



SIGMA

Support for Improvement in Governance and Management
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Public Administration in the Balkans: Overview

1 Summary

Post-conflict states are weak, their economies are in difficulty; Europe is seen as the solution

The region is still suffering from the effects of recent wars and inter-ethnic tensions, which spill across borders. The peace settlements have left some unworkable constitutional arrangements and unfinished business. Until the main issues are settled, it will be difficult to pursue administrative reform seriously. In all cases states are weak, as are societal underpinnings of the rule of law. Interdependencies amongst the countries create channels for instability or criminality to spill across borders. Economies throughout the region are in difficulty, especially on employment, made worse by population dynamics of different groups. All of the countries have announced European ambitions. The Union has confirmed their potential for membership in the context of the Stabilisation and Association process.

Basic administrative systems are deficient

The general management systems of the countries are deficient. Legal structures are in most cases complete, although they need to be modernised and made internally consistent. However, there are low levels of professionalisation, and inappropriate structure and procedures. Capacities to implement are sorely lacking. Inadequate implementation is caused above all by poor policy design and low levels of administrative capacity. The status and priority of Ministries of Finance is still too low. Capacities to lead administrative reform are too oriented towards formal legal change and suffer from weak political support.

Administrative reform should serve national goals of peace, stability and growth

Public administration reform must be driven by policy priorities, above all consolidation of peace and stability, completion of the constitutional settlements, and economic growth. Reform should be designed to provide benefits to domestic political constituencies. The constraints on macro-economic balance should be relaxed to allow professional administrations to develop; decentralisation and European integration policies should be paced in line with the development of administrative capacities.

Administrative reform is driven by donors and has a mixed record of success

Public administration reform (PAR) has a mixed record in the Balkans. To a large extent this is because it is not "owned" by national politicians or public servants and has no coalition of domestic interests to support it. Rather, it is essentially donor-driven, and the donors are not producing a coherent administrative space in which administration can evolve. PAR goals are designed with unrealistic expectations and an unwillingness to understand public administration reform as a sociological process, for which time should be measured in generations rather than short project time frames. PAR efforts have also been bedevilled by the lack of a strategic vision and by attempts to introduce New Public Management ideas in contexts where basic administrative functions and values (especially regularity) have not been fully realised.

Priority should be given to key general management systems

PAR priority should go to upgrading policy capacities, building coherent and effective legal frameworks for administration (including administrative justice), professionalising the civil service and strengthening resource allocation and control systems. Priority should also be given to upgrading legal education and understanding of the functioning of law in a modern European polity.

The international community should act more coherently and resolve outstanding issues

The international community must maintain its stabilising role in the Balkans. It must improve its ability to act coherently, within a long-term strategic perspective. The unresolved issues of the post-war settlements must be quickly resolved as uncertainty is having a negative impact on the evolution of state capacities.

Europe should take a stronger lead especially amongst donors

The EC should build up its capacities to provide substantive input within the framework of the Stabilisation and Association process, and should strengthen its regional approach. It should insist on professionalisation, enhanced control systems and strengthened policy capacities as prerequisites for candidate status.

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3 Abbreviations

AidCo	EC Directorate General for Aid Co-ordination (in DG External Relations)
BiH	Bosnia and Herzegovina
CARDS	European Financing Programme for assisting the countries of the Western Balkans
CEEC	Central and Eastern European Country
DfID	(UK) Department for International Development
EAR	European Agency for Reconstruction (fYROM, SaM including Kosovo)
EI	European Integration
FRY	Federal Republic of Yugoslavia
fYROM	former Yugoslav Republic of Macedonia (United Nations reference)
HRM	Human Resources Management
IA	Internal Audit
ICTY	International Criminal Tribunal on Yugoslavia
IFI	International Financial Institution
MoF	Ministry of Finance
MoJ	Ministry of Justice
MS	(EU) Member State(s)
NMS	New (after 1 May 2004) Member States
NPM	New Public Management (market-oriented, managerialist approach to public administration)
OLAF	Office européen de lutte anti-fraude (European Anti-Fraud Office)
PA	Public Administration
PAR	Public Administration Reform
PIFC	Public Internal Financial Control
PMU	Project Management Unit
SAA	Stability and Association Agreement
SAI	Supreme Audit Institution
SaM	Serbia and Montenegro
SAP	Stability and Association process
SFRY	Socialist Federal Republic of Yugoslavia
TAIEX	(EC) Technical Assistance Information Exchange Office
WB	World Bank

4 Introduction

Over the past year, at the request of the European Commission, Sigma has produced assessments of public administration in the Balkans (CARDS) countries. In this overview, we draw out common threads from the findings and suggest general orientations for the countries, the international community and the EC.

The CARDS countries are both similar and different. They are *similar* in that all but Albania have a common heritage of modern history -- through their participation in Yugoslavia from 1918 and then their participation in the Socialist Federal Republic after 1945. This heritage has left many traces in law, institutions and exposure to administrative and economic concepts, as well as the involvement in the tragic wars that marked the end of the SFRY. But they are *different* because of their pre-1918 history. The boundary between the Ottoman and Austro-Hungarian empires ran through the region. The empires deeply marked the legal and administrative systems. The differences include their cultures and traditions, and they are divided amongst Muslim, Catholic and Orthodox peoples. The economic bases of the countries also vary in terms of their physical geography, encompassing coastal trading regions, inland agriculture and mountain farming.

Despite the differences amongst and within the countries, their fates are linked – artificially through the way in which they are categorised by the international community and the EU; economically, through their trade patterns and distribution of economic activity, based in part on their socialist inheritance; naturally, through their proximity, communications networks, shared natural resources (e.g. water) and environmental threats; and politically, through shared ethnic groupings and through old party structures.

It is difficult to generalise about such a diverse grouping of countries without resorting to platitudes. In this overview, we focus only on where a regional perspective can add value to analysis of the countries' needs and the international community's stabilisation and assistance programmes. All of the countries show severe problems, and it is important to start from the observation that there are no "silver bullets" to solve them. While reducing short-term risks, the international community has to adopt long-term, multi-faceted, regional strategies to promote a stable peace, prosperity and European values in future generations.

The Balkans, as defined for the CARDS programme, is comprised of five internationally recognised countries -- Albania, Bosnia and Herzegovina (BiH), Croatia, the former Yugoslav Republic of Macedonia (fYROM), and Serbia and Montenegro (SaM). However, BiH and SaM are federations in which the constituent republics have considerable autonomy. Kosovo, a component of Serbia, is currently under international administration and is developing a unique state system. The 5 countries must therefore, to some extent, be considered as 10 entities. In this report we refer to countries or entities, as necessary, without any implication concerning future developments.



