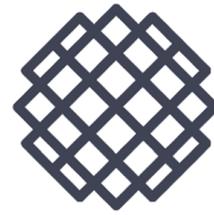




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PERFORMANCE AUDIT REPORT

EFFICIENCY AND EFFECTIVENESS OF GOVERNMENT EMPLOYMENT POLICIES



Prishtina, December 2018

The National Audit Office of the Republic of Kosovo is the highest institution of economic and financial control, which according to the Constitution and domestic laws, enjoys functional, financial and operational independence.

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The reports of the National Audit Office directly promote accountability of public institutions as they provide a base for holding managers' of individual budget organisations to account. We are thus building confidence in the spending of public funds and playing an active role in securing taxpayers' and other stakeholders' interests in enhancing public accountability.

Performance audits undertaken by the National Audit Office are independent, objective and reliable reviews that assess whether government actions, systems, operations, programs, activities or organizations comply with the principles of economy¹, efficiency² and effectiveness³, and whether there is room for improvement.

Auditor General has decided in relation to this report **“Efficiency and Effectiveness of Government Employment Policies”** in consultation with Assistant Auditor General Vlora Spanca, who has supervised audit.

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1 Economy - The principle of economy connotes minimising the cost of resources. Resources used should be available on time, at the right quantity and quality and with best price

2 Efficiency - The principle of efficiency connotes securing the most out of available resources and has to do with the relationship between the resources mobilised, and results given in terms of quantity, quality and time

3 Effectiveness - The principle of effectiveness connotes achievement of established objectives and expected results.

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List of Abbreviations

ADA	Agriculture Development Agency
AI	Administrative Instruction
ALMM	Active Labour Market Measures
APEVK	Action Plan for the Economic Vision of Kosovo
ARDP	Agriculture and Rural Development Program
BP	Basic Prosecution
CSP	Committee for Strategic Planning
DEIPC	Department for European Integration and Policy Coordination
DLE	Department of Labour and Employment
EARK	Employment Agency of the Republic of Kosovo
EO	Employment Office
GAWP	Government Annual Work Plan
GCS	Government Coordination Secretariat
MA	Managing Authority
MAFRD	Ministry of Agriculture, Forestry and Rural Development
MCYS	Ministry of Culture, Youth and Sports
MED	Ministry of Economic Development
MEI	Ministry of European Integration
MEST	Ministry of Education, Science and Technology
MLSW	Ministry of Labour and Social Welfare
MoF	Ministry of Finance
MPA	Ministry of Public Administration
MTEF	Medium Term Expenditure Framework
MTI	Ministry of Trade and Industry

NDS	National Development Strategy
ODP	Office of Disciplinary Prosecutor
OPM	Office of the Prime Minister
OSP	Office of Strategic Planning
PES	Public Employment Services
SKPC	Secretariat of Kosovo Prosecutorial Council
SPSG	Strategic Planning Steering Group
SS	Sectorial Strategy
TAK	Tax Administration of Kosovo
TRT	Technical Review Teams
TSO	Transmission and System Operator

Executive Summary

The National Audit Office has conducted a performance audit of efficiency and effectiveness of government employment policies. The main purpose of these policies is promotion of employment and creation of new jobs, as well as reduction of unemployment in the country. At the governmental level is preparation of strategic priorities where employment is involved, as well as coordination and monitoring of employment policies, which is the responsibility of the Office of the Prime Minister. In order to examine the efficiency and effectiveness of these policies at ministries' level have been selected the Ministry of Labour and Social Welfare and the Ministry of Agriculture, Forestry and Rural Development, and agencies within these two Ministries.

Employment policies at the governmental and sectorial level are not efficient and effective. The process of planning, implementation and monitoring of employment policies at the governmental level as well as the sectorial level is characterised by numerous deficiencies, which have hindered promotion and increase of employment.

Deficient planning and inefficient and ineffective monitoring of employment policy at the government level. Setting of priorities and drafting of employment policies by the Office of the Prime Minister was not preceded by a proper assessment of employment aspects, with particular emphasis, were not defined clearly the responsibilities of line ministries and financial resources were not fully identified. In addition, there were delays in adoption of strategic documents which have made implementation of objectives and employment activities difficult. Strategic priorities that relate to employment and sectorial employment objectives are not properly monitored as monitoring is not based on proper analysis. Deficiencies in planning and monitoring threaten the achievement of objectives established in these strategic employment documents.

Employment policies at ministries' level have not been subject to proper planning and monitoring. Due to lack of approval of sectorial employment documents, the Ministry of Labour and Social Welfare for a long period of time has not been able to have a clear picture on the extent and progress achieved in the implementation of activities that have impact on employment. Deficiencies were also identified in terms of budget planning as the budget available resulted being insufficient to implement activities related to sectorial employment policy. Furthermore, in key employment documents are not defined requirements for meeting tax obligations and pension contributions for financing given within the active labour market measures. This ministry has not properly monitored the sectorial employment policy since it has not documented the analysis and assessment of the issues identified in the Employment Agency's reports.

Ministry of Agriculture, Forestry and Rural Development has not approved the Program for Agriculture and Rural Development, which has as a main objective creation of new jobs, but functions based on this document. In this document, the criteria for creating new jobs used during the period 2016-2018 has been inadequate and unrealistic due to application of inadequate methodologies. This ministry has not done proper establishment of control criteria for creation of new jobs before the authorisation of payments and after the end of investment. Another deficiency is also lack of funding to create new jobs. Difficulties have been encountered also in monitoring implementation of measures as a result of delays in integration and exchange of data by the Agriculture Development Agency.

Lack of efficiency and effectiveness in implementation and monitoring of measures.

Implementation of active measures in the labour market, particularly during 2017, was hindered by delays in functionalising of the Employment Agency, lack of profiling of a significant number of unemployed, compilation of lists with a limited number of unemployed to be subject to the selection process in measures, as well as lack of prioritising of long-term unemployed in the selection process. These deficiencies prevent identification of unemployed who have a higher probability of becoming long-term unemployed people, do not provide equal opportunities for a significant number of unemployed, and result in an increased number of long-term unemployed people. Monitoring of impact has not yet been done, however the Employment Agency has requested execution of this monitoring by the German Organisation for International Cooperation which is expected to be finalised in December 2018.

Implementation of measures by the Agriculture Development Agency is characterised by many deficiencies, starting from delays in integration of data as well as lack of complete data for creation of new jobs. Monitoring measures during the time they are being implemented has resulted being inadequate as from businesses was requested evidence on creation of new jobs only for the last month and this has created room for beneficiaries not to consider the number of jobs stated in the business plan for the previous months. Monitoring of impact of measures for beneficiaries of years 2016, 2017 and 2018 was not carried out, while ex-post monitoring for beneficiaries of 2015 has not resulted being effective in monitoring of the employment criterion.

Deficiencies at the two agencies in the monitoring process during the implementation of measures after they have ended, prevents a realistic assessment of the degree of implementation of measures and the impact they have in generating and retaining new jobs.

We recommend the Office of the Prime Minister to:

Ensure that key strategic priorities and documents are subject to adequate planning, be well coordinated and their implementation monitored. With particular emphasis to ensure that:

- Priorities and key strategic documents are based on analysis and proper assessments on the employment issue, have a clear division of responsibilities for line ministries, and contain objectives and clear and measurable activities for creation of new jobs.
- Monitoring mechanisms analyse in detail achievement of objectives related to employment by ministries responsible for this objective, and to produce summary and analytical reports that show results achieved in terms of employment issues, identified deficiencies and steps to improve them.

We recommend the Ministry of Labour and Social Welfare:

To improve the process of planning and monitoring of employment policy, in particular to:

- Review documents that regulate employment policy in order to arrange the status of some of the active measures of the labour market, in particular the aspect of prioritising the unemployed, where it is not specified, and to regulate the aspect of meeting tax obligations and pension contributions for financing provided for these measures.
 - Adapt the current budget with the real needs of the unemployed for inclusion into the active measures of the labour market, to consider removal of maternal leave from the budget allocated for employment with the aim of displacing this category into an independent line where the budget of measures is not influenced, and to analyse the financial impact of agreements before and during their implementation, and this impact to be integrated into the budget planning of measures.
-

- Analyse continuously reporting done by EARK, and to document in writing through summary reports that show the progress achieved and necessary suggestions for improvements or potential updates. To regulate the aspect of meeting tax obligations and pension contributions for ALMM by ensuring that payments to beneficiaries of these measures are carried out through adequate economic codes.

To ensure that the Employment Agency:

- Performs profiling of all unemployed in the system, compiles broad lists of unemployed during the selection process, and prioritises long-term unemployed during the implementation of all measures.
- Intensify cooperation with the Tax Administration on exchange of data related to employment issues. To finalise the effectiveness monitoring process of measures, as soon as possible, and to compile a detailed report regarding findings of this monitoring.

We recommend the Ministry of Agriculture, Forestry and Rural Development to:

Improve the process of planning and monitoring of agricultural policy, in particular to:

- Create appropriate methodologies for the criterion of creating new jobs, by taking into account the real needs of farmers.
- Strengthen the criterion of creation of new jobs through revision of the Administrative Instruction on measures, in terms of: revising the request related to the evidence required for authorization of payments, reintegration of the request for evidence of jobs created for beneficiaries of measure 101, before authorisation of payments, reintegration of request for monitoring retention of jobs created for beneficiaries of measure 101, and inclusion of provisions that foresee punitive measures for beneficiaries who do not adhere to jobs creation.

To ensure that Agriculture Development Agency:

- Intensifies cooperation with the Managing Authority, especially in terms of regular exchange of data and integrates data into the database on time, for all stages of implementation of measures, and reconciles them with manual reports.
- Compiles a concrete plan that regulates monitoring of ex-post measures based on the year benefited, deadlines, and ensures that beneficiaries are complying with the criterion for creation of new jobs.
- Enhances cooperation and communication with TAK and other relevant institutions on exchange of data concerning employment.

The response of parties involved in the audit

All institutions involved in this audit, namely the Office of the Prime Minister, the Ministry of Labour and Social Welfare, the Ministry of Agriculture, Forestry and Rural Development, the Employment Agency of the Republic of Kosovo, and the Agriculture Development Agency have agreed with findings and recommendations of the audit. We encourage institutions involved in this audit to make every effort to address recommendations given.

1 Introduction

Unemployment is the biggest socio-economic problem faced by not only the developing countries but also by the developed ones. In Kosovo, promotion of employment and creation of new jobs has continuously been a priority of some of the previous governments, including the present one. In the Government Program 2017-2021⁴ the second pillar in terms of importance is dedicated to economic development and employment, and within this pillar the Government delegates objectives related to employment to line ministries, namely to those ministries which under their scope have responsibilities that are directly related to employment. In addition to this program, Government coordinates and plans employment policies also based on a broad set of strategic documents, among which are: Medium Term Expenditure Framework, National Development Strategy, Kosovo Economic Reform Programme, National Plan for Implementation of the Stabilization and Association Agreement, Annual work Plan of the Government.

If we take as a base the Government Program of the previous government⁵ and the Program of current government, in terms of employment policies you notice similarities in policies pursued for creation of new jobs. In the programs of two abovementioned governments, employment policy is focused on taking the following measures:

- Support small and medium-sized manufacturing and service enterprises as high importance generator in increase of employment;
- Reduce unemployment by strengthening public-private partnership for implementation of development projects;
- Establish contractual relations with businesses and creation of employment funds in order to increase the number of employees;
- Support promising and potential sectors for creation of new jobs through various financing sources;
- Establish oversight mechanisms to prevent and combat informal economy.

