benefits and development aid.

Central Budget Authority (CBA)	The Central Budget Authority (CBA) is a public entity, or several coordinated entities, located at the central/national/federal level of government, which is responsible for the custody and management of the national/federal budget. In many countries, the CBA is often part of the ministry of Finance. Specific responsibilities vary by country, but generally, the CBA is responsible for formulating budget proposals, conducting budget negotiations, allocating or reallocating funds, ensuring compliance with the budget laws and conducting performance evaluations and/or efficiency reviews. This Authority regulates budget execution but does not necessarily undertake the treasury function of disbursing public funds. lastly, a very important role of the Central Budget Authority is monitoring and maintaining aggregate/national fiscal discipline and enforcing the effective control of budgetary expenditure.
Central digital government policy/ strategy (or national policy/strategy):	Refers to the directives/principles that central governments define (e.g. through and Executive Directive or Decree, as result of other overarching central policies such as digital government, public sector modernisation or open government) to incorporate ICTs as a priority for the public administration.
Central/federal government	According to the System of National Accounts (SNA), "central government" consists of the institutional units making up the central government (including line ministries and affiliated agencies), plus those non-profit institutions that are controlled and mainly financed by central government.
Central Purchasing Agency (CPA)	Central purchasing agencies or public procurement regulatory and monitoring entities are central bodies in charge of the regulation and monitoring of a country's public procurement system. These bodies could be but are not necessarily a contracting authority
Centre of Government (CoG)	The Centre of Government refers to the administrative structure that serves the Executive (President or Prime minister, and the Cabinet collectively). The Centre of Government has a great variety of names across countries, such as General Secretariat, Cabinet Office, Chancellery, Office/ministry of the Presidency, Council of ministers Office, etc. In many countries the CoG is made up of more than one unit, fulfilling different functions. The role of the Centre of Government is closely linked to the role of the executive branch itself, i.e. to direct the resources of the State (financial, legal, regulatory, even military) to achieve a mission that reflects a political vision and responds to a mandate from citizens.
Citizen's budget	A citizens' guide to the budget is defined here as an easy-to understand summary of the main features of the annual budget as presented to the legislature. It should be a self-contained document that explains what is in the annual budget proposals and what their effects are expected to be. While containing links or references to more detailed documents, the guide should not require readers to refer to them, or to know their contents, in order to understand the guide.
Civil servant	An employee of the state, either permanent or on a long-term contract, who would remain a state employee if the government changes. In addition, civil servants are employees covered under a specific public legal framework or other specific provisions
Collective goods and services	Goods and services that benefit the community at large. Examples include government expenditures on defence, and public safety and order.

Complementary budget Complementary budget (also supplementary budget) contains proposed amendments to the main annual budget. This is the mechanism with which the Government seeks legislative approval for spending that differs from the original budget and appropriations. Complementary budgets are given legal force through adjustment or supplemental appropriations.

Composite index An indicator formed by compiling individual indicators into a single index on the basis of an underlying model (Nardo et al., 2005).

Data A value or set of values representing a specific concept or concepts. Data become "information" when analysed and possibly combined with other data in order to extract meaning, and to provide context.

Digital Government Digital government refers to the use of digital technologies, as an integrated part of governments' modernisation strategies, to create public value. It relies on a digital government ecosystem comprised of government actors, non-governmental organisations, businesses, citizens' associations and individuals which supports the production of and access to data, services and content through interactions with the government (OECD Recommendation on Digital Government Strategies).

Discretionary spending Public expenditure that is governed by annual or other periodic appropriations, rather than by formulas or criteria set forth in authorising legislation. The documents that contain the information considered by the legislature prior to reaching its decision to enact a law; for example memoranda from government agencies and legislators, and comments or reports from legislative committees, commissions, legal associations, and lobbying groups. A framework agreement to which a supplier (or suppliers) or a contractor (or contractors) in addition to the initial parties may subsequently become a party or parties.