Our first section considers commonalities in the context of public administration reform. We then summarise our assessment of main public administration systems. From this, we derive main strategic orientations for the countries and the international community, and then priorities for administrative reform. Finally, we look at issues for the Commission and the international community, in particular for technical assistance.

5 Context

Following the Wars of Yugoslav Succession, the countries are still in a post-conflict situation. During the wars several million people were displaced, and several hundred thousand lost their lives.



Albania, although not directly involved, was strongly affected. Moreover, so harsh was the political regime in communist Albania that the country shows many signs of post-conflict stress and has experienced near-anarchy linked to internal tensions.

The settlements that ended the conflicts depend on the will and presence of the international community. They have left unfinished business (e.g. Kosovo) and a residue of problems, such as latent inter-ethnic (and cross-border) conflict, intra-entity personal debt and property disputes, and obligations to the international community, including the ICTY. The perceived shakiness of the settlements leaves room for continued destabilisation and inhibits investment in, and adherence to, public law and institutions.

Economic and institutional weaknesses dominate the context for all of the countries:

The two are linked: economic stress reduces the budgetary space for building public institutions, and poverty increases social tensions; institutional weakness makes economic reform and growth more difficult and reduces the capacity to finance institutional reforms and public sector salary increases. The requirements for inter-ethnic and regional balance, although justifiable, reduce economic development below potential.

Today's administrations have roots in the pre-communist and communist past

The countries of the Balkans have been, historically, weakly institutionalised and prone to conflict. Communism further weakened state traditions and, especially in Albania, cut the countries off from cultural notions – such as the respect for legality in a democratic, multi-ethnic context – that were evolving elsewhere in Europe. Under communism, the Ottoman or Austro-Hungarian roots of the state were modified by an overlay of strong, centralised Communist Party control, which disappeared, formally at least, after the dismantlement of the SFRY, leaving a control vacuum. Legal and institutional frameworks in the successor states diverged. In some entities, élites were systematically destroyed, while in others there was strong ethnic discrimination. The strength of national identity varies, and national identity may not be congruent with the boundaries of politically defined states. In some cases the sense of national identity was used aggressively within states and across borders. The European state – a state shaped by democratic European values and

underpinned by the rule of law – can only exist if a large majority of citizens regard it as legitimate and if respect for law is widely accepted. Neither of these conditions is satisfactorily assured in the Balkans.

The war and its aftermath further reduced state capacities

The regimes in place during the conflicts, and in SaM and Croatia for several years thereafter, impeded modernisation and acceptance of the rule of law. They fostered a culture of opacity, politicisation, and corruption. As a result of the post-conflict settlements, some of the legal and institutional frameworks are highly complex and difficult to manage. In some cases they have enshrined group rights rather than individual rights, thereby entrenching ethnicity as an organising principle of society, administration and government.

States are weak and, in some cases, close to failure

The reality of the Balkans today is that the state, as an institution, is fragile. In BiH and Kosovo, the state is supported by an international presence; it has questionable legitimacy and severely limited powers. In SaM the constituent republics are held together by pressure from the EU¹. In Albania, the state has strengthened since its collapse at the time of the pyramid scandal (1997), but its ability to uniformly enforce its law throughout the territory is not fully achieved. Croatia and FYROM are relatively stronger, although in FYROM there is still an EU police mission and a Special Representative, following implementation of the Ohrid Agreement. The countries and entities are also generally weak in their capacities – the rule of law is respected neither by the executives nor the populations, and judicial systems are incapable of enforcing it systematically. In most cases, professional capacities in administration are insufficient to enable the state to meet European standards of good administrative practice. Many politicians do not understand that the constitutional order, the rule of law, and the role of professional administration are designed to constrain arbitrary use of state power; many do not trust professional administration and do not regard it as having a legitimate role in policy-making.

Because the countries are interconnected, weakness in one state may destabilise the whole region

The countries of the Western Balkans are bound together by their shared history, ethnic ties and “cross-border” family links. Multi-ethnic populations in individual states and cross-border ethnic populations create channels of influence, control and destabilisation. Organised crime, often cross-border and linked to ethnicity, is endemic. Whereas Albania was autarchic, the ex-Yugoslav countries are bound by economic ties through their industrial structures, trade patterns, economic networks (roads, energy, etc.), and through outstanding legacies from SFRY (for example, payment of pensions across recently created borders). Lastly, the countries are bound together because they are all participants in the European integration project, as defined in the SAp.

Constitutional arrangements and attitudes to law need to be developed

In practice, constitutional arrangements are still being worked out, especially the checks and balances of powers between constitutional institutions. Constitutional development is significantly affected by international presence in the countries. Development is undermined by a cynical attitude to law (“legal formalism”) stemming, in part, from habits of the previous regime. This is especially

¹ NB See the recently announced twin track approach. “While the EU remains firmly committed to the State Union of Serbia and Montenegro, the poor functioning of this State Union is holding up progress under the Stabilisation and Association Process which prepares countries of the Western Balkans for closer integration with the EU. This would mean dealing with the two republics on specific policies which they conduct separately, notably trade and economic policies, while continuing to work with the State Union where it is the competent authority.” http://www.eudelyug.org/en/news/news_latest.htm

the case of law introduced in response to external conditionalities or within the context of the EI process.

The rule of law is further endangered by endemic corruption and criminality

Petty corruption is regarded as a normal fact of life for all interactions with the state, and is not seen as being inimical to development or even as illegal. At a higher level, state capture is a common phenomenon; this situation distorts policy and adds to the general undermining of the rule of law. Criminality (e.g. trafficking, smuggling) is widespread and may involve state institutions directly.

Political arrangements have not yet stabilised

There are some “institutionalised” political parties, often either a socialist or historical legacy. In other cases, politics is based more on personality than on party, and stable, disciplined, modern parties endowed with policy capacities have not yet everywhere emerged. The relative under-institutionalisation of political parties makes the development of party platforms or coalition agreements an uncertain basis for strategic planning. Many politicians do not see their role as policy-maker, but as high-level decider of individual cases, manager and distributor of patronage. Many lack trust in administration, and have a low level of understanding of the respective contributions of politicians and officials in policy development and implementation.