Despite prioritisations that governments have given to employment policies over the years, Kosovo continues to be characterised as one of the countries with the highest unemployment in Europe. In 2017, average unemployment rate in the European Union countries was 7.3%, significantly lower than that of Kosovo (30.4%)⁶.

According to the International Labour Organization⁷ unemployment rate is an important measurement for low use of workforce. The unemployment rate reflects the inability of an economy to generate employment for those persons who want to work but are unemployed, despite the fact that they are available for employment and seek work actively. In addition, the unemployment rate

⁴ Program of the Government of the Republic of Kosovo 2017-2021 (September, 2017)

⁵ Program of the Government of the Republic of Kosovo 2015-2018

⁶ Eurostat (January, 2018), Euro indicators, 22/2018, <http://ec.europa.eu/eurostat/documents/2995521/8631691/3-31012018-BP-EN.pdf/bdc1dbf2-6511-4dc5-ac90-dbadee96f5fb>

⁷ International Labour Organization (2018), data of ILOSTAT, Description of unemployment rate, http://www.ilo.org/ilostat-files/Documents/description_UR_EN.pdf

is seen as an indicator of the efficiency and effectiveness of an economy to absorb its labour force and performance of labour market.

In 2017, Kosovo marked an unemployment rate of 30.4%, where the highest percentage of unemployment consists of youth (50.4%), especially women (about 35%). Compared to unemployment, the employment rate during 2017 was low, i.e. 27%. In the diagram below is presented the unemployment rate in Kosovo in the period 2012-2017.

Diagram 1. Unemployment rate in Kosovo 2012-2017⁸



The diagram shows that Kosovo over the period of 2012-2017 was characterised by a high unemployment rate, where changes have been recorded from year to year, but if we compare the rate of unemployment in 2017 with 2012, we notice that unemployment situation is the same.

⁸ World Bank Group & Vienna Institute for International Economic Studies

1.1 Audit problem

Various national and international sources in their reports or publications have identified some of the problems that exist in Kosovo relating to deficiencies of employment policies as well as establishment of mechanisms for their improvement. These problem indicators have motivated the execution of this audit. International sources⁹ have often stressed that employment policies in Kosovo are deficient due to lack of drafting and strengthening of strategies and action plans which also facilitate implementation of the policy as a whole. At the same time¹⁰ local resources indicate that employment policies in the country face various difficulties such as poor planning, insufficient capacities for their drafting, and lack of monitoring mechanisms for their implementation.

A frequent indicator of the problem is the limited involvement of unemployed in employment services, and in those known as active labour market measures¹¹. In addition, it is often mentioned in various reports which assess employment situation in Kosovo that there are major deficiencies in terms of timely adoption and update of key strategic employment documents¹².

Assessment of market needs and their conformity with skills of workforce that is currently recognised as unemployed is also one of the indicators of the problem that has been mentioned very frequently. Finally, a very important indicator which shows that implementation of employment policies faces problems is the fact that the Employment Agency is not yet fully operational due to lack of staff and insufficient budget. In addition, agricultural sector is considered as an important generator of jobs, especially for the rural area population. However, in this regard, there are indicators that show that many grants and investments that are allocated for this sector with the aim of increasing employment are not assessed and monitored properly by the Agricultural Development Agency¹³.

These problem indicators lead us to formulate the audit problem as follows:

There are indicators that employment policies in the country are not achieving aimed outcomes for creation of new jobs.

⁹ Progress Report on Kosovo by the European Union (2016), Chapter 5 European standards, sub-chapter 5.1 Internal Market, clause 5.1.8 Employment policies, p. 50-51

¹⁰ Strategy for Improvement of Planning and Policy Coordination in Kosovo (Integrated Planning System) 2017-2021

¹¹ Mehmeti, J. (2013) Labour Crisis in Kosovo - An assessment of the employment policy of the Country, newspaper on Labour and Social Affairs in Eastern Europe, Vol.16, No.1, p.73-84; EU Progress Report (2016)

¹² European Union Progress Report for Kosovo (2016), Chapter 5 European Standards, sub-chapter 5.1 Internal Market, clause 5.1.8 Employment Policies, p. 50-51

¹³ European Union Progress Report on Kosovo (2018), Chapter 6 European Standards, sub-chapter 6.17 Agriculture, p. 66

1.2 Audit Objectives, questions and scope

The objective of this audit is to assess whether government policies are efficient and effective in increasing employment in Kosovo. While a specific objective is to assess whether the mechanisms or institutional structures of the Government that are responsible for drafting and implementation of employment policies have been efficient and effective in taking necessary measures for increase of employment.

Main audit questions will assess as to whether:

- Government policies are efficient in creation of jobs; and
- Government policies are effective to ensure sustainability of creation of jobs.

The scope of this audit includes the Office of the Prime Minister (OPM), the Ministry of Labour and Social Welfare (MLSW) and the Employment Agency of the Republic of Kosovo (EARK) within this Ministry, the Ministry of Agriculture, Forestry and Rural Development (MAFRD) and the Agriculture Development Agency (ADA) within this Ministry. The scope of this audit in terms of activities developed by the OPM in developing government strategic employment policies covers the period 2010-2017, while for activities carried out by line ministries MLSW and MAFRD include years 2016 and 2017, and up to October of 2018.

Our procedures included a review of activities related to government policies of employment to the extent considered necessary for an effective execution of the audit. Audit findings should not be regarded as representing a comprehensive statement of all weaknesses that exist or all improvements that could be made to the processes applied or actions taken.

Detailed audit methodology used during this audit, audit criteria and scope are presented in the annex of this report (Annex 1).

2 Description of the system and relevant actors

The institutional structure for policies and employment services in Kosovo is consolidated. Within the central power, affairs of employment depend on the commitment and engagement of several institutions and mechanisms, while in terms of providing direct employment services, they are mainly provided at the local level. Below are listed relevant parties for issues related to employment policies.

2.1 Duties and responsibilities of the OPM

The Office of the Prime Minister (OPM) is responsible for development and coordination of policies and legislation that are coordinated by the Secretary General of the OPM. In the context of development and coordination of policies or other strategic documents, the OPM is responsible for:

- Linking the framework for strategic planning with planning of internal and external resources to ensure financial affordability and implementation of strategic plans;
- Complete integration of practices and monitoring processes to ensure best results of implementation and accountability for fulfilment of objectives established.

Within the OPM there are different offices that have specific functions, but in relation to the audit topic, relevant offices are Office of Strategic Planning as well as the Government Coordination Secretariat.

The Office of Strategic Planning (OSP) ensures that all ministries act in accordance with government strategic policies; provides advices on identifying and reviewing Government's strategic priorities; ensures that government priorities are considered in short and medium term planning documents and in government budget planning; conducts analysis of policies for inter-sectorial problems, which are at the same time governmental priorities; and in assisting ministries in establishment and functionalization of appropriate structures and mechanisms for coordination of policies, and provides them support in carrying out their functions.

The Government Coordination Secretariat (GCS) is responsible for the process of preparing the Government Annual Work Plan (GAWP) and ensures cooperation between offices of the OPM to review proposals of line ministries; every three months collects data from ministries on monitoring of implementation of GAWP; and ensure that all Ministries act in accordance with policies and decisions established by the Government.

2.2 Duties and responsibilities of the MLSW and EARK

Ministry of Labour and Social Welfare (MLSW) is the main entity responsible for proposals and drafting of policies and legislation in the area of employment, where related to this has the following responsibilities: monitors implementation of employment policies and proposes measures for their improvement; leads and oversees employment public administrative institutions and cooperation with municipalities and institutions involved in the implementation of employment policies; supports development of non-discriminatory labour and employment relationships; develops programs and projects financed by donor funds for ministries and other partners in the area of labour and employment.

Within the MLSW are the Department of Labour and Employment (DLE) and the Employment Agency of the Republic of Kosovo (EARK).

The DLE is responsible for developing, drafting and promoting legislation and documents of public policies necessary for achievement of strategic objectives in the area of employment; and in establishing annual performance indicators for monitoring, analysing, controlling and assessing implementation of policies and employment programs by the EARK.

The EARK is responsible for promotion of employment through administration of labour market and implementation of employment policies; analysis of labour market, researches, studies on labour market needs; and monitoring and coordinating implementation of measures and active labour market programs.

2.3 Duties and Responsibilities of the MAFRD and ADA

The agricultural sector plays an important role in providing employment opportunities and in generating income for the citizens, especially for those that live in rural areas.

Through measures for implementation of agricultural policy and development of rural areas, the Ministry of Agriculture, Forestry and Rural Development (MAFRD) aims to increase income of the rural population by increasing their wellbeing through improvement of labour and living conditions, and by creating equal opportunities for all marginalised groups; and by reducing differences between levels of development of different regions, by developing alternative and complementary activities that generate employment in order to promote people to live in rural areas, by supporting small and medium size businesses.

Within the MAFRD is established the Agriculture Development Agency (ADA) which is the executive entity responsible for implementation of the program for agriculture and rural development, by implementing written regulations and procedures for implementation of direct payments and projects for rural development.

3 Audit findings

In this chapter are presented audit findings related to planning, implementation and monitoring of employment policies. Initially have been presented findings related to planning of employment policy at the government level and at the sectorial level where it was assessed whether they have been subject to assessments and consultations before drafting, and whether the policies are adequate to support promotion and increase of employment. Furthermore, have been presented findings that relate to implementation of employment policy at the level of agencies. At the end of this chapter were presented findings related to the process of monitoring of employment policy at the government and sector level.

3.1 Deficiencies in planning of employment policy

In order to be more efficient and effective in reducing the unemployment rate, policies at the government and sectorial level should serve as a response to current unemployment situation in the country.

In assessing the unemployment situation, government policies should be subject to regular assessment and the impact of policy before it is approved, in order to avoid reaching unintended results. In addition, a proper assessment of employment policy needs to as comprehensive as possible, which means that it takes into account the data collected from the field and is consulted with relevant parties of public and private sector.

Government employment policies should be subject to adequate planning, have necessary human and financial capacities for implementation, and have a clear delegation of responsibilities for institutions that are responsible for achievement of the objective increased employment.

3.1.1 Deficient planning of employment policies at government level

During the period 2011-2014, in order to determine the government priorities and compile the annual labour Plan, the Government had adopted the document "Action Plan Economic Vision of Kosovo (APEVK)". The document was subject to a process of assessment and consultation with the business community, civil society and donors. Within this document were foreseen five pillars, which at the same have time served as determinants of government priorities. The fourth and fifth pillars of this document have addressed the employment issues.

- The fourth pillar, in addition to goals of improvement of infrastructure in some sectors such as energy, road and railway infrastructure, business technology, etc., has also as a goal revitalisation of agricultural sector and within this goal had set indicators for the number of new jobs created through implementation of measures foreseen for MAFRD.
- The fifth pillar related to human capital and also referred to employment issues, namely to the objective that aimed the increase of employment rate and strengthening of vocational training according to the labour market demand. For achievement of this objective were

responsible MLSW and the Ministry of Education, Science and Technology (MEST). Unlike the fourth pillar, in this pillar were not specified performance indicators and targets.