E-Procurement E-Procurement refers to the integration of digital technologies in the replacement or redesign of paper-based procedures throughout the procurement process.

Efficiency Achieving maximum output from a given level of resources used to carry out an activity (*OECD Glossary of Statistical Terms*).

Effectiveness The extent to which the activities stated objectives have been met (*OECD Glossary of Statistical Terms*).

Employee engagement Employee engagement illustrates the commitment and energy that employees bring to work and is a key indicator of their involvement and dedication to the organization. Employees who are engaged are more productive, content and more likely to be loyal to an organization. When organizations put sound human resource practices in place, they are more likely to discover that employees feel satisfied, safe and will work to their full potential

Executive's budget proposal The Executive's Budget Proposal is a comprehensive document (or set of documents), developed by the CBA following discussions and negotiations with line ministries/agencies, specifying the government's proposals for raising revenues and allocating resources in the forthcoming financial year. The budget proposal is submitted to the parliament for review and approval.

Extra-budgetary funds Special funds owned by the Government, that are not part of the budget and that receive revenues from earmarked levies, possibly in addition to other sources such as fees and contributions from the general revenue fund.

Federal state A country that has a constitutionally delineated division of political authority between one central and several regional or state autonomous governments.

Fiscal Rule	For purposes of this book, the OECD utilises a similar definition as the European Commission. A numerical fiscal rule refers to a permanent constraint on fiscal policy aggregates (e.g. in-year rules are excluded).
Full-time equivalent (FTE)	The number of full-time equivalent jobs, defined as total hours worked divided by average annual hours worked in full-time jobs (OECD Glossary of Statistical Terms).
Gender	Socially constructed and socially learned behaviours and expectations associated with females and males. All cultures interpret and elaborate the biological differences between women and men into a set of social expectations about what behaviours and activities are appropriate and what rights, resources, and power women and men possess. like race, ethnicity, and class, gender is a social category that largely establishes one's life chances. It shapes one's participation in society and in the economy.
General Employment Framework in the public service	It usually concerns the employment conditions of most government employees, and certainly concerns most statutory employees. Casual employees, by this definition, are not employed under the General Employment Framework for government employees. Please note that in a number of countries, all employees, including those employed on a short term basis, are employed under the General Employment framework, with a few exceptions (few casual employees in those cases, if any).
General government	The general government sector consists of the following groups of resident institutional units: a) All units of central, state or local government; b) All non-market NPIs that are controlled by government units. c) The sector also includes social security funds, either as separate institutional units or as part of any or all of central, state or local government. The sector does not include public corporations, even when all the equity of such corporations is owned by government units. Nor does it include quasi-corporations that are owned and controlled by government units. However, unincorporated enterprises owned by government units that are not quasi-corporations remain integral parts of those units and, therefore, must be included in the general government sector (*2008 System of National Accounts*).
Governance	The formal and informal rules, procedures, practices and interactions within the State, and between the State, non-state institutions and citizens, that frame the exercise of public authority and decision-making in the public interest
Government Finance Statistics Manual (GFSM)	The *Government Finance Statistics* Manual (GFSM) provides a comprehensive conceptual and accounting framework suitable for analysing and evaluating fiscal policy. It is harmonised with other macroeconomic statistical frameworks, such as the *System of National Accounts* (SNA). The Manual was produced by the International Monetary Fund (IMF).
Grants/transfers	Refer to payments from a government level to another, whether they are earmarked or general purpose, discretionary or mandatory.
Green (good/service or works)	Refers to a reduced environmental impact throughout their life cycle when compared to goods, services and works with the same primary function that would otherwise be procured.
Green Papers	A consultation document designed to stimulate discussion on a particular topic. Green papers invite interested parties (bodies or individuals) to participate in a consultation process and debate a subject and provide feedback on possible solutions. Green papers are intended to provide information for discussion and do not imply any commitment to any specific action.