The economies are in crisis

Despite the poor quality of statistics is low, itself a sign of poor governance capacities, the economic malaise is evident. Economic development varies widely across the region. Croatia is the wealthiest country by far, with per capita GDP of almost \$10,000; this is roughly twice that of either FYROM or Albania, and some five times that of BiH. Per capita GDP in SaM, once one of the wealthiest countries in the region, is still recovering slowly from the effects of the 1999 war and stagnation under Milosevic, and is only slightly ahead of BiH. These national figures mask large regional variations within individual countries, which are also reflected in the levels of unemployment.

Unemployment rates are dangerously high, and population dynamics uneven

Average unemployment rates are high, and mask large variations amongst regions and amongst age groups. Officially, the unemployment rate in BiH is 40 per cent. However, the level of unemployment amongst young people is substantially higher, resulting in a significant drift of population out of the region in search of work. Unemployment is highest in the eastern part of Republika Srpska, which is also the poorest and least developed area in the region. With the exception of the urban areas of BiH, development and employment opportunities, other than in the agricultural sector, are limited.

SaM and FYROM have official unemployment rates of 32% and 37% respectively. As with the other countries of the region, unemployment is unevenly distributed and has resulted in an urban drift from the countryside, as well as in large numbers of unemployed youth. Even Croatia, with an unemployment rate of “only” 21.7 per cent, suffers from the same problem -- lack of employment opportunities for the young. In eastern Croatia, unemployment rates are significantly higher than in the capital or in the coastal region.

The level of unregulated economic activity is quite significant, and the real level of unemployment may in fact be lower if the “grey” economy is taken into consideration. This is particularly true in the case of Albania, where estimates of the level of unemployment vary between 17% and 30%. The discrepancy between these two estimates gives some idea of the significance of the “grey” economy. Again, unemployment is a major problem amongst youth and outside the urban areas, as the main economic activity elsewhere in Albania is subsistence agriculture.

The evolution of unemployment depends also on population dynamics. Certain ethnic groups are significantly more vigorous than others. The economic impact of this effect is somewhat mitigated by the differential between formal and informal employment. There is a danger that the Western Balkans will end up with an entire generation of long-term unemployed, often with tertiary qualifications, as the economies have been slow in generating suitable employment.

The budgetary scope for reform is limited

Economic conditions in the region have created a “vicious circle”. High unemployment and low per capita GDP rates mean that the scope for increasing revenues in the short term is poor; the very same factors lead to high social security payments relative to the rest of budgetary expenditures. Budgets will also be challenged by the population dynamics in the region. Overall, governments have little room for manoeuvre. Public sector salaries, although low, are generally the single, largest component of the budget and constrain the ability of governments to channel investment toward other sectors.

Added to these difficulties, there are frequently fairly rigid conditionalities, imposed by the IFIs, requiring governments to reduce public sector employment, liquidate uneconomic state-owned enterprises, and restrict the overall size of the budget. The concept of small government, widely pushed by IFIs, may in fact not be an appropriate model to follow in current circumstances, particularly in light of the very significant levels of unemployment in the region. It could be argued that if the government does not employ the people it will only have to pay them unemployment benefits, so they might as well be put to some sort of “productive” use. Such arguments should not, however, preclude efforts to increase public sector efficiency and effectiveness.

Economic structures are severely distorted and lack flexibility

Economic structures illustrate the legacy of distortion and misallocation or under-investment, and a heavy involvement of the state in the communist economy. Privatisation and structural reform are crucial, but rely heavily on administrative capacity and rigorous controls. Since these do not exist, privatisation has often created more problems than it has solved. Moreover, the fiscal basis is either weak or hardly existent, and the state needs this basis to rule and give direction to economic development. Product, labour and capital markets are too rigid and are bound by red tape, with uncertain application. Widespread corruption further weakens the ability of the market to ensure allocative efficiency and of the State to regulate the market effectively.

Weakness of the rule of law impedes growth

A recurring theme in these assessments is the lack of respect for the rule of law; this disrespect is driven by poorly drafted laws, uneven application of law, a legal system that is, at best, unpredictable, and poor, or perverse, enforcement. The weakness of the legal system means that business cannot rely on it in the way that is possible in EU Member States, and this situation acts as a disincentive to productive investment, invites low-quality, short-term exploitive investment, and increases the costs of operating in the markets in these countries. Partly as a result, Foreign Direct Investment has been disappointing, and may be declining. “Regulatory reform” (as the term is used by OECD) and the improved rule of law are necessary for economic growth, as is the realisation that administration should be viewed as a form of social capital worthy of investment.²

Donors are everywhere, and their collective contribution to PAR is often counter-productive

The region is invaded by donors with very varied interests, agendas and perspectives. They propel the legal/administrative system in different directions, generating fundamental inconsistencies.

²

See the Stability Pact's Investment Compact 2004 Progress Report. http://www.investmentcompact.org/pdf/MONITORING_2004.pdf

There are very limited national capacities to force project and substantive co-ordination, and donors are often able to circumvent co-ordination systems by building up clientelistic relations with counterpart institutions.

European integration is a generally accepted ambition

The EI ambition is widely shared across most of the political spectrum and by citizens. This consensus provides a powerful system of incentives and a substantive framework for reform. EI is recognised (although not always respected) as the framework in which international donors should structure their projects. This gives Europe legitimacy to lead in co-ordinating donors across the broad scope of EI-related issues, including administrative reform.

6 Assessment of Public Administration

The country reports, of which this is the overview paper, are not complete assessments of public administration. Most public administration is devoted to producing goods and services for citizens. Here, the focus is on horizontal management systems. These systems condition how public services are produced. Their role is to ensure that effective policies are developed and that public resources are used efficiently and effectively to produce public services in line with government priorities. Horizontal systems are mechanisms to ensure that public administration is accountable, predictable, reliable and transparent.

Centres of government and policy capacities are under-developed

Centres of government should provide the council of ministers with strategic support and ensure that policy-making systems function effectively. The centres of government in most countries and entities are too weak to function effectively. Policy-making suffers from inadequate inter-ministerial co-ordination, and governments tend to produce poor quality law. Policy options are not tested for budget cost, economic impact or implementability – indeed, the vital link between policy-making and budgeting is often absent. Policy capacities in ministries are equally weak. Policy-making is regarded as the preserve of politicians. Nowhere in the region has the contribution of policy inputs from professionals been fully understood or accepted. This situation creates a vicious circle, where ministers do not ask for policy inputs from their professional staff because they do not trust them, and so professional staff do not develop the capacities required to contribute to policy-making. Understanding of the concept of “policy” is largely absent; participants in the policy process continue to understand policy as being synonymous with legal drafting, usually ignoring the need for prior policy analysis. This affects the skill-mix found in policy operations. Politicians are inclined to understand their jobs as producing symbolic change or mere gestures, and in terms of personal advantage, often coupled with a focus on individual cases, rather than general policy solutions. The result of these deficiencies is that, in all of the countries/entities, policy and legal quality is poor, and the regulatory system does not provide a supportive environment for economic growth. EI places a particular load on policy-making. If countries enter an EI negotiations process without adequate policy capacities, they will produce symbolic law and create unnecessary burdens on the economy.