The Action Plan Economic Vision of Kosovo, despite having been subject to assessment and public consultation process, had deficiencies in planning achievement of priorities and employment objectives, as it has not defined all indicators and performance targets.

Upon completion of the scope of this document, namely the entire 2015 was characterised without a strategic document that defines government priorities and government policies in terms of employment.

In January 2016, the Government has approved the National Development Strategy (NDS) 2016-2021, which is currently the main strategic document that refers to reduction of unemployment. This document was subject to the assessment and consultation process prior to being approved. Definition of government priorities was also done by defining strategic pillars.

The main pillar within this document, the human capital one, refers to issues of employment where the key responsibilities for achievement of objectives within this pillar belong to the MLSW and MEST. The fourth pillar in NDS covers the aspect of infrastructure, and within the measure 31 it refers to agricultural infrastructure in service of agribusiness where are defined responsibilities of MAFRD in creating jobs through implementation of measures that aim supporting of farmers. Other pillars of the NDS have addressed other issues related to economic development, but that do not address directly the issue of employment.

The aspect of employment within the first pillar of NDS foresees only the link of the education system and the labour market and combating of informality. The extent of activities of institutions such as MLSW that are responsible for providing employment services or implementation of active measures to encourage and promote employment, are not defined in any part of this pillar (with the exception of measure for Professional Training).

Due to lack of extent in NDS of activities of line ministries that are responsible for stimulation and promotion of employment, ministries during the preparation of Government Annual Work Plans (GAWP) report and make the link with strategic priorities that are related to employment only for the part of activities that they find coverage in the NDS.

The Office of the Prime Minister (OPM), namely the Office for Strategic Planning (OSP) within the OPM, is responsible to ensure that line ministries have clear responsibilities related to achievement of objectives foreseen in the NDS, and they act in accordance with those objectives and strategic priorities. In this aspect, OSP has drafted a guideline for implementation of the NDS.

Given that a large number of line ministries such as MEST, Ministry of Trade and Industry (MTI), Ministry of Culture Youth and Sports (MCYS), MLSW, MAFRD implement same measures such as self-employment grants, wage subsidies, on-job training, the practice at work shows that the OSP has not clearly defined responsibilities that each line ministry has in relation to the implementation of the NDS, and in particular in terms of execution of activities related to employment issues. In addition, the OSP and Technical Review Teams (TRT), with a special emphasis the representative of GCS in these teams, have supported the coordination of the process of review of proposals submitted by the OPM and Ministries, and have prepared integrated comments for improvement of priority activities according to proposals approved in the GAWP. The fact that objectives and activities that are related to employment do not have broad coverage in the NDS and are not clearly defined, the coordination of these activities was accompanied by deficiencies.

Unclear definition of responsibilities for objectives related to employment issues and lack of coordination of activities between ministries to avoid uncertainties when carrying out activities related to employment is also as a result of deficient planning of these issues in NDS, and uncertainties in the guideline of implementation of the NDS related to employment activities.

Financial assessment for implementation of certain activities of measures foreseen in the NDS, which refer to employment, has been identified by determining the cost and harmonisation with the Medium Term Expenditure Framework (MTEF), as well as the donor support.

For some of the activities foreseen in the NDS within the measure that has to do with the link between the educational system and the labour market, which is also the measure that refers to employment issues more directly, have not been identified financial resources and in NDS those activities result in financial gap. Even those activities that under this measure are foreseen to be implemented with the financial support of donors have not identified which donors will provide that support. These deficiencies obstruct implementation of these activities.

Within the OPM have been established two mechanisms with the purpose of improving planning, coordination and harmonisation of strategic documents with strategic priorities:

- Strategic Planning Steering Group (SPSG) was established in 2012 and consists of representatives of the OPM, Ministry of European Integration (MEI), Ministry of Finance (MoF), Ministry of Public Administration (MPA) and the Ministry of Economic Development (MED). This group oversees the process of preparation of sectorial strategies and GAWP, and ensures that donor funding relate to Government priorities;
- Committee for Strategic Planning (CSP) was established in 2016 and is led by the Prime Minister. This committee consists of all ministers. The purpose of this committee is planning of priority policies before they are submitted for final decision to the Government.

Mechanisms established within the OPM have not served the purpose of improving the planning process, coordination and harmonisation of strategic documents, as these two mechanisms have been inoperable for months. Since their establishment the SPSSG has held two meetings, while CSP only one meeting, and in addition to this we have found that in reports of these meetings the issue of improving the employment policy planning was not addressed.

3.1.2 Deficiencies in planning of sectorial employment policy of MLSW

Delays in approving employment sector documents and inadequate planning upon their drafting

Currently, documents drafted based on which is regulated the employment policy at the sectorial level are:

- Employment policy for Public Employment Services (PES) for the period 2016-2018;
- Employment Sectorial Strategy (SS) of 2018-2022;
- Action plan for employment of youth 2018-2020; and
- Regulation for Active Labour Market Measures (ALMM).

Employment policy for PES 2016-2018 is a document drafted by the MLSW but until now has served as an internal document. This document aimed at defining political orientations of MLSW for EARK and specific objectives for the period 2016-2018 with which EARK would be responsible for undertaking actions and various measures for achievement of these objectives.

Late functionalization of EARK that occurred in late 2017 has made implementation of objectives of this document difficult for the largest part of its scope, namely for years 2016 and 2017. Even during 2018 was noticed that reporting of EARK for implementation of activities related to employment policy, especially regarding the ALMM, refers to SS in particular, and not this document.

Employment Sectorial Strategy 2018-2022 was approved in February 2018. This document is in accordance with government priorities. This strategy has also prepared an action plan wherein are specified employment objectives that need to be achieved, the budget for their implementation as well as responsible and supportive institutions.

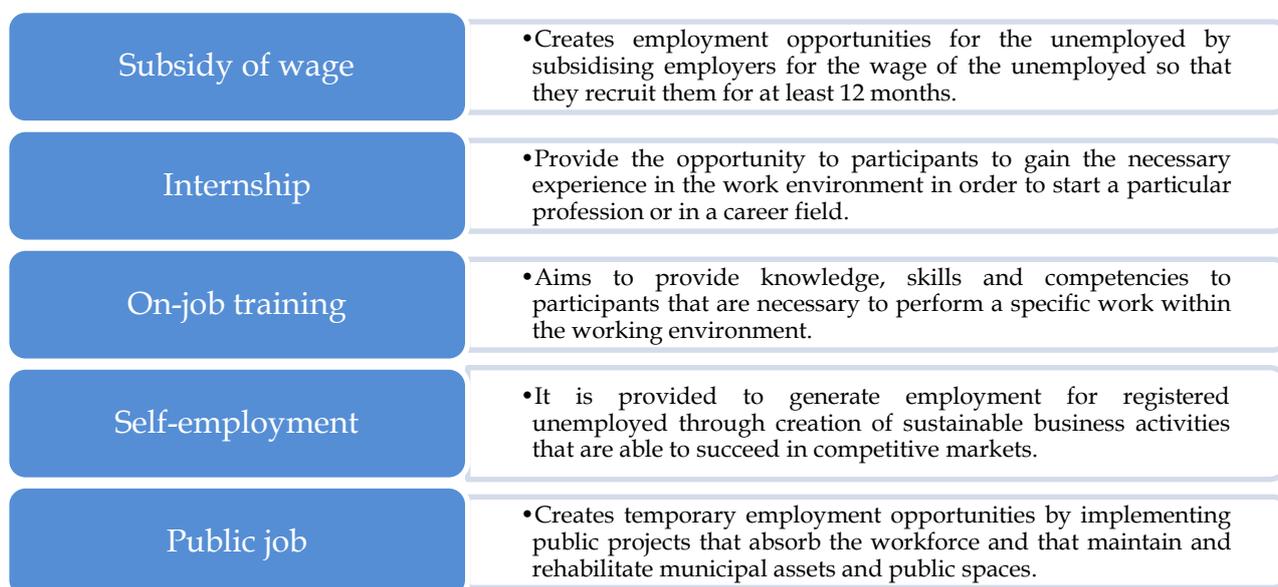
Auditor's assessment is that approval of this document is very late. Reasons for these delays are presented below:

- Lack of approval of sectorial employment documents for long period of time. MLSW during the five-year period 2013-2018 has carried out activities related to employment, based on draft documents.
- MLSW has constantly sent for approval the draft document of sectorial employment strategy to the OPM but this document has taken a long time to be approved mainly due to lack of financial sustainability, namely from opinions received by the Ministry of Finance (MoF).

Within the strategy was planned job placement in regular employment and job placement for employment at ALMM. Job placement in regular employment is a service that aims to help the unemployed to find jobs and employers to find suitable workforce. It is a process where the EO places jobs for the most suitable unemployed for vacancies available¹⁴.

ALMM¹⁵ that have been planned within the strategy to include the high number of active unemployed¹⁶ are measures listed in the diagram below:

Diagram 2. Types of Active Labour Market Measures¹⁷



¹⁴Operations Manual for provision of employment services (November 2015), Chapter 3: A Step-by-step guideline for provision of employment services to the registered unemployed, Clause 3.3. Employment counselling, Step 3a. Job Placement.

¹⁵Regulation (MLSW) No. 01/2018 Active Labour Market Measures

¹⁶Registered unemployed in EARK system and that report to the EO every six months to maintain an active status.

¹⁷Within the ALMM is foreseen the active measure "Vocational Training" which means improvement of employability for registered jobseekers (i.e. even those that are currently employed but express their interest in obtaining new skills) and of unemployed by obtaining knowledge, skills and necessary competencies for occupations in the labour market. This measure is not part of the scope of this audit as the effect on employment of this measure is observed in a later period and does not have direct effect on employment.

Regulation on ALMM drafted by the MLSW for some of the active measures such as wage subsidy, on-job training and public job regulates the prioritisation of long-term unemployed¹⁸. Deficiencies in planning measures are noticed at planning of prioritisation of long-term unemployed for the active measure internship, where this kind of prioritisation is not foreseen. In the diagram below has been presented the number of active unemployed that await job placement in ALMM and vacancies during 2016, 2017 up to October 2018.

Diagram 3. The number of registered unemployed and vacancies for 2016, 2017 and Oct 2018

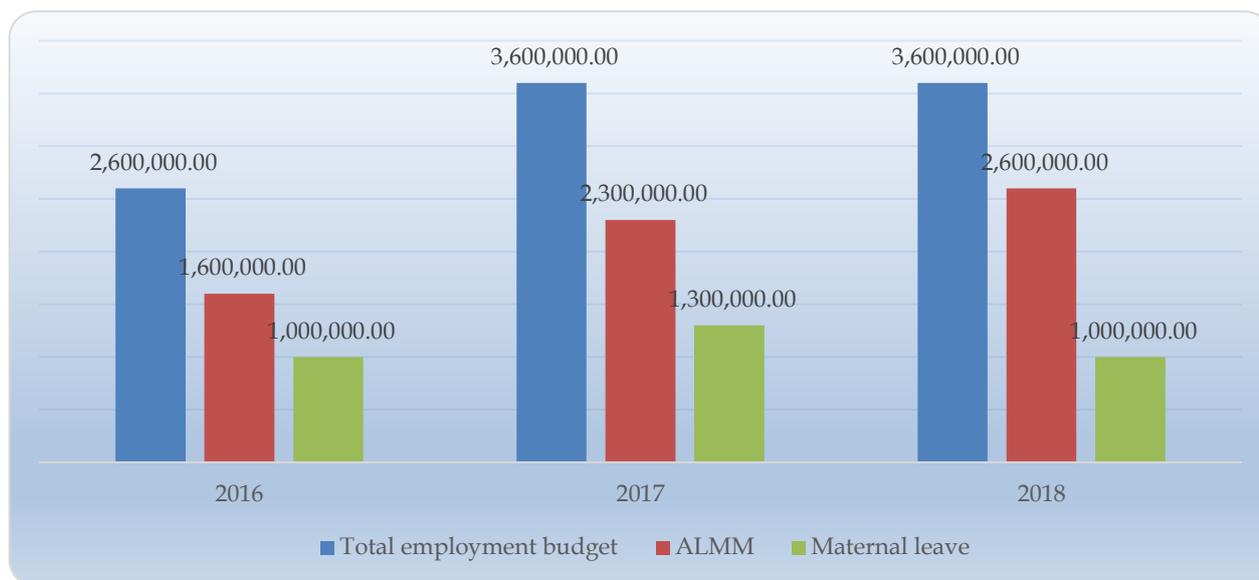


As can be seen from this diagram, the number of vacancies during 2016-2018 has been very low compared to the demand for work. During these years have been available vacancies averagely only for 14% of registered unemployed.