Green public procurement Is defined in the EU as "a process whereby public authorities seek to procure goods, services and works with a reduced environmental impact throughout their life cycle when compared to goods, services and works with the same primary function that would otherwise be procured".

Golden Rule Golden rule is a variation of a balance rule, in which the government is only allowed to borrow to finance investments. The rationale underlying the golden rule is that investments represent future and not current consumption and have the potential to generate future growth.

Gross domestic product (GDP) The standard measure of the value of the goods and services produced by a country during a period. Specifically, it is equal to the sum of the gross values added of all resident institutional units engaged in production (plus any taxes, and minus any subsidies, on products not included in the value of their outputs). The sum of the final uses of goods and services (all uses except intermediate consumption) measured in purchasers' prices, less the value of imports of goods and services, or the sum of primary incomes distributed by resident producer units (*OECD Glossary of Statistical Terms*).

ICT Projects A project is a temporary organisation that is created for the purpose of delivering one or more specified products. An ICT project is a project in which the use of ICT plays a significant part in the delivery of the specified products.

Indicator "… quantitative or qualitative measure derived from a series of observed facts that can reveal relative positions (e.g. of a country) in a given area. When evaluated at regular intervals, an indicator can point out the direction of change across different units and through time." (Nardo et al., 2005).

Individual goods and services Goods and services that mainly benefit individuals. Examples include education, health and social insurance programmes.

Innovative goods/services Those characterised by a new or significantly improved product, process. For an innovation to be considered as such, it needs to have been implemented, which is interpreted as having been introduced on the market.

Input Units of labour, capital, goods and services used in the production of goods and services. "Taking the health service as an example, input is defined as the time of medical and non-medical staff, the drugs, the electricity and other inputs purchased, and the capital services from the equipment and buildings used." (Lequiller, 2005).

Investment spending Investment spending includes gross capital formation and acquisitions, less disposals of nonproduced nonfinancial assets. Gross fixed capital formation (also named as fixed investment) is the main component of investment consisting for government, mainly of transport infrastructure but also including infrastructure (e.g. office buildings, housing, schools, hospitals, etc).

Labour force The labour force, or currently active population, comprises all persons who fulfil the requirements for inclusion among the employed or the unemployed during a specified brief reference period (*OECD Glossary of Statistical Terms*).

Legislative footprint Legislative footprint refers to being able to re-construct, based on publicly available information, who have influenced a regulatory process (e.g. contributed to the draft of a law) and with what interest.

Line item	A line item is an appropriation that is itemised on a separate line in a budget. In public budgeting it refers to the lowest or most detailed level where a legislative approval of spending (i.e. an appropriation) is given in law. The lower the level, the more restrained the executive is regarding reallocating spending
Mandatory Spending	Public expenditure that is governed by formulas or criteria set forth in authorising legislation, rather than by periodic appropriations alone. It includes certain kinds of entitlement spending in many OECD countries.
Medium-term expenditure framework	A framework for integrating fiscal policy and budgeting over the medium-term (typically over a 3-5 year period). In general terms, this involves systematic linkages between (a) aggregate fiscal forecasting, (b) maintaining detailed medium-term budget estimates reflecting existing government policies, and (c) maintaining compliance with a normative fiscal framework. A key objective of an MTEF is to establish multi-year expenditure ceilings which are effective for the purposes of planning and prioritisation.
Mid-year implementation report	The mid-year implementation report is an analysis of the budget's effects provided about halfway through the budget year and provides a comprehensive update on the implementation of the budget. In addition to its use for budget oversight, the mid-year report can also yield useful insights which can inform the pre-budget deliberations for the following year.`
Middle management	D3 and D4 levels (see Annex B). Immediately below senior management levels.
Ministry or line ministry	An organisation which forms part of the central core of the executive branch of government. A ministry is responsible for the design and implementation of an area or sector of public policy and administration (e.g. agriculture, education, economy, foreign affairs), in line with the government plan and strategy. A ministry is also responsible for the direction of agencies under its authority. In some countries, ministries are called "departments." Sub-national governments may also be organised into ministries. A ministry has a delegated budget to exercise its responsibilities, under the authority and direction of the finance ministry or equivalent organisation responsible for the budget in central government. The term line ministry designates the majority of ministries, which exercise delegated, sectoral powers. The finance ministry is not a line ministry
Off-budget expenditure	Off-budget funds are special funds owned by the government, that are not part of the budget and that receive revenues from earmarked levies, possibly next to other sources such as fees and contributions from the general tax fund. Earmarked levies are different from fees in that they do not reflect the market value of the services that are financed from the revenues. In particular they may be lower or higher in view of social considerations
Open Government.	The OECD defines Open Government as a culture of Governance based on innovative and sustainable public policies and practices inspired by the principles of transparency, accountability, and participation that fosters democracy and participation that fosters democracy and inclusive growth.
Open data	Open data refers to digital data that are made available with the technical and legal characteristics necessary for it to be freely used, re-used and redistributed by anyone, anytime, anywhere