Decentralisation has proceeded too quickly and is not controlled effectively

All countries and entities in the region are deepening decentralisation, usually following the advice of foreign donors and international organisations. The former subjects of SFRY had a pre-existing tradition of local self-government, but there was strong party control and much larger units. Everywhere, the human and other administrative capacities at decentralised levels are inadequate to implement public policies. The fiscal basis of decentralisation to municipalities has been kept narrow, so that most financing comes from transfers from the centre, but financial transfer systems have not been sufficiently developed. However, in SaM and BiH the problem occurs in between the second and third tiers; the state levels depend on transfers upwards and are thus significantly

weakened which reduces effectiveness at the state level and makes equalisation transfers almost impossible. Oversight, control and audit mechanisms are ill-designed and ineffective at local levels. Over-hasty and ambitious decentralisation has increased the risk of corruption and misuse of public monies across the region, without really increasing local autonomy and accountability. In many cases decentralisation is a mask for fostering and consolidating ethnic cleavages and further ethnic separation and/or for political patronage and corruption. Decentralisation, in general a democratic good, may, if not carefully conducted, further weaken States and foster fragmentation and instability in the region.

Administrative legal frameworks are in place but do not operate effectively

Legal frameworks in the region suffer from three major deficits. *First*, they are not fully aligned with the demands of a democratic polity and a market economy, and may depart from EU standards. *Secondly*, there is a tendency to internal inconsistency – for example, organic budget laws that are inconsistent with financial control laws. This inconsistency occurs partly because legal development has been supported by different donor projects, and on a project-by-project basis. Local deciders are often unable to distinguish and pick the donor advice that best fits them. Moreover, decisions may depend on the influence of a given donor or on the monetary or political gains that decision-makers think they may extract from a given donor or project. *Thirdly*, the reformed laws are often un-implementable or at least are not implemented. The implementation deficit may emerge for a variety of reasons: because implementation was never intended; because reforms were not assessed, from budgetary or organisational perspectives; because reforms were too complex; or because they did not fit into the general system of administrative law. An underlying gap is the weakness of the system of administrative justice, without which the laws have little force.

In contrast, the Albanian administrative culture is a combination of many influences, in particular the ancestral Kanun, 50 years of Enver Hoxha's autarchic regime, and ten years of difficult transition. Generally, given Albania's history of foreign occupation, "the state" is seen as an occupying power, and the citizenry has little understanding of (and demand for) a better functioning public administration and modern state. This may be slowly changing as a result of migrant workers experiencing public services in other European countries; but it could be a long time before demand for a well-functioning state is developed as part of the political agenda or before social demand drives the real behaviour and policies of the élites.

The countries are restructuring administration at the institutional level, through such mechanisms as creation of funds, agencies or decentralisation. However, basic systematisation of the administration and accountability, monitoring, control, and delegation frameworks are usually inconsistent.

Civil services need to be professionalised and properly managed

Civil service management systems in the Western Balkans are largely in their early transition phase and generally influenced by post-conflict constraints and conflicting objectives, such as ethnic balance, equal access to civil service and legal treatment, transparency, etc. The main drive for change in civil service management has largely been the pressures of the international community and donors and has gathered, so far, little ownership from the respective governments. Furthermore, donors' influences have often pushed governments to introduce systems that are unsuitable for the context (e.g. creating civil service agencies under the Parliament) and systems that have conflicting reform agendas and conditionalities – for instance, cutting budget-spending at the request of IFIs, while having to meet and sustain international standards and other post-conflict obligations of ethnic balance that are costly to meet and sustain. Finally, the international presence (employing many local staff) distorts the labour market and reduces the pool of potential public servants.

Staff are not appropriately allocated and staffing is not merit driven

The countries suffer from an overall shortage of staff with appropriate skills and from little budgetary space to increase salaries so as to attract and retain appropriate people. On the other hand, too many people with inappropriate skills are employed in parts of the administration that are less needed than before, or at central rather than local levels. Staffing decisions in many countries are part of patronage powers, but given the difficulty of dismissing staff, this causes a natural administrative inflation. Civil services are characterised by a high degree of politicisation across all levels of the hierarchy, weak application of the merit principle, limited steering/management capacities (at the centre and in ministries), a shortage of staff capable of delivering policy-formulation and monitoring policy-implementation. Training delivery is generally supply-driven and ad hoc. Training institutions, where they exist, are not yet fully operational. Salaries and working conditions in the administration are usually below those prevailing in the private sector, making it difficult for governments to recruit and keep quality staff.

The incentive systems discourage professional behaviour

Despite the high unemployment in the region, the civil service remains an unattractive option for a professional career because of its politicisation and low salaries. Young people may decide to enter the civil service, if they can count on the right connections, only to leave it shortly afterwards to capitalise, often improperly, on their newly-acquired marketable skills and knowledge. Salary schemes are opaque. Fixed salaries are low, whereas the variable part of the salary tends to be significant. This makes the determination of individual remuneration generally arbitrary, as there are no legitimate performance evaluation schemes in place nor are there the necessary capacities to manage performance-related pay schemes, which have proliferated in the region, often due to advice from international donors. Those who, despite everything, remain in the civil service tend to see their salary as a complementary income for their household; because the public administration respects social legislation more than does the private sector³. Well-intentioned policies, by certain donors, to provide salary “top-ups” for key posts related to their interests or their projects have distorted the labour market, created resentment within the public service and have often not resulted in sustainability improvement in capacity.

Public expenditure management systems are under-resourced, with weak enforcement capability

With very few exceptions, the legal frameworks for public expenditure management are in place across the region. However, the specific constitutional circumstances in some post-conflict countries and entities render the institutional settings especially complex, and often ineffective. Budgeting is not well linked to policy making and the budget is not used as a priority-setting tool. Policy-makers and governments in the region have not grasped the role of the ministry of finance in a modern democracy as compared to its traditional (accounting) role in a communist system, and ministries of finance remain politically and organisationally weak. Throughout the region, even where reforms have been undertaken, these ministries suffer from a critical lack of skilled staff. However, ministries of finance in the region have benefited from ample support from IFIs in establishing fundamental institutional elements, such as treasuries, budget departments, etc. Most of the assistance provided so far in this sector is affected to some extent by the Anglo-Saxon tradition, which does not fit well with the overall administrative context. Public expenditure is not just a task of the ministry of finance, but capacities in line ministries to develop budgets and manage expenditure are inadequate.