Insufficient budget for implementation of ALMM

Budget planning of the MLSW for implementation of ALMM was deficient as the planned budget does not respond to the high demand number of active unemployed, and within the budget allocated for employment is not planned only the funding of employment job placements through ALMM, but also funding of other categories such as maternal leave. In the diagram below we see that the part of the budget planned for ALMM has increased from year to year. However, we see that this budget is very limited, particularly if taken in to account the high number of active unemployed presented in the diagram above.

¹⁸ The long-term unemployed - means the registered unemployed, which has been active for more than 12 months.

Diagram 4. Planned budget for job placement in ALMM over the last three years

In addition, as can be seen in the diagram, a significant percentage of the total budget that is allocated for employment is planned for maternal leave. On average during the period 2016-2018 the part of the budget planned for maternal leave was 1.1 million, namely 34% of the total of employment budget. In addition, we have found that for funding of this category there were times when the budget planning was not sufficient to cover additional needs, and had to be taken funds from the ALMM budget. During 2016 for this category from the part of the ALMM budget were taken around €155,000, while for 2018 by October on maternal leave were spent additional €80,000, which were also taken from the part of the ALMM budget.

No analysis on financial implications for new and existing agreements in the budget available

In order to fund a large part of the ALMM, are concluded various agreements between the MLSW and other institutions. While analysing the 2018 agreement between the MLSW and public institutions we have found that such agreements have significant financial impacts in terms of funding that should be done to job placement in the ALMM. In the following table is presented the financial impact of these agreements.

Table 1. The financial impact of agreements between the MLSW and various institutions

Agreements	The financial impact
Agreement MLSW-Public Institutions 2018	€1.259,950
Agreements carried forward from 2017	€215,970
Agreement for co-funding with donors 2018-2019	€920,000
Total	€2,395,920

Table 1 shows that a number of agreements have been initiated in 2018, but there are also agreements that were initiated in 2017 and are on-going. As a result of continuation of 2017 agreements, financial implications have also been transferred into 2018.

Currently there is no document that analyses the financial impact of agreements prior to their preparation, and to integrate this impact on budget planning for ALMM.

Deficiencies in determining adequate monitoring of ALMM during their implementation

The MLSW upon drafting of the regulation of ALMM had not properly determined ALMM monitoring over time as to whether they are being implemented.

Deficiencies in determining monitoring relate to the fact that the MLSW has not defined in the ALMM regulation the fulfilment of obligations as an employer for payment of wage tax and pension contributions. Lack of specifications of these obligations by the MLSW has a direct impact on not recognising the work experience to the beneficiaries of measures, and non-legitimisation of employment in general.

However, the MLSW in the ALMM regulation has determined undertaking of monitoring after the completion of measures. In this aspect, the regulation makes EOs responsible for monitoring of the effect or the result of ALMM, by contacting participants six months after the completion of the measure.

3.1.3 Deficiencies in planning the employment aspect in the sectorial policy of MAFRD

Lack of approval of sectorial documents with impact on employment and inadequate planning of these documents

Currently, documents drafted based on which is regulated the agricultural policy in MAFRD are:

- Agriculture and Rural Development Program 2014-2020;
- ARDP which is compiled every year;
- Administrative Instructions (AI) that are also compiled every year for regulating measures foreseen in the ARDP; and
- Guidelines for applicants of measures foreseen in ARDP, which also are annual

ARDP is in line with government priorities, in particular with pillar IV in NDS that covers the aspect of infrastructure, and is in line within measure 31 that refers to agricultural infrastructure in service of agribusiness. The overall objective of the ARDP is "Creation of new jobs and increasing employment in rural areas". One of the criteria that needs to be fulfilled in order to benefit from measures foreseen in the ARDP is to create new jobs.

ARDP 2014-2020 for many years has been foreseen in the list of strategic documents to be approved by the Government, but this document was never submitted for approval and as a result has never received government's approval. Despite this, MAFRD operates based on this document and for legal basis it refers to the Law on Agriculture and Rural Development and the AI that are issued annually for measures foreseen for in this document.

Inadequate methodology for determining the criterion for creation of new jobs

The MAFRD in order to establish the criterion for creating new jobs uses one methodology. During 2016 and 2017 the methodology of job calculation has not proved to be adequate because it has not undergone any analysis or evaluation to determine exactly how many jobs are needed for general business needs or for their production capacity. The table below provides a summary of calculation of points of the employment criterion per measures for the years 2016 and 2017.

Table 2. Calculation of points of employment criterion per measures

2016			2017	
Measure	Criterion/Category	Points	Criterion/Category	Points
Measure 101 ¹⁹	For one job = 3 points for 2-3 jobs = 7 points 4 or more jobs = 10 points	Max. 10	For one job = 3 points for 2-3 jobs = 7 points 4 or more jobs = 10 points	Max. 10
Measure 103 ²⁰	For each new worker employed by 1 point, but no more than 10 points in total	Max. 10	For each new worker employed by 1 point, but no more than 10 points in total	Max. 10
Measure 302 ²¹	Creation of a new full time job ²²	10	Creation of a new full time job	10

The MAFRD in 2018 has developed a new methodology, which applies only to the determination of the criterion for creation of new jobs for applicants of Measure 101, as for measures 103 and 302 the criterion has remained the same. This methodology is presented in table 3.

¹⁹ "Measure 101" implies to investments in physical assets in agricultural economies, according to ARDP 2014-2020.

²⁰ "Measure 103" implies to investments in physical assets in processing and trading of agricultural products, according to ARDP 2014-2020;

²¹ "Measure 302" implies to farm diversification and development of businesses, according to ARDP 2014-2020;

²² Full time job.

Table 3. The new methodology of calculation of measure 101 of the number of new jobs²³

Number of jobs depending on the production capacity						
Sub-measure	Sector	Unit	Area in hectares or the number of heads	Full time jobs	Area or the number of heads of applicant	Number of jobs per project
101.1	Fruit trees	ha	1	0.8	3	2:40
101.2	Greenhouses	m ²	1000	0:42	5000	2.1
101.2b	Storage warehouse	m ²	100	0:55	500	1:35
101.5	Grape	eat	0.3	0:24	1	0.80
101.4	Dairy cow	heads	10	0:55	50	1:35
101.4b	Sheep	heads	100	0.8	200	1.25
101.4b	Goat	heads	100	0.8	200	1.25
101.4c	Collection point	heads	30	0.2	300	0.95
101.3	Calves for beef	heads	20	0:59	50	0.95
101.3b	Pigs	heads	40	0:59	80	0.83
101.6	Egg laying chickens	heads	5000	0.75	10000	1.25
101.6	Floor chickens	heads	5000	0.85	10000	1:45
101.6	Free system chickens	heads	5000	1	10000	1.75

The new methodology of measure 101 was subjected to an assessment in which have contributed a number of MAFRD experts, but also the determination of creation of new jobs based on this methodology is limited since as a base it has creation of new jobs only depending on the production capacities of farmers who apply. This methodology does not take into account job positions that farmers need that do not relate to production, while determining the number of jobs that need to be created by farmers has made it in such a way that the number is not complete.

Poor definition of control and monitoring over the criterion for creation of new jobs

The MAFRD through Administrative Instructions on measures and the support criteria in agriculture and rural development has not defined adequately the control of criteria for creation of new jobs before the authorisation of payments for investments made by the beneficiary.

²³ Guideline for applicants 2018 - Measure 101, Annex 17, p.90, Ministry of Agriculture and Rural Development

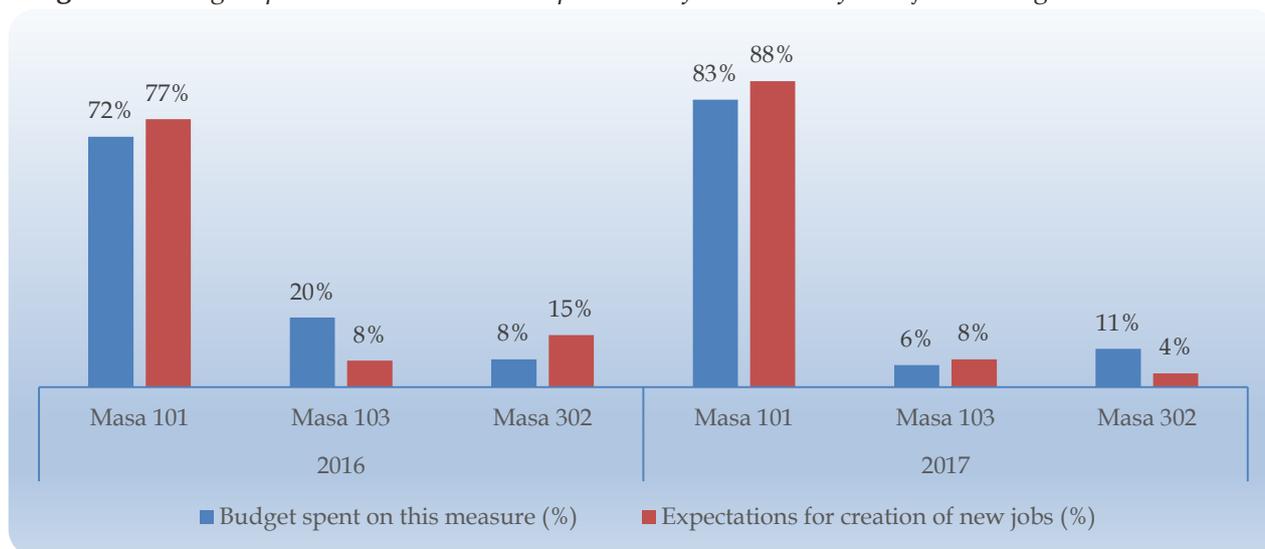
During 2016 and 2017, under the AI²⁴ was required that all beneficiaries are to create new jobs that are declared in their business plan, and prove them with the payment of pension contributions and taxes on wages for at least the last month before the request for payment²⁵. In addition, to MAFRD for authorisation of payments suffices TAK evidence for at least the last month, and has not determined that is also required the statement of the list of employees according to TAK.