Open Government Data centralized portal — The Central/federal Open Government Data central portal (or "one stop shop" portal) corresponds to a single entry point to access government's data. Access to the data can be provided either directly on the portal or indirectly (redirected to the place where the data is located e.g.: to a ministry's website).

Operational spending — Operational spending incurs in carrying out an organisation's day-to day activities such as payroll, rent, office supplies and utilities.

Outcome — Refers to what is ultimately achieved by an activity. Outcomes reflect the intended or unintended results of government actions, but other factors outside of government actions are also implicated (*OECD Glossary of Statistical Terms*).

Output — In performance assessment in government, outputs are defined as the goods or services produced by government agencies (e.g. teaching hours delivered, welfare benefits assessed and paid) (*OECD Glossary of Statistical Terms*).

Performance Information — Performance information can be generated by both government and non governmental organizations, and can be both qualitative and quantitative. Performance information refers to metrics/indicators/general information on the inputs, processes, outputs and outcomes of government policies/programmes/organizations, and can be ultimately used to assess the effectiveness, cost effectiveness and efficiency of the same. Performance information can be found in statistics; the financial and/or operational accounts of government organisations; performance reports generated by government organizations; evaluations of policies, programmes or organizations; or Spending reviews, for instance.

Policy — A term which does not exist in all languages and which in some languages may be synonymous with politics. A public policy defines a consistent course of action designed to meet a goal or objective, respond to an issue or problem identified by the government as requiring action or reform. It is implemented by a public body (ministry ,agency, etc.), although elements may be delegated to other bodies. Examples include a public policy to tackle climate change, educational reform, support for entrepreneurship. A public policy is, or should be, linked to the government programme and its strategic planning. It is often given a formal framework through legislation and/or secondary regulations, especially in countries with a system of civil law. It is given practical effect through a defined course of action, programmes and activities. It is, as necessary, funded from the state budget. A priority policy is a policy which matters more than others for the achievement of the government's strategic objectives. The responsibility for taking forward a public policy may rest with the relevant line ministry, or, in the case of policies that cut across ministerial boundaries, may be shared by relevant ministries.

Primary legislation — Regulations which must be approved by the parliament or congress. Also referred to as "principal legislation" or "primary law"

Procurement (public) — Public procurement is the purchase of goods and services by governments and state-owned enterprises. It encompasses a sequence of related activities starting with the assessment of needs through awards to contract management and final payment

Productivity — Productivity is commonly defined as a ratio of a volume measure of output to a volume measure of input use (*OECD Statistical Glossary*). Economists distinguish between total productivity, namely total output divided by change in (weighted) input(s) and marginal productivity, namely change in output divided by change in (weighted) input(s) (Coelli et al., 1999).

Public infrastructure — Facilities, structures, networks, systems, plants, property, equipment or physical assets and the enterprises that employ them, which provide public goods or goods that meet a politically mandated, fundamental need that the market is not able to provide on its own.