3

Having one person in the public sector may generate social security and health care benefits for the family.

Public procurement is a high risk area

Countries and entities in the region have had mixed success in developing public procurement legislation and by-laws that take them on the path to meeting the requirements of the *acquis communautaire*, especially the criteria of transparency, non-discrimination, objectivity and accountability. Review processes are generally not reliable. Public procurement institutions, where they exist, are too new and too weak to satisfactorily perform their core functions. The various stakeholders – public procurement office, ministry of finance, buying entities, etc. – do not have adequate human capital, and required procedures are not yet in place. Audit capacities are also weak. Given the continuing importance of public procurement in the economy, this represents a significant risk area for corruption and further distortion of the market.

Public internal financial control needs a more comprehensive and strategic approach

None of the countries and entities in the region has a tradition of public internal financial control (PIFC). Traditional inspections/revision services do exist, but the way in which they operate hinders the establishment of reliable accountability mechanisms. Internal financial control in the public administration has been subject in most cases to a very (donor-driven) narrow approach. This approach has basically been to introduce internal audit into systems and legal frameworks that are not ready to absorb such schemes. No real analysis has been carried out of existing financial control and accountability arrangements, and no reform strategies have been drawn up to encompass, for instance, the principle of managerial accountability. The piecemeal implementation of PIFC schemes (i.e. applying only one technique, such as internal audit, but not the whole context) has led, *inter alia*, to confusion between audit and control, an incomplete legal/institutional framework, and control institutions that have too few staff, most of whom do not have appropriate skills.

External audit is starting but its potential is not being realised by national authorities

External audit – independent from the executive – is a rather new concept in most countries and entities in the region. Not all have adopted the needed constitutional and legal bases to establish such a function. In those countries where external audit functions have been established, a wide range of institutional settings are being tested: from the classical office or court models to contracting out of state audit functions to foreign private audit firms. While the quality of the work and reporting carried out by external audit institutions has improved over time, the acceptability of the external audit function by the executive and legislative powers remains weak, reducing dramatically the usefulness of independent oversight. Most of the supreme audit institutions (SAIs) lack the means and qualified staff to perform the full range of an SAI's basic functions. Most legislatures do not have requisite capacities or interest to undertake their Audit related responsibilities.

Anti-fraud and anti-corruption capacities remain hypothetical

The countries and entities have signed and ratified the necessary international conventions for the fight against corruption, but implementation and enforcement remains weaker than hoped. Anti-fraud co-ordination services have not been created in any of the countries or entities, which are therefore not ready to meet possible future demands from OLAF.

Capacities to lead administrative reform are weak

All countries and entities in the region suffer the same shortage of capacities to design, steer and lead administrative reforms across ministries and levels of government. The administrative reforms desired by the international community are usually perceived as working against the personal interests of politicians and as strengthening the role of the administration in relation to politics. Local ownership of reforms is therefore weak or lacking. In most cases, PAR is not driven by a soundly based strategy, nor has a sustainable constituency for reform been generated. PAR activities tend to be constructed around donor projects and organisations. A typical result, caused by the

compartmentalisation of donor as well as recipient reform concepts is that administrative reform is divorced from reform of the expenditure management system.

7 Overriding Priorities and Posteriorities

Public administration serves the state. Administrative reform cannot take place in a policy vacuum; if it is pursued as an end in itself it will usually fail. Public administration reform must therefore contribute, and be seen to contribute, to the overriding priorities of the countries, and in current circumstances to the priorities of the international community.

The overriding priorities are:

- Consolidate peace and security
- Resolve outstanding issues in the post-conflict settlements
- Re-launch economic growth and create employment

For these purposes, the consolidation of governance institutions and the rule of law is vital. Thus first priorities should go to the justice system – to creating regulatory frameworks that will stimulate economic activity (including property rights); ensuring regularity in the performance of government and administrative decisions; and embedding the understanding of rule of law widely in society through, for example, mass education programmes. In those countries with an international presence, the international community should build up local oversight mechanisms, gradually moving towards indirect control and oversight over controllers; it should also begin the process of refocusing minorities' protection on individuals rather than on groups. Just as important as the identification of priorities is the identification of posteriorities.

Stabilisation is more important than economic balance

Macro-economic stabilisation should not be allowed to override the needs for investment in administration. The conventional wisdom of resourcing administrative reform by re-allocating or sacking public servants is illusory, in terms of its alleged purpose, and politically damaging. There is an urgent need for co-ordination between the framers of macroeconomic policy for the countries and those promoting the development of democratic, rule-of-law institutions. Cost-benefit analysis may help weigh the cost of macroeconomic stress and the risk of instability, against the benefit of a reliable business environment and structural change in the economy.

Hasty integration into Europe will be self-defeating

All of the countries in the region have announced their ambitions for European integration (EI) and, in the context of the SAp, the Union has acknowledged their eventual European vocation. European integration should be strategically paced. EI is an important motivator and provides a needed structural framework for reform. If it is pushed too quickly, however, it can undermine the rule of law (by encouraging the countries to proceed too fast at the formal legal level), create severe financing problems for the budget, and above all retard economic development through the imposition of insupportable compliance costs. At this stage, donors should see EI as a means, not as an end, and the Commission should manage the expectations and pacing of EI so as to maximise its motivating power, while controlling the risks. Moreover, EI should be considered on a regional basis, especially with a view to managing the evolution of the external borders of the Union and dealing with interdependencies among countries.

Slow down decentralisation until adequate central and local capacities are in place

Following recent European trends and donor pressure, all of the countries in the region have decentralised (although “disintegrated” may be a more appropriate word) geographically and sometimes functionally. In terms of good administrative practice, setting aside the ethnic issues,

decentralisation has proceeded too quickly and inconsistently. It is questionable whether there is a real social demand for decentralisation. In many cases it has been a way of sharing resources and power among political elites. As neither effectiveness nor deepened democracy was the purpose, the necessary balance of resources, responsibilities, powers and capabilities was not thought out or maintained. In most cases, control systems and central capacities have not sufficiently evolved to match the new circumstances. Paradoxical though it may seem, a strong centre is a necessary precondition for successful decentralisation.