During the second control that the ADA carries out is verified the status of investment according to the information and evidence presented in the request for payment. It should be stressed that after the second control, is done the authorisation of payments for investments made by the beneficiaries. Determination of the control over the employment criterion in this manner requires from beneficiaries to prove creation of new jobs only for the last month and not earlier.

During 2018, the situation is even more concerning, as in particular for beneficiaries of measure 101²⁶ the MAFRD has amended the AI related to the second control of employment criterion by removing the requirement to prove the creation of new jobs before the authorisation of payment. We have found that this has obstructed even further the control over the employment criterion as the requirement to prove creation of jobs was removed for the measure during 2016 and 2017 and has consumed over 70% of the budget, and expectations from this measure to create new jobs are the highest.

In the diagram below is presented data showing budget spending for each of the three measures for 2016 and 2017, as well as expectations for creation of new jobs in each of the measures during 2016 and 2017.

Diagram 5: Budget spent on measures and expectations for creation of new jobs during 2016-2017



²⁴ Administrative Instruction (MAFRD) No.02/2016 on measures and support criteria in agriculture and rural development, Administrative Instruction (MAFRD) No.02/2017 on support measures and criteria in agriculture and rural development

²⁵ Request for payment implies filing of the request for payment of investments made and proved by valid receipts for project costs incurred.

²⁶ Measure 101: Investments in physical assets of agricultural household, part of which are fruits sectors, vegetables and greenhouses (including potatoes), meat, milk, grapes, and eggs.

During 2016 the total budget spent on measure 101, 103 and 302 was about 21 million euros, and as can be seen from the data in the diagram, 72% of this budget is spent on measure 101. In addition, in 2016, 77% of new jobs was expected to be created by the beneficiaries of measure 101. This means that from this measure was expected to create 1123 new jobs out of 1456 which was expected from all three measures.

During 2017, the total budget spent on measure 101, 103 and 302 was about 15 million euros, and as can be seen from the data in the diagram, 83% of this budget was spent on measure 101. During the same year, 88 % of new jobs expected to be created by the beneficiaries of measure 101, which is even higher expectation than in the prior year. This means that from this measure was expected to create 1168 new jobs out of 1323 which was expected from all three measures.

The MAFRD through Administrative Instructions on measures and the support criteria in agriculture and rural development has not defined adequately the monitoring of the criteria for creation of new jobs after completion of the investment.

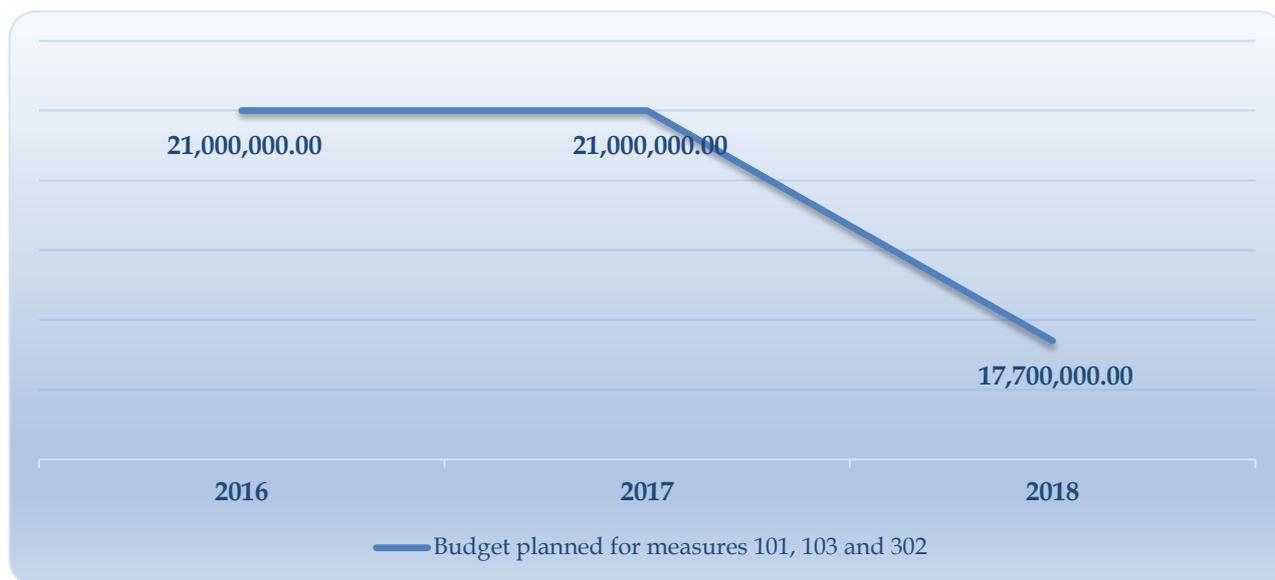
The MAFRD during 2016 and 2017 has determined that all recipients after the investment to retain created jobs for five years, for the duration of monitoring period.

The MAFRD during 2018²⁷ for measure 101 has not determined the monitoring of retention of jobs created after the investment, by excluding entirely the monitoring of effectiveness of measure 101 in retention of jobs created. While for measure 103 and 302 the monitoring period for retention of jobs created after the investment is reduced to three years.

The budget planned for measures in ARDP does not fund creation of new jobs

The budget planned for implementation of the ARDP has foreseen sufficient sources of funding for implementation of measures of this document. Regarding this, during 2016-2018 have been allocated averagely 20 million Euros per year is allocated to fund these measures.

²⁷ Administrative Instruction (MAFRD) No.02/2018 on measures and support criteria in agriculture and rural development, Administrative Instruction (MAFRD) No.02/2017 on support measures and criteria in agriculture and rural development

Diagram 6: Budget planned for measures 101, 103 and 302 during 2016-2018

Although in the ARDP, as the main objective is mentioned creation of new jobs, we have found that within the funding sources the creation of new jobs is not funded, but only investments related to material investments, renovations of existing investments, preparation of business plan, construction services, installation and consultancy, marketing expenses, demolition of existing facilities, site work and installations. To beneficiaries for reimbursement are only accepted invoices for above-mentioned investments and expenses, while beneficiaries fund wages of workers from their own funds.

Funding the creation of new jobs from own funds is hardly feasible especially for start-up businesses, as these businesses in addition to funding new jobs from their own funds, they should secure funds for investments until the reimbursement.

3.2 Deficiencies identified in the process of implementation of measures

Public institutions involved in implementation of policies that affect employment should encourage and promote employment through efficient measures or programs that have impact on employment.

Implementation of these measures should be considered a high priority because through them is achieved fulfilment of labour market needs. For more efficient and effective implementation of policies, or development programs that affect employment in public institutions should ensure that they encourage and promote employment through efficient and effective distribution of resources available to those categories of beneficiaries that have greater potential and more sustainable employment growth.

3.2.1 Deficiencies in implementation of measures with impact on employment in EARK

Delays in the functioning of EARK

Law on EARK has entered into force in January 2015. With the entry into force of this law was planned implementation of ALMM carried out by the Agency. Due to the transfer of responsibilities to the delay in EARK as a result of delays in the selection of the director general of the Agency, these functions until April 2017 were carried out by the Department of Labour and Employment (DLE) within MLSW. Despite the general director was selected in April 2017, EARK is not operational until the end of 2017.

Implementation of ALMM during 2017 was carried out with difficulty due to significant delays in transferring of staff and responsibilities from DLE to EARK.

Deficiencies in profiling the unemployed

Profiling of unemployed based on risk is a procedure of identification and determining unemployed into different categories (high²⁸, medium²⁹ and low risk³⁰) so that are distinguished those that can find work easily from those that have more difficulties, and are provided the necessary priority at the moment of their inclusion in ALMM³¹.

In order to assess profiling of unemployed under based on risk, was taken as a base the list of all unemployed in three municipalities. The following table presents three municipalities based on the status of profiling of unemployed in the system.

Table 4. Status of profiling of unemployed in three municipalities

Status of job seekers in the system	Mitrovica	Prishtina	Gjakova
Profiled	2121	3508	2614
Non-profiled	237	344	370

²⁸ The group of unemployed people with high risk are those unemployed who are unqualified or with low educational qualifications, are unemployed for more than 12 months, are inactive in the labour market and unmotivated to work, are over 50 years old, or under 25, and have different problems that can affect their employment.

²⁹ The group of unemployed with medium risk are those unemployed who are qualified but have fewer skills in specific professions, have little experience, are unemployed for less than 12 months, belong to the age group 25-34 years and are half-active in the labour market.

³⁰ The group of unemployed with low risk are those unemployed who are qualified, have previous work experience, are unemployed for less than six months, of ages 35-49 and are active in the labour market, and are physically healthy.

³¹ Operations Manual for the provision of employment services (November 2015), Chapter 3: A Step-by-step for provision of employment services to registered unemployed.

By analysing received samples was found that currently in the unemployment system are profiled a significant number of active unemployed, but there is a high number of unemployed who are not profiled based on risk. It should be stressed that among causes that have affected profiling of some unemployed are late inclusion of the profiling module in the EARK system, which has been initiated as a process and integrated as a module in the system as of June 2017³². In addition, with the data currently in the system for these unemployed, it is impossible to do profiling because the data is not complete and should be waited until the appearance of unemployed in the EO to update their status and data. The lack of profiling of unemployed prevents their identification for inclusion in the ALMM.

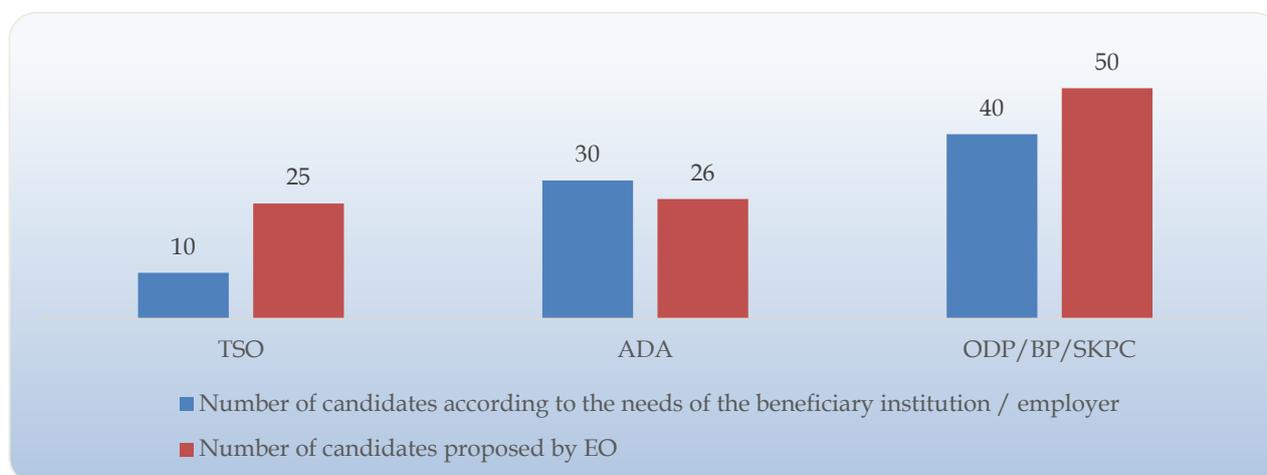
Proposal of lists with a limited number of potential unemployed to be subject to the selection process in ALMM

Selection of unemployed is done by employers based on the extensive list of potential candidates proposed to employers by the EO³³.

Lists compiled by the EO are limited because they present to the employer a number of unemployed that is slightly higher than the required number.