Public sector — The public sector includes general government and public corporations. Quasi-corporations owned by government units are grouped with corporations in the nonfinancial or financial corporate sectors, thus part of public corporations (*2008 System of National Accounts*).

Public sector innovation — There is not an established definition of innovation in the public sector. We can consider that public sector innovation is about new ideas that work at creating public value, with the following characteristics: (i) novelty: innovations introduce new approaches, relative to the context where they are introduced; (ii) implementation: innovations must be implemented, not just an idea; and (iii) impact: innovations aim to result in better public results including efficiency, effectiveness, and user or employee satisfaction.

Public sector process — Structures, procedures and management arrangements with a broad application within the public sector.

Public services — Services that are performed for the benefit of the public or its institutions. Public services are provided by government to its citizens, either directly (through the public sector) or by financing private provision of services. The term is associated with a social consensus that certain services should be available to all, regardless of income. Even where public services are neither publicly provided nor publicly financed, for social and political reasons they are usually subject to regulation going beyond that applying to most economic sectors.

Reallocation — Also referred to as Virement. A movement of funds from one account/line-item/programme to another, which can be limited by formal rules. To prevent misuse, Government organisations must normally seek authorisation to make such transfers.

Regulation — The diverse set of instruments by which governments set requirements on enterprises and citizens. Regulation include all laws, formal and informal orders, subordinate rules, administrative formalities and rules issued by nongovernmental or self-regulatory bodies to whom governments have delegated regulatory powers.

Responsible business conduct — Responsible business conduct entails above all compliance with laws, such as those on respecting human rights, environmental protection, labour relations and financial accountability, even where these are poorly enforced. It also involves responding to societal expectations communicated by channels other than the law, e.g. inter-governmental organisations, within the workplace, by local communities and trade unions, or via the press. Private voluntary initiatives addressing this latter aspect of RBC are often referred to as corporate social responsibility (CSR).

Reverse auction

In an auction there is a single seller and many potential buyers bidding for the item being sold. A reverse auction, used for e-purchasing and generally suing the internet (an e-auction), involves on the contrary one buyer and many sellers. The general idea is that the buyer specifies what they want to purchase and offers it to many suppliers.

Risk anticipation and management

In this context, refers to focused efforts at anticipating and identifying emerging risks (may also be referred to as horizon scanning, or strategic foresight) and taking actions to manage the identified risks. A more technical definition focuses on risk assessment, risk management and risk communication as part of a cycle. Risk assessment is about identifying and assessing the extent of a potential hazard and to estimate the probability and consequences of negative outcomes for humans, property or the environment. Risk management refers to the design and implementation of actions and remedies to address risks Risk communication refers to the methods and practices for educating and informing the public about risks when making risk trade-offs.

Secondary Policy Objectives

Any of a variety of objectives such as sustainable green growth, the development of small and medium-sized enterprises, innovation, standards for responsible business conduct or broader industrial policy objectives, which governments increasingly pursue through use of procurement as a policy lever, in addition to the primary procurement objective.

Secretarial positions

This category includes staff working mainly on secretarial and administrative tasks, filing systems, meetings organisations, calendar organisations, outside enquiries, draft letters and memos, general office support. (see Annex B)

Senior Civil Servants

To be understood as Senior Managers

Senior Managers

D1 and D2 managers (See Annex B). Alternatively referred to as Senior Civil Servants, Top Managers. Note that the word senior denotes rank, and is not a reference to age or seniority in terms of length of career or tenure. Senior managers can be younger and have fewer years of experience than middle managers if they are, in fact, their superior in terms of hierarchy.

Sound fiscal policy

Sound fiscal policy is one which avoids the build-up of large, unsustainable debts, and which uses favourable economic times to build up resilience and buffers against more difficult times, so that the needs of citizens and stakeholders can be addressed in an effective and enduring manner.