8 Strategic Orientations for PAR

PAR has been one of the most important areas of transition for transition countries. It has also been one of the areas in which there has been the heaviest investment by donors (apart from reconstruction), and much of the reform has been donor-driven. It is therefore impossible to divorce an assessment of endogenous factors from exogenous factors – assessment of administrative reform in the Balkans is necessarily an assessment of both national and donor efforts. The record is mixed. A few basic principles emerge from a consideration of past experience in EU candidate countries and NMS, current experience in the Balkans, and good practice in the old MS. In this section we introduce some basic ground rules for PAR and look at what is happening in the countries.

PAR must provide political incentives for change

PAR must support priority government policies if it is to have any hope of retaining some political backing. However local ownership of reform tends to be low. PAR must also be understood in the context of the political economy of the country. This implies that incentives in favour and against PAR should be analysed in order to design effective PAR. Too often, in the region, PAR strategies have been designed uniquely by (often external) technocrats with limited mandates (scope of reform). Public administration reforms are not sufficiently considered as political interventions, which need to be sustained by a coalition of interests that includes business, civil society and public sector workers. This in turn requires that the interests must be fostered through communication and by ensuring that they share in the benefits of reform.

Design PAR with realistic goals and manage expectations

Public administration reflects the society in which it is embedded, although low salaries and low esteem may mean that public servants exhibit negative behaviour to a greater extent than the rest of society. Thus PAR must be understood as a sociological process in which time is measured in generations, not as a one, two or five-year project within aid programming cycles. Possibly because it is donor-driven, PAR in the region is too often conceived as a project rather than a process, with exaggerated, unrealistic expectations about what can be achieved. The type of change required in the region is systemic and cultural, and is not merely a matter of working procedures or organisations. Change should be designed to influence values in both administrative and political spheres. The practice in the region of passing law, often under pressure from donors, without considering its connection to life and society or its interaction with other laws, also applies to PAR projects. Although law is often a necessary first step in reform, too often PAR projects focus only on formal legal aspects, without regard to implementation or to the necessary internalisation of values or policies that a piece of legislation is meant to promote. Law is also seen as the main means of communication about reforms both within the public sector and in society at large. It certainly is that, but administrative reform requires an adequately resourced communication strategy designed to address and sustain the support of key actors.

Get administrative basics right first

PAR is not like telephony, where it is easy, and more efficient, to jump straight to modern wireless networks without going through a “copper-wire” phase. The natural desire in the region to become “modern”, coupled with the influence of certain external donors, has created a tendency to move too fast in picking up some of the “New Public Management” (NPM) trends, such as performance pay, “modern” budgeting techniques, or wholesale “agencification”. The notion of “independence” (as, for example, in “independent” regulatory agencies or “independent” civil service agencies) is key to NPM and widely misused in the region. In particular, the countries of the region are not yet politically equipped to leave key decisions to a “technostructure”, which in any case is still too weak, or to so-called professional, independent decision-makers. Indeed, the value that outsiders, especially from the “Anglo-Saxon” world, place on “independence” may mean, in practice, greater openness to capture by special interests and weakened of accountability chains.

Focus first on establishing regularity

If the administration is to become an asset for economic and social development, it has to respond to a set of values – regularity, efficiency, effectiveness, quality of service. Regularity represents the basic characteristics of the rule of law – legality, certainty, impartiality, predictability. Ensuring regularity also means empowering civil servants to act as protectors of legality, possibly in opposition to politicians. Many reforms in the region, often inspired by reforms experimented – but not yet consolidated – in old MS, are basically motivated by concerns for efficiency, which may reduce the chances of introducing basic regularity. While it is clear that, confronted with weak public finances, efficiency must be a concern; the prioritisation of values is not usually given any consideration in reform design. The most valuable and most needed public good that administrations and governments in the Balkans should produce is legal certainty and predictability in the actions of public powers.

Tackle systems, not organisations

Many reform projects focus on organisations, such as the ministry of finance or the civil service agency, by relying on a sort of “enclave approach”, which has not proved successful in other regions or in substantive areas. In any event, it is a mistake to assume that it is possible to change the way in which budgeting is done in a country by increasing the capacities of the budget department of the ministry of finance. Budgeting is a system in which many actors - especially the budget units in ministries as well as in parliament – must be competent to participate. If the capacity to budget is to be enhanced, reform projects must address all of the main actors in the system. The same is true of policy-making, HRM or financial control. Central units, such as the ministry of finance, have specific responsibilities within these systems, which may include upgrading the system as a whole.

Develop the young, constrain the old

Since introducing the rule of law and professional administration is a sociological process, the main targets are current young professionals and next generation professionals. In targeting these groups, regional co-operation can also be introduced so as to create cross-border networks and confidence. Some attempts at setting up young professional schemes have been made, and there is an emerging network of schools and institutes of public administration, with plans for a regional facility. However, nowhere has there been a sufficiently determined attempt to engage - through the education system in schools, universities and professional systems (e.g. in legal training) – in the development of a new generation of public administration professionals. Nor have there been sufficiently determined efforts to create accelerated career paths and advantages to bring new generations quickly into senior expert or senior management level positions in the civil service (as,

for example, was done in Lithuania⁴). In some cases, political appointments are used to bring in new people, but this has an adverse effect on professionalisation. More sensitive efforts should be made to develop new political élites and provide them and new public servants with thorough training in professional ethics. While promoting new élites, older public servants must still carry out important duties. Thus the need to create space for new generations to modernise the administration must be balanced with the assurance of rigorous control frames and training to guide the behaviour of incumbents.

Mobilise European integration to promote PAR

EI has two main advantages for PAR: it provides a strong motivation for reform, usually widely shared amongst political parties and interest groups, and it provides a well structured comprehensive and consistent agenda. Useful reform initiatives have been built up around EI, but they are often islands and/or they produce legal/formal solutions to much deeper problems. Furthermore, linking reforms to EI may distort emerging politico-administrative systems, leaving them unable to cope with issues that are not related to EI.

Balance horizontal and vertical reforms

PAR for European integration is primarily about vertical (sectoral) administrative capacities. The *acquis* on general management (horizontal) systems is weak. The experience of EU candidate countries suggests that a focus on sectoral administrative capacities will not create sustainable reform; however, support for horizontal capacities has had mixed results. There are signs that countries' eagerness to pursue an accelerated EI agenda may be creating an unbalanced reform agenda.