The number of unemployed that EO had available in their system during 2016-2018 is averagely 97,000, while EO has proposed a limited number of unemployed in lists prepared for the selection process of the unemployed for ALMM. The diagram below shows the results from samples selected during the audit of the measure Internship for some public institutions related to the number required by employers, and the number of potential unemployed proposed by EO to be included in the interviewing process.

Diagram 7: Comparison between the number of candidates required by the employer (selected) compared to the number of candidates proposed by the EO



³² E-mail (05.12.2018) EARK_SHK

³³ Regulation 01/2018 Active Labour Market Measures, Procedures for implementation of measures

The number proposed by EO for the three cases besides being low compared to the number required, this number is very low compared to the number of active unemployed that are registered in EARK system. Only in 2017 in the system were registered 93,866 active unemployed, while up to October 2018, the system had registered 95,632 active unemployed. Therefore, the list out of which would be done the selection of active unemployed to be subject to the interviewing process for inclusion in the measure Internship is very broad, whereas the proposed numbers by the EO are very limited.

A better situation is noticed in the case of proposal on the number of unemployed for the TSO request, which is 2.5 times higher than the required number.

While analysing this data, at the measure Internship for the employer ADA, besides the limited number of proposals to the employer, were found significant deficiencies in the number of selected beneficiaries. Initially, under the agreement was planned selection of 30 active unemployed, while according to the selection committee out of 26 unemployed invited for interview were selected 22 candidates.

After analysing monthly reports produced by the ADA for the EO on the progress of activities selected for internship, was noticed that the number of those included in this measure is 34 and not 22 as documented in the minutes of the selection process. For 12 selected that have been added to the list of selected, we have no evidence of their selection of their proposal by the EO. The selected have been part of an agreement to do internship in the ADA for nine months. At the end of this period was entered into a new memorandum of understanding between the ADA and MLSW for inclusion of 40 active unemployed in the measure Internship for 11 months. In this regard, was noticed that 31 out of 34 selected of the first period have continued the contract for internship, three have withdrawn, while nine (9) are new. For nine newly selected there is no evidence on the selection process on how they have been added to the list of beneficiaries of internship, or even the proposal by the EO. In total, during the second period for 11 months of internship were included 40 beneficiaries.

For 12 additionally selected of the first nine-month period of internship and nine additionally selected of the second eleven-month period of internship we have received the justification from EO in Prishtina that these persons have been selected by EOs of other municipalities in Kosovo. After contacting EOs of other municipalities we understood that the selection process of those additional candidates that had been added to the list was not documented, as it has not been subject to the selection interviews as in the case of EO in Prishtina.

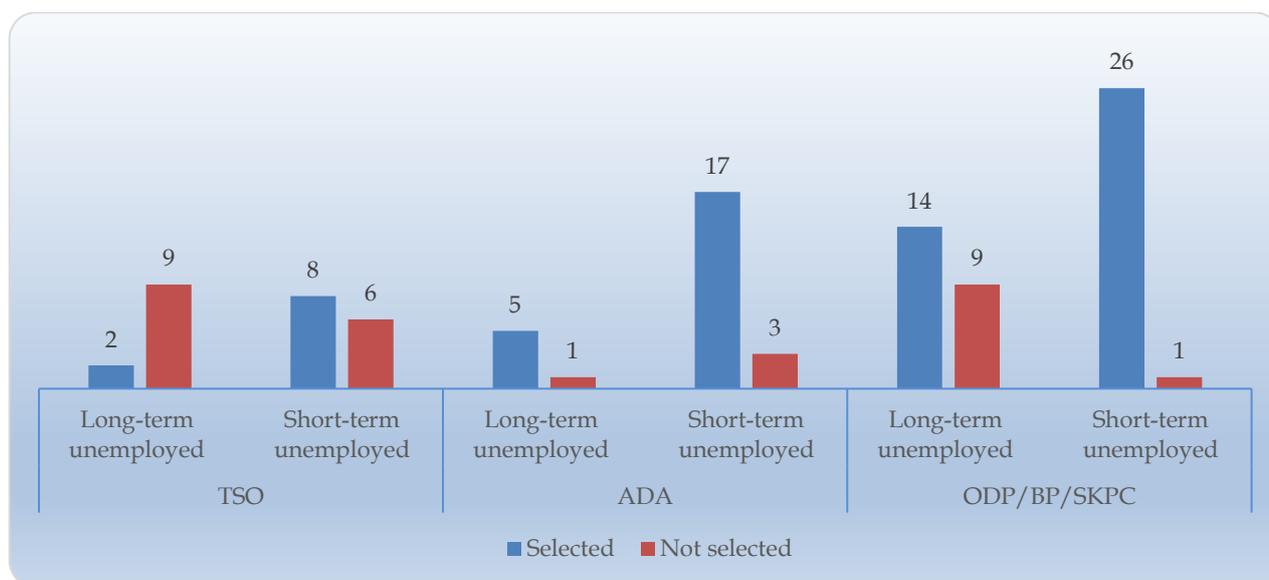
The most regular process of inclusion of unemployed in measure was noticed in the process of selection of candidates for the self-employment measure. In order to support the repatriated persons for the self-employment measure, the United Nations Development Program (UNDP), MLSW and the Ministry of Internal Affairs (MIA) have signed a cooperation and funding agreement. Informing for application in this measure was done through publication of the call for applications, and in this case have applied 681 repatriated unemployed persons from all municipalities. At the end of the first stage January-July 2018 from the self-employment program have benefited 94 repatriated persons.

Lack of prioritisation of long-term unemployed to benefit from ALMM

The fact that the MLSW had not arranged planning of long-term unemployed for the measure internship, we have found that this had direct impact on non-prioritisation of this category in this measure.

From selected samples, in beneficiaries in the active measure internship in three different public institutions we have noticed that an advantage to benefit from this measure was given to the short-term unemployed. In the diagram below is presented the data on the number of long-term³⁴ and short-term³⁵ unemployed and those that have been beneficiaries of the measure, as well as the number of long-term unemployed from the list of those unselected.

Diagram 8: Prioritisation of long-term and short-term unemployed during the selection process for inclusion in the active measure internship in TSO, ADA and ODP/BP/SKPC



The data in this diagram shows that in none of the cases of selection of unemployed in the measure internship was given a priority to long-term unemployed. The number of long-term unemployed, who are beneficiaries of the measure internship in comparison to short-term unemployed beneficiaries, is averagely 26%. Furthermore, if are also analysed those candidates who have entered in the selection process but were not selected, it appears that the number of long-term unemployed who have not been selected is many times higher than the number of short-term unemployed that have been left out of the list of selected. Expressed in percentage, it appears that the number of long-term unemployed that have not been selected is approximately 60%.

Within the beneficiaries of the agreement with TSO out of two long-term selected we have noticed that one of them had waited seven and a half years to be included in this measure. While if are analysed short-term selected, we have found that the four selected have waited for less than 1 month

³⁴ Long-term unemployed - means a registered unemployed, who has been active for more than 12 months.

³⁵ Short-term unemployed - means a registered unemployed, who has been active for less than 12 months.

for measure inclusion, while for one of the beneficiaries from the time of registration to the system as unemployed up to inclusion into the measure is only 3 days. While, out of long-term unemployed that have been left out of the list of beneficiaries, we have found that two of the unemployed have been unemployed for 12 years, while 5 other have been unemployed averagely for 6 and a half years.

Within the beneficiaries of the agreement with ADA, we also have cases where to the unemployed it took a long time to be selected, where one of them had waited eight years while the other six years. Meanwhile, out of selected short-term unemployed, 15 of them have waited for less than two months to be selected. Among the selected we have cases of unemployed that have waited less than one week to be selected (3 individuals), and in one case that was selected the day when the individual registered as unemployed in the EO. While, among those that have been left out of the list of selected, we have a case where an individual has been unemployed for 13 years.

Within the beneficiaries of the agreement with ODP, BP and SKPC, 16 out of 40 selected have waited less than two months to be selected, while even within the framework of this agreement we have a case that the individual has been selected one day after the registration as unemployed to the EO. Among the selected, there are also cases of individuals that have waited 10 to 13 years to be selected. Out of the list of unselected, 90% of them are long-term unemployed, where are listed as unemployed averagely for five years.

3.2.2 Deficiencies in implementation of measures with impact on employment in ADA

ADA was established under the Law on Agriculture and Rural Development as an Executive Agency within the MAFRD, and is responsible for implementation of programs to support agriculture and rural development.

Deficiencies in integrating, harmonising and analysing the data for creation of new jobs

ADA is responsible to maintain a database for creation of new jobs at every stage of implementation of measures, such as the stage of approval, controlling and authorising of payments, and to cooperate with the oversight authority of ARDP measures within the Ministry, with the purpose of communicating and exchanging of data³⁶.

ADA has an information system, in the form of a special database which includes a number of different indicators of measures, where among them is the impact in relation to the creation of new jobs as a result of the investment. In this system, besides the fact that data have to be integrated systematically at each stage, they should also be harmonised with the data of declaration of creation of new jobs that are manually filled out in the forms of indicators.

³⁶Law on Agriculture and Rural Development no. 03/L-098, Law no. 04/L-090 on amending and supplementing the Law no. 03/L-098 on Agriculture and Rural Development

In the database, the audit has identified many deficiencies which are listed below³⁷:

The data that is currently integrated into the system within the indicator of impact, does not relate to the real impact of creation of new jobs, but with the expected impact of creation of new jobs based on declarations of beneficiaries of measures. Within this database are missing other data indicators such as data related to the verified number of new job created after the investment, a number that is verified during the stage of authorisation of payments by the ADA.

Even the data that is integrated into this database is incomplete. In this regard, the data relating to the declaration of beneficiaries for creation of new jobs within the measure 302 are not integrated at all into the system.

Another deficiency is delays in integrating data into this database by the ADA.

In addition, currently there is no report from the ADA that analyses fulfilment of the criterion for creation of new jobs. However, the ADA taking into account on-going problems with their system wherein is done integration and harmonisation of data that relate to implementation of measures, has made a request for development and advancement of the existing system. The request has been addressed to the head of procurement division at the MAFRD and aims improvement of the system in order to manage applications more easily, to ensure full transparency, and to improve the process of integration and harmonisation of data during various activities of controls carried out by the ADA³⁸.

3.3 Inefficient and ineffective monitoring at government and sectorial level

In order to follow the progress achieved should be established mechanisms that continuously monitor implementation of employment policies. Adequate monitoring mechanisms monitor achievement of objectives of government policies and strategic priorities through a regular review of the progress.

Mechanisms during the monitoring process should focus on targets and key performance indicators.

After undertaking measures and development programs that have impact on employment, it is necessary for public institutions to establish monitoring mechanisms that ensure employment generated as a result of these measures is sustainable and that the impact of support measures is monitored in order to achieve effectiveness.

³⁷ E-mail (10.10.2018) the director of the Department for Payment Authorisation in ADA; E-mail (23.10.2018) by the IT officer and the data protection in ADA.

³⁸ Request for development and advancement of existing system (MAFRD/ADA) 07/4/4-6/2018

3.3.1 Inefficient and ineffective monitoring of strategic priorities and key objectives relating to employment

Within the OPM are established mechanisms such as the Office for Strategic Planning (OSP) and the Government Coordination Secretariat (GCS). OSP aims at monitoring the implementation and the impact of strategic documents related to Government's priorities. GCS aims at monitoring the implementation of the Government Annual Work Plan (GAWP).