Strategy

refers to a document (e.g. policy document, white paper) that defines the vision, objectives, goals, main actors, main actions and system of monitoring (indicators) for digital government (e.g. to guide and steer actions and decisions on investments sustaining coordination and alignment with overall objectives and avoiding overlaps).

Supreme Audit Institution (SAI)

A Supreme Audit Institution is a legally or constitutionally independent institution that receives its mandate from the legislature (Parliament). Its central role is to audit the implementation of the budget of the executive (the government) and to report to Parliament.

System of National Accounts

The *System of National Accounts* (SNA) consists of a coherent, consistent and integrated set of macroeconomic accounts; balance sheets and tables based on a set of internationally agreed concepts, definitions, classifications and accounting rules. In 2009, the United Nations Statistical Commission endorsed a revised set of international standards for the compilation of national accounts: the 2008 *System of National Accounts*, replacing the 1993 version of the SNA. The 2008 SNA retains the basic theoretical framework of its predecessor. However, in line with the mandate of the United Nations Statistical Commission, the 2008 SNA introduces treatments for new aspects of economies that have come into prominence, elaborates on aspects that have increasingly become the focus of analytical attention and clarifies guidance on a wide range of issues. The changes in the 2008 SNA bring the accounts into line with developments in the economic environment, advances in methodological research and needs of users.

At the European Union level, the European System of Accounts (ESA), 1995 was made consistent with the 1993 SNA. Its update called European System of Accounts, 2010 covers the recommendations and clarifications agreed at the international level for the 2008 SNA.

Transparency

Transparency refers to an environment in which the objectives of policy, its legal, institutional, and economic framework, policy decisions and their rationale, data and information related to monetary and financial policies, and the terms of agencies' accountability, are provided to the public in a comprehensible, accessible, and timely manner (OECD Glossary of Statistical Terms).

Technical support staff

This category includes staff with mainly manual tasks, usually with a professional or vocational degree. (see Annex B)

Total employment

Total employment covers all persons engaged in productive activity that falls within the production boundary of the national accounts. The employed comprise all individuals who, during a specified brief period, were in the following categories: paid employment or self- employment.

Trust

A person's belief that another person or institution will act consistently with their expectations of positive behaviour.

Unitary states

Countries that do not have a constitutionally delineated division of political authority between one central and several regional or state autonomous governments. However, unitary states may have administrative divisions that include local and provincial or regional levels of government.

Variable

A characteristic of a unit being observed that may assume more than one of a set of values to which a numerical measure or a category from a classification can be assigned (e.g. income, age, weight, etc., and "occupation", "industry", "disease", etc.) (*OECD Glossary of Statistical Terms*).

Year-end report

The year-end report is the government's key accountability document, both for reporting on actual budget execution during the year (budget execution reports) and for illustrating the situation of the government's accounts at the end of the fiscal year (financial statements); although both of these functions may also be handled in separate documents. The year-end report shows compliance with the level of revenue and expenditures authorised by Parliament in the budget. Any in-year adjustments to the original budget may also be shown. Additionally, the year-end report, or related documents, may include non-financial performance information, including a comparison of performance targets and actual results achieved where practicable. Finally, the year-end report often contains a comprehensive discussion of the government's financial assets and financial liabilities, non-financial assets, and employee pension obligations.

Government at a Glance: Western Balkans

Government at a Glance: Western Balkans presents information on public governance in the Western Balkan region – covering Albania, Bosnia and Herzegovina, Kosovo, Montenegro, North Macedonia, and Serbia, and compares it to OECD and OECD-EU countries. This first regional edition features 40 indicators on public finance, public employment, centre of government, budgeting practices and procedures, human resources management, public procurement, digital government, core government results and serving citizens. Governance indicators provide important benchmarks on public administration systems, practices and performance. Indicators are presented in a user-friendly format using charts, with brief descriptive analyses of the major findings, and a methodological section on the definition of the indicator and any limitations in data comparability.

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