Ensure a strategic approach, allocate resources and manage the politics

Most countries have announced PAR intentions and given responsibilities for PAR to a designated office. In most cases the reforms are mainly concerned with HRM issues and led by civil service agencies, or they deal with legal issues and are led by ministries of justice. In a few cases there are explicit links to EI. Such solutions are usually too weak and under-resourced to counter the entrenched interests which PAR challenges. Nowhere does there appear to have been a thorough (based on systems analysis) assessment of what needs to be done, how to do it, and how to ensure sustained support. One sign of this is the conceptual divorce of PAR from budget reform. Another is the lack of thinking on long-term social processes, as opposed to short-term, often donor-driven, projects, which may be designed to create "islands of excellence" around identified change agents but having little systemic effect on the rest of the administration. For sustainability, PAR needs to be designed to engage the support of domestic interest groups, in particular the business community and citizens, as well as direct stakeholders, in particular public sector employees. Reforms should be designed to generate early political pay-offs for all key interests so as to reinforce a political consensus around the needs for reform. The communication component, which is ignored in most countries, should be given priority.

⁴ Following the 1997 rejection of Lithuania as a "first-wave candidate", the government initiated a major programme to upgrade its human resources. This was successful in that Lithuania caught up and acceded to the Union in 2004. The main components of the reform were:

- objective recruitment of new entrants, free of politicisation, leading to intensive training during a probationary period;
- possibility of a career based on objective criteria, coupled with stability of employment; this was sufficient to attract top young graduates despite the relatively low salaries;
- promotion based on competition but also (transitionally) on selecting the more outstanding people for higher positions (this apparent contradiction is solvable through adequate procedures);
- opening up of new positions with new types of functions – as required by democratisation, EU integration and the new role of the state, etc. – to permit advancement.

9 Public Administration Reform Focus

Within the usual definition of horizontal management systems, this assessment, as tested against CEEC experience, suggests some priorities and sequencing. These are generic priorities which must be adapted to each country/entity. Separate Sigma papers on each of these priorities provide deeper analyses.

Upgrade policy capacities

However vital, reform of the policy system is sensitive because it deals with the roles of prime ministers, collective governments and ministers. It is often perceived (wrongly) as a transfer of power from political to professional levels of government. Four tracks are needed: create strategic policy units at the centre and strengthen policy capacities in ministries (with priority given to the ministry of finance); introduce strictly enforced, substantive quality control and scheduling processes for the council of ministers; develop policy skills for incumbents and future entrants in university and training institutions, especially in law and economics; take a proactive approach to educating politicians (executive and parliamentary), including by supporting research and training capacities of all mainstream political parties. To reinforce such efforts, two main constituencies must be mobilised: economic actors and Europe. With respect to the latter, EI policy centres should not be allowed to undermine the regular centre of government, creating partial and separate co-ordination processes.

Build coherent, effective legal frameworks for administration

Systematic reviews of the legal frameworks in the countries should be carried out to improve their coherence and ensure that effective accountability and control principles are established. A minimum set of laws is shared by most countries in the region and includes laws on government, budget, financial control, civil service, administration (systematisation), law-making, and general administrative procedures and processes. *Inter alia*, these laws should be checked to ensure that they promote integrity in government and predictability in administrative action and that they move countries along the path to meeting European standards. Special legal/administrative regimes should, as far as possible, be abolished.

Professionalise the civil service

Apart from the legal framework, reforms to promote professionalisation must address the overall HRM management function and main management systems. For the former, since civil service management is basically a responsibility of the executive, a central management capacity attached to the government or to a ministry should be set up to create regulations and monitor implementation. Where central capacities have been created as "independent" bodies (in some cases – under the influence of donors – attached to parliament), the appropriateness of continuing with such arrangements should be assessed. Equally important, all executive bodies covered by the civil service law should develop their own HRM functions, which should be networked by the centre. Within management systems, priority should be given to recruitment, pay and promotion, as well as to the legal regime governing incompatibilities and conflict of interest. The above issues concern systems, but one key constraint on professionalisation is low salaries. In parallel with the development of better salary systems, budgetary space must be found for decompressing salaries and raising rates so that overall remuneration packages can attract and retain quality staff in the public sector.

Strengthen the resource allocation and control system

Most countries have adequate legal frameworks, except in terms of the comprehensiveness of the budget, which should be urgently extended to cover all public bodies, and internal audit. However, the position and human capacities of ministries of finance are too weak to enable them to protect expenditure plans or act as a support for administrative reform. Capacities must be upgraded in the

expenditure management system (in the MoF and in spending ministries) at the same time as capacities are upgraded in financial control. While reinforcing the standard, input-based budget systems to ensure that they are respected, expenditure items should be associated with programmes goals to improve the information content of the budget. As supreme audit institutions (SAIs) have (or should have) constitutional independence, they should be supported so that they can add to the pressure for reform of the revenue and expenditure systems. IFIs should be encouraged to support the status of the MoF and budget system.

10 Support from the International Community

The NMS and remaining candidates have proved to be fertile ground for exploring how to improve the performance of technical assistance. However, many of the same mistakes are being repeated in the Balkans region, where the risks of under-performance are higher. Some of the lessons learned apply to all donors equally. There are also lessons which are specific to the Commission's assistance because of the special role played by EI and the SAp. Commission-specific issues are discussed at the end of this section.

Recognise that PAR is a sociological process

PAR cannot be technocratically driven – it depends on attitudes and capacities in society at large as a conditioning environment. The inhabitants of the administration reflect the larger values of society, and the needs for change are greater at the level of mentalities than at the level of mechanical processes or organisations. The implications for the assistance process include the following:

- Support should be designed around long-term processes and include a strong investment in all levels of the education system (schools to professional, especially legal, training) and should foster mechanisms to advance new generations (accelerated career paths, Young Professionals programme, etc.).
- The management and design of support should be “service”-based rather than “project”-based.
- Support should be provided with greater certainty over longer time frames and should be adaptable to rapidly changing circumstances in the countries.

Although the international assistance community uses different approaches to assistance, and some innovations have been observed⁵, aid institutions are fundamentally conservative. In the near future, it is unlikely that assistance programmes will move substantially away from traditional project-driven, time-determined mentalities and management technology. However, even within the more conventional framework, some progress can be made if donors respect the ground rules and follow through on their declared willingness to engage in real substance-led co-ordination.