Within the ministries are established Departments for European Integration and Policy Coordination (DEIPC). These departments are responsible for monitoring of implementation of GAWP and reporting to relevant institutions, with particular emphasis to the OPM.

Despite the establishment of abovementioned monitoring mechanisms, we have found that monitoring of strategic priorities and key objectives related to employment are inefficient and ineffective.

Monitoring of strategic priorities and key sectorial objectives of GAWP is currently done through GCS, where initially the data is collected through the reporting done by line ministries, and are analysed reported activities by ministries in GAWP. However, this type of monitoring has not proven to be efficient and effective up to now as the analysis of execution of GAWP activities is only of statistical nature where is done the evaluation of the degree of execution of activities expressed in percentage on the number of activities executed, partially executed and unexecuted. This type of analysis is not substantive as it is based solely on numbers and does not analyse the achievement of objectives related to specific areas, such as the case with employment issues.³⁹ This monitoring has not achieved its intended purpose which was to provide a summary of information on the progress achieved in the implementation of strategic priorities.

However, it should be noted that the OPM has taken steps to improve the oversight over the implementation of strategic documents. In this regard, has been drafted a report that has reviewed the implementation and the results of the NDS, and has foreseen measures for improvement and structuring of existing measures in the NDS, particularly to improve current deficiencies and gaps by adding measures that relate to employment.⁴⁰

³⁹ Government Coordination Secretariat (February 2018), Analysis of implementation of the government annual work plan 2017

⁴⁰ The first report on implementation and results of the National Development Strategy 2016-2021, October 2018

3.3.2 Deficiencies in monitoring of the employment sectorial policy by the MLSW

One of the key responsibilities of the MLSW is also monitoring of implementation of employment sectorial policy, and proposal of measures for their improvement⁴¹. The MLSW periodically monitors implementation of activities that are carried out by EARK, and this process is carried out through reporting of the Agency to the MLSW. Such reports should be analysed by the MLSW, to identify areas for improvement and to give suggestions for their improvement.⁴²

EARK during 2017 and 2018 has reported to the MLSW for the following purposes:

- Reports related to the execution of activities of EARK foreseen in the Annual Work Plan of the Agency;
- Reports related to execution of activities that are a responsibility of EARK and that are foreseen in GAWP of the MLSW (with special emphasis on activities for achievement of objectives foreseen in SS 2018-2022);
- Other reporting that is done upon request for information that the MLSW may request as a result of media interest or other stakeholders.

Although EARK reports on regular basis, we were not provided any evidence by the MLSW that shows that these reports are analysed and were given suggestions for improvement of issues that have not worked properly or that needed to change.

Regarding the document “Policy of Employment Services 2016-2018” DLE has ran into difficulties in the systematic collection of information related to the progress achieved in implementation of all ALMM, especially for those activities that are carried out during 2017 and 2018.

3.3.2.1 Lack of efficiency and effectiveness in monitoring of ALMM by EARK

EARK is responsible for monitoring of ALMM during their implementation even after they have been completed⁴³. EARK during the implementation of measures conducts monitoring depending on the type of the measure.

Monitoring conducted by EARK during the implementation of ALMM is ineffective as a result of deficiencies in determining monitoring of measures in regulations and documents produced by the MLSW.

Payments to the beneficiaries of the ALMM that are currently realized through the category of Subsidies and Transfers do not have it foreseen the obligation that the ALMM beneficiaries are

⁴¹ Employment Policy for Public Employment Services (PES) for the period 2016-2018.

⁴² Regulation no. 01/2018 on Active Labour Market Measures, Chapter IX

⁴³ Regulation no. 01/2018 on Active Labour Market Measures

entitled to. With an obligation is implied that while beneficiaries of ALMM receive wages through this category, they are not obligated to be subject to the payment of taxes and pension contributions. Deficiencies identified in monitoring during the implementation of subsidy of wages, internship and public work are:

- Subsidising of wages – wages for beneficiaries initially are paid monthly by the employer, and after the three month period is made a request to the EARK for transfer of funds, where the only evidence required from the employer to do the transfer is a bank account of the beneficiary. In this manner, the EARK does not obligate the employer to present as evidence the declaration of the employee to the Tax Administration (TAK).
- At internship and public work, wages are paid directly to beneficiaries by the EARK on the bank account of the beneficiary, without holding the tax and without declaring the worker as employed in the TAK. Furthermore, internship is not considered as employment by the EARK but as increase of professional skills, although this measure is intended for unemployed with lack of work experience. Even during the time they are included in this measure, beneficiaries remain registered in the EARK system as active unemployed, thus they have the right to get equipped with certification of unemployment. This was also proved by the test results of samples of beneficiaries of measure internship, where all beneficiaries that have been beneficiaries of the measure internship at the time of testing, they still had the opportunity to obtain a certificate of unemployment. However, based on the relevant legal framework,⁴⁴ beneficiaries included in this measure should be considered as employed. Failure to consider beneficiaries of this measure as employed deprives beneficiaries' recognition of work experience, and as a result limits opportunities for future employment. In addition, due to this is not legitimised employment and unrealistic presentation of statistics on the degree of unemployment in the country.

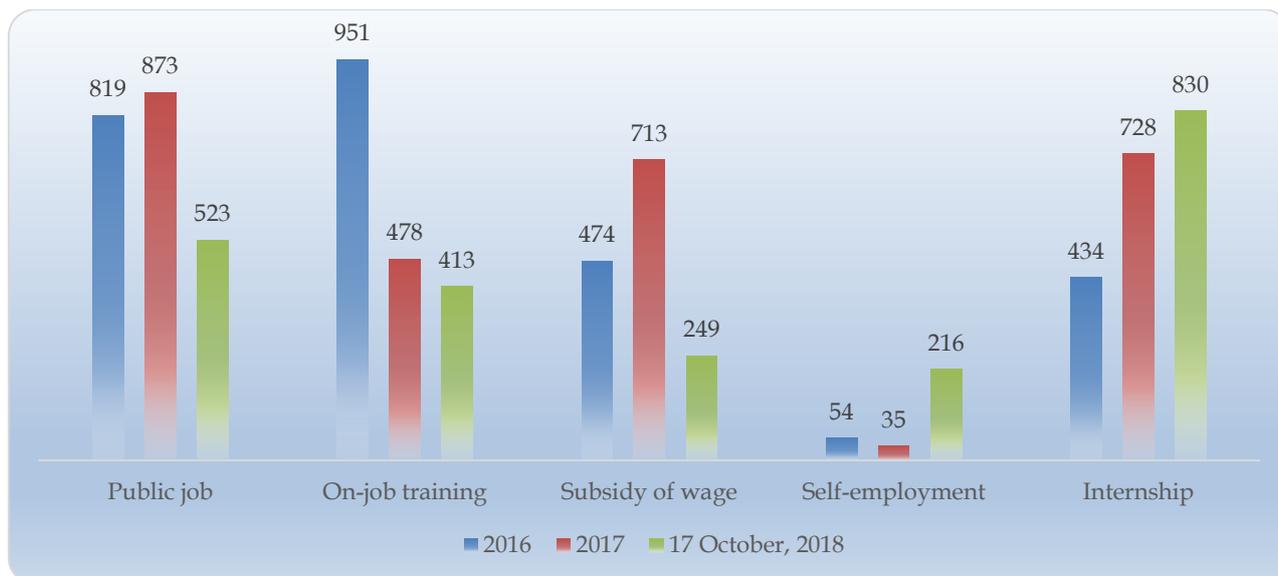
Good monitoring practice during the implementation of ALMM was found reporting on a monthly basis of beneficiary institutions over the progress of activities of beneficiaries of the measure.

Monitoring of effectiveness of ALMM so far was not carried out by the EARK and there is no concrete plan as to when this type of monitoring will start.

In the diagram below was presented the number of job placement for ALMM for the period 2016, 2017 and up to October 2018. This diagram is presented in order to have an insight of how many out of beneficiaries of active measures implemented should have been monitored during these years.

⁴⁴ Law 03/L-212 on Labour, Article 16, clause 2 - An employee, in the capacity of the intern, who has signed a contract with the employer, shall accomplish all rights and obligations from employment relationship the same as the other employees;

Law 05/L-028 on Personal Income Tax, Article 2, clause 1.4 - Employee- natural person, who performs work for wage under the direction and control of an employer, regardless of whether the work is performed under a contract or any other form of agreement, whether in writing or not.

Diagram 9: Number of job placements for ALMM

Based on this diagram we see that in 2016 most of the job placements were done for the measure internship (951), during 2017 the most job placements were focused on the measure public work (873), while up to October 2018, the measure within which have been job placements is internship (830). Wage subsidy is also very important measure in which have been done many job placements in 2017, while we have a significant decrease in 2018. Self-employment on the other hand has the lowest number of job placements.

All job placements carried out for ALMM should be monitored six months after the end of the measure. Monitoring is carried out through the EO which should contact participants in order to verify their status in the labour market. EARK so far has not carried out monitoring on effectiveness of ALMM.

However, in order to improve the monitoring process, EARK has requested from GIZ to carry out monitoring which would assess importance, effectiveness, efficiency and sustainability of ALMM in Kosovo⁴⁵. The report by GIZ on execution of this monitoring is expected to be available by mid-December 2018⁴⁶.

3.3.3 Deficiencies in monitoring of employment aspect in sectorial policy of MAFRD

Responsible for monitoring of implementation of measures foreseen under ARDP 2014-2020 is the Division for Monitoring, Assessment and Reporting that functions as part of the Managing Authority (MA) within the MAFRD, while implementation of measures foreseen in ARDP is done by the Agriculture Development Agency of (ADA).

⁴⁵ Agreement MLSW- GIZ; Terms of reference between EARK and GIZ

⁴⁶ E-mail (04.12.2018) EARK_MK

In order to carry out monitoring of implementation of measures of ARDP 2014-2022, the monitoring division prepares monitoring reports where for reference uses the data that is integrated by the ADA in the monitoring information system.

Division of monitoring of implementation of measures in ARDP often had faced difficulties in preparing monitoring reports, due to delays of the ADA to integrate the data due to incomplete data in the system.

In order to eliminate abovementioned deficiencies of the database for monitoring was also prepared a memorandum of understanding between the MA and the ADA. The purpose of this memorandum was so that the ADA provides monitoring data to the MA, so that it monitors effectiveness of implementation of ARDP 2014-2022. Despite this, this memorandum is not being implemented yet.

Since this memorandum has not started being implemented, the MA has consistently faced difficulties in obtaining data from the ADA. This data will help the MA to have a clearer picture of activities implemented by the ADA.

3.3.3.1 Lack of efficiency and effectiveness in monitoring measures by the ADA

ADA monitors fulfilment of the employment criteria for at least the last month before authorising the payment, and in this regard the ADA adheres to this as it does not authorise payments without having the evidence in this regard. However, this condition is not adequate as it has enabled beneficiaries to bring evidence only for a month and does not obligate them to provide evidence for months. As a result of this, ADA does not have a complete overview on the creation of new jobs for the previous months, as not all beneficiaries create new jobs one month prior to the authorisation of the payment.

From selected sample we have confirmed that majority of beneficiaries provide evidence only for the last month, and not for the other months. Results of samples are presented summarised in the table below.

Table 5. Period of evidence brought on jobs

Period of evidence of TAK	2016	2017
Only last month	60%	87%
More than one month	40%	13%

During the monitoring of creation of new jobs, even though it is required to prove them with the payment of pension contributions and tax on wages, the ADA does not request a statement of the list of employees by the TAK, but in many cases suffices the tax receipt where you cannot see the number of employees. This leaves room for the beneficiaries to disregard the number of jobs stated in the business plan.

Ex-post monitoring by the ADA for beneficiaries of measures for years 2016, 2017 and 2018 has not been carried out yet, while ex-post monitoring carried out for 2015 beneficiaries has not proven effective in oversight and sustainability of creation of new jobs, and due to the fact that no punitive actions have been taken for non-compliance with employment criteria, the importance of this criterion was lost completely.

All beneficiaries of ARDP measures are monitored on ex-post basis. This means that all beneficiaries are monitored at least once after the execution of the final payment and before the expiry of monitoring (which may be 3 or 5 years).⁴⁷

In later stages, after the completion of the investment, for beneficiaries of measures for years 2016, 2017 and 2018 was not yet conducted any monitoring in terms of employment. For monitoring of beneficiaries of 2016 was planned execution of ex-post monitoring in the spring of 2019, but even this cannot be said with certainty because it has not been started yet with administrative controls that are done to beneficiaries of 2018, since there are significant delays in finalising earlier stages of 2018 beneficiaries⁴⁸. The Control Division under the ADA that is responsible for the first control (before the approval) and the second control (prior to payment authorisation) of 2018 beneficiaries cannot start with ex-post of 2016 beneficiaries without previously completing those controls.

The last ex-post monitoring carried out by the ADA is monitoring for controlling 2015 beneficiaries. Despite the fact that 2015 is not within the scope of this audit, ex-post monitoring carried out in 2015⁴⁹ has served us as a reference to understand the control done on retention of jobs created by beneficiaries. Based on this ex-post monitoring and based on interviews conducted in ADA⁵⁰ was found that the employment criterion was monitored by the ADA but towards beneficiaries that have not complied with this type of requirement were not taken any punitive actions, despite the fact that ARDP 2014-2022 envisages the return of funds from beneficiaries in case the project is not implemented under the contract.

To improve the monitoring process no actions were taken by the ADA. Currently there is a lack of cooperation with relevant institutions, in particular with TAK and MLSW on data exchange, which would lead to easier monitoring and verification of data related to employment.

⁴⁷ Document: Manual the Control for Measures of Rural Development, Doc-02/2014

⁴⁸ Explanation given by email (30.10.2018) by the Head of the Control Division at ADA

⁴⁹ Report on ex-post control of beneficiaries of 2015 grants, Reference no: 07/04/05/39-2018

⁵⁰ Minutes of the interview (18.09.2018) held with the senior officer of the rural development projects within the control division in ADA

4 Conclusions

Planning of employment policies at the national level has been characterised by numerous deficiencies, starting from delays in approval of strategic documents, as well as lack of clear definition of responsibilities of ministries towards implementation of the NDS, particularly compared to the execution of activities related to employment issues. In addition, evaluations made before the development of these policies are not appropriate in relation to the employment respect, as the scope of many ministries that have employment as a responsibility are not included in these documents. The fact that some of the activities planned in strategic documents related to employment lack identification of financial resources or other activities that simply refer to donor financial support (without identifying them) risks objectives set out in these strategic employment documents to be implemented with difficulty or even not implemented at all.

Planning of sectorial employment policy by the MLSW has also been characterised by a numerous deficiencies. Due to significant delays in approval of sectorial employment documents the MLSW does not have a clear view on the extent and progress achieved in implementation of activities that have impact on employment for the period that was characterised with lack of approval of documents.

Deficient planning is also as a result of insufficient budget in budgetary planning. Given that most of registered unemployed tend to become long-term unemployed, the lack of budget means minimal opportunities for the majority of unemployed to be beneficiaries of any of the measures to get involved in the labour market and avoid long-term unemployment. During the stage of budget planning for ALMM, is not taken into account the high number of active unemployed and increased needs for ALMM. Insufficient budget makes implementation of measures difficult and limits the number of beneficiaries of these measures. Lack of proper analysis on financial implications on the budget, before and after signing the agreement, leads to difficulties in planning and implementation of ALMM. This is because agreements can take a large part of the available budget, thus leaving other planned measures without sufficient funds to be implemented. In addition, the use of ALMM budget to fund maternal leave in many cases besides preventing the maximum use of the ALMM budget, has resulted in funding limitation of activities already planned for ALMM.

Furthermore, due to lack of determining meeting of tax obligations and pension contributions for funding provided within the ALMM hinders beneficiaries to have their work experience recognised, and as a result limits opportunities for future employment, and also does not legitimise employment and does not present realistic statistics on the unemployment degree in the country.

Planning of sectorial policy of MAFRD is also characterized by numerous deficiencies. Initially, one of the deficiencies is lack of approval of ARDP that has as the main objective creation of new jobs and the fact that this document, despite that has been included in the list of strategic documents, was never sent for evaluation or to obtain opinions of offices in OPM or of other relevant entities. In addition, methodologies for determining the criterion for creating new jobs have resulted being inadequate and unrealistic. The methodology used in 2016 and 2017 has not been subject to any evaluation process and has resulted as unrealistic, as it has been noticed that applicants have declared creation of new jobs simply to get more points in the evaluation. On the other hand, the

new methodology is characterised with deficiencies as it has ruled out the need of farmers to create jobs not related to production, especially in cases when business activity is expanding and the need for other job positions is increasing. In addition, determination of the number of new jobs under the new methodology results in incomplete numbers (but decimal numbers), and this makes it even more difficult the interpretation of the exact number of workers, which could cause confusion within the farmers.

Furthermore, MAFRD has not defined adequately the control over the criterion of creating new jobs before the authorisation of payments for the investment made by the beneficiary. The requirement from beneficiaries to prove creation of new jobs for at least the last month creates room for beneficiaries to create new jobs only for that month and not earlier. In addition, it cannot be determined whether the jobs existed or are new ones.

Failure to confirm the number of jobs with lists of TAK leaves room for beneficiaries to disregard the number of jobs stated created in the business plan. All these deficiencies in determination of control have an impact on the reduction of job sustainability, as due to lack of these requirements, during the controls made by the ADA, beneficiaries do not feel obligated to declare workers in TAK and pay tax obligations for them. MAFRD has not defined adequately the monitoring of retention of new jobs created after the completion of investment as for the measure 101, which in fact is the measure that has the highest expectations for generating new jobs has removed entirely this type of monitoring. Furthermore, due to lack of financial support for creation of new jobs from funds that are spent on measures that have as a criterion the employment makes it difficult for beneficiaries of measures to create new jobs and retain them for a while as their own funds are usually scarce.

Deficiencies were also identified during the implementation of sectorial policy, i.e. implementation of measures by the EARK. Initially, the implementation of ALMM, especially during 2017 was hindered due to delays in functionalization of EARK. Furthermore, lack of profiling of a significant part of the unemployed prevents identification of the unemployed that have a higher probability of becoming long-term unemployed to be included in the ALMM, and to provide adequate support by the employment offices. At the same time, due to compilation of lists with a limited number of potential unemployed to be subject to the selection process in ALMM, were not provided equal opportunities for a significant number of other unemployed who meet the criteria requested by the employer. In addition, failure to prioritise long-term unemployed during the selection for ALMM increases the number of long-term unemployed. This category of unemployed is also the group that needs ALMM the most in order to join the labour market.

Deficiencies were also identified during the implementation of agricultural policy, namely the implementation of measures that have as a criterion employment, which is implemented by the ADA. Delays in integration of data and lack of complete data make the monitoring difficult and evaluation of effectiveness of measures in the ARDP. In addition, these deficiencies in monitoring prevent a realistic evaluation of the situation, which would assist the Managing Authority in adequate planning of measures for the coming years.

Major deficiencies were identified in the monitoring process, both at governmental level but also in the sectorial one. Monitoring at these two levels has resulted in inefficient and ineffective.

Monitoring of strategic priorities and key sectorial objectives which is done through analysing activities of implementation of GAWP has not proven to be adequate because the analysis of implementation of GAWP activities is only of statistical nature and does not represent a proper analysis of implementation of those objectives that relate only to the issue of employment.

Monitoring of sectorial policy within the MLSW has resulted being inefficient as the analysis of EARK reports is not documented, and are not prepared summary reports which would help the MLSW, but also the public at large to have a clear picture on the achievement of strategic priorities and aimed sectorial objectives for employment and their effectiveness. In addition, deficiencies were also identified in monitoring of ALMM during the implementation and after their completion. Monitoring conducted by the EARK during the implementation of ALMM is inefficient as a result of deficiencies in setting monitoring of measures in regulations and documents prepared by the MLSW related to meeting of tax obligations and pension contributions. Given that aspects of tax and pension contributions are not specified, these aspects are not taken as a base neither by the EARK during the monitoring of ALMM. Furthermore, due to lack of monitoring of effectiveness of the ALMM by the EARK, now the EARK and MLSW do not have an accurate overview of measures that are most successful in generating sustainable employment. A clear reflection of effectiveness of measures would facilitate the process of planning of adequate allocation of resources in those measures that result as more successful.

Monitoring of employment aspects within the agricultural policy carried out by the MAFRD has also resulted being inefficient, as a result of difficulties to prepare monitoring reports due to delays by the ADA in integrating data and due to incomplete data in the system. In addition, monitoring of ARDP measures that have employment as criterion has been inefficient due to lack of proper cooperation between the Managing Authority and the ADA, especially in terms of data exchange. During the monitoring measures, ADA requires from businesses evidence on creation of new jobs only for the last month, and this leaves space for beneficiaries not to regard the number of jobs stated in the business plan for previous months. Finally, ex-post monitoring by the ADA for beneficiaries of measures for years 2016, 2017 and 2018 has not yet been carried out, while ex-post monitoring carried out for beneficiaries of 2015 has shown that even if this type of monitoring is carried out, to the criterion of creation of new jobs is not given any importance by the ADA, as even if noticed that the criterion is not adhered by beneficiaries, no punitive measures are taken towards them. This type of monitoring shows that the criterion of creation of jobs foreseen in ARDP measures is purely declaratory and is not effective at all in generating employment, much less in sustainable employment.

5 Recommendations

Recommendations for the OPM

- To ensure that government priorities and strategic documents are based on proper analysis of employment issue, including the financial impact assessment so that they are easily implementable follow and have sustainability;
- To ensure that priorities and strategic documents have clear segregation of objectives and responsibilities for responsible institutions on issues related to employment;
- To ensure that strategic documents such as National Development Strategy, the employment issue contains clear, measurable objectives and activities for creation of new jobs, and to identify institutions responsible for their implementation. Implementation of this recommendation would help OPM to prevent execution of double institutional activities for the same purpose, and would clarify which line ministries are responsible for different aspects of fulfilment of the employment policy;
- To ensure that monitoring mechanisms analyse in detail achievement of objectives related to employment by various ministries that have as responsibility this objective;
- To ensure that monitoring mechanisms prepare comprehensive and analytical reports that show the results achieved in terms of employment issues, identified deficiencies as well as steps to improve them.

Recommendations for MLSW

- To review key sectorial documents and internal ones, in particular to adjust the status of some of the active measures of the Labour market, especially the aspect of