Do not set detailed conditionality on access to assistance

Whether it is technical assistance, infrastructure projects, loans or grants, all assistance can be translated into advantages for incumbents. Implicitly or explicitly (for example, when the Commission or WB insists on setting up PMUs, or creating a PAR Unit), it impacts upon the internal politics of a country. Where conditionality is associated with assistance (for example, passage of a law prior to agreement on a project), it almost automatically leads to the loss of ownership for reforms. Conditions will be met in order to access assistance, not in order to bring about reforms – and, even if that is not the reality, it will probably be the perception. It must be made clear that assistance will only be provided where there is clear evidence of local ownership (e.g. local budget and competent staff, plus firm backing); if it is judged to be the case, assistance should be designed

⁵ Promising innovations include the recent World Bank approach to Country Assistance Strategies and the Country Accountability Assessment Framework (CAAF). A similar approach is being considered by the Commission, in its “Sector Approach”, and by some other key donors. It will be important to develop donor co-ordination for this so that there are no competing CAAF frameworks.

to provide service-type inputs to a local project. If conditionality is required, it should be linked to ownership and to performance measures, not to specific inputs. This means that donors should be much more judgemental in their decisions on supporting a project.

Be serious about ownership

Theory suggests that assistance should be built on local ownership, but experience suggests that donor accountability processes create the opposite effect. This is partly due to the donor project cycle – projects may be designed under one government (or set of interlocutors) and implemented several governments (or sets of interlocutors) later, when conditions and politics may have changed. Once contracts are awarded, incentives on contractors push them into lead positions to complete their “deliverables”. On the “mine/ours/yours” scale of ownership, effectiveness argues for local ownership (“mine”); on the other hand, contractor and donor incentives and control systems argue for retaining external control (“yours”); probably the best that can be achieved is shared ownership (“ours”), but this requires upgrading project design and relations with contractors. Donor procurement rules may also work against effectiveness (e.g. how success is measured, contractors selected and project bridging accomplished) and should be re-examined with all stakeholders. Donors should also be more responsive and opportunistic – a small scale, technically less than perfectly conceived reform endeavour which is developed locally, is much more likely to bear fruit than an holistic donor driven approach, however technically perfect it may be. Such an approach will require that donors become more service oriented and spending authority should be more decentralised.

Avoid having project definition force government into unrealistic expectations

Project-driven assistance has proved to be ill-suited for assisting PAR policies. If the project approach is to be kept for the time being, certain precautions should be taken. The quality of project design is severely deficient, in part because designers do not take into account the reality of PAR. Project goals are usually far too ambitious and the technology of the “logical framework” (essentially designed for managing physical infrastructure projects) contributes to pushing project design into over-ambitious goals, defining mechanical achievement indicators suitable for objectivisation of results (e.g. checklists of laws drafted), and underestimating the risks associated with any PAR effort (which is basically a political endeavour). Further, the way in which goals are presented and projects designed and implemented often confuses the accountability of contractors with that of governments.

Regard PA as investment

The IFIs in particular have an inconsistent view of PAR. They recognise that PAR is necessary for economic reform, but then they impose conditionalities for macroeconomic balances, which make it impossible for governments to carry out the needed reforms. This is particularly the case with civil service conditions and reallocation. Throughout the region salaries are too low. Increasing salaries will require IFIs to recognise PA as a long-term investment. The donors, especially in the context of EI, are asking countries to upgrade their civil services faster than the evolution of the tax base available to pay for it – an example of administrative reform leading economic reform. The notion that people can be transferred to “modern” tasks ignores the skill profile of the administration; the notion that salary increases can be financed by reducing the volume of staff numbers ignores the politics of reform.

Engage in active substance-based co-ordination

The transaction costs imposed on countries by the donors are far too high. Only few staff have the ability to interact with donors, and these are usually the best, so that the opportunity cost of each interaction with donors is high. Faced with a multitude of donors, staff must answer to the numerous demands for assisting in scoping studies, project identification assessments, project design, etc. The locals must train the consultants sent to help them; allocate scarce back-up resources; suffer

brain-drains because of salary differentials; create multiple counterpart centres for projects dealing with related issues but financed by different donors; be forced to choose between competing donor advice and models on external political grounds rather than on technical grounds, etc. The real willingness of donors to co-ordinate is open to question. Although there are frequent meetings, they are mostly “show and tell” events (although even this kind of meeting is not as efficient as it might be). The cost of multiple donors is not just the transaction cost but also the substantive medley of competing models and advice, often in circumstances where the recipients are unable to judge what is best for them. Donor co-ordination should be restructured around agreed substantive frameworks, which the EC should take a lead in developing, and donor inputs should be combined (pooling) to serve unique national projects. Where donors are pursuing particular systemic goals or introducing substantial change in the context of a project, they should be subject to challenge by other donors and especially by the EC (for example, the WB proposal in several entities to create civil service agencies under the national assembly in order to give them “independence”; or IMF recommendations concerning public employment). The current EC/WB regional co-ordination office in Brussels could be a model forum if transposed to the national level.

Mix country-specific and regional approaches

The countries of the Balkans are densely interlinked, with numerous cross-border issues still outstanding. The international community has given prominence to regional instruments (such as the Stability Pact), and the European Commission’s strategy for the Balkans and the SAp stress the regional component. Regional actions may fall into different categories:

- hard negotiations of cross-border issues (e.g. cross-border debt inherited from Yugoslavia);
- cross-border interests (e.g. treatment of minorities);
- common interests (e.g. environment, possibly SAp);
- mutual learning, convergence and exchange (e.g. joint training).

Most of the issues in the governance area fall into the fourth category. However, in the Balkans, the pursuit of mutual learning and soft approaches, such as networking and building common institutions, has an important strategic dimension. These approaches should be vigorously pursued, while recognising the sensitivities in the region. The experience of regional activities is disappointing (see, for example, the recent CARDS evaluation), and there have been difficulties in co-ordinating between national and regional levels. Regional activities falling into the fourth category will be easier to undertake if they are backed up by national programmes set up with a strategic package for the region (e.g. SAp) which is given real meaning. These types of activities will generally not be susceptible to hard evaluation, except on efficiency grounds, but that is not an argument for not doing them.

Address the Governance system as a whole – in particular Parliament and administrative justice

This assessment exercise has not addressed Parliamentary and Judicial capacities in depth. However, both are vital links in the accountability chain, in the effectiveness and sustainability of democratic governance, and in reform of PA. Donors generally prefer to deal only with, and through, the executive branch, which creates difficulties for addressing other branches of the governance system. Where Justice and Parliaments are addressed it is often by counterpart bodies (e.g. inter-parliamentary support) or NGOs, and in the case of Justice it is more often the penal and commercial systems rather than administrative justice. This risks creating additional co-ordination and incompatibility problems. Donors should improve mechanisms to support all branches of governance, possibly through a network support or facility of the Sigma type.

For all of the above, compared to other donors the European Commission has greater responsibilities, leverage and needs. Peace, stability and prosperity in the region depend on

carefully instrumentalising the European integration process. The Commission should lead in individual countries and at a regional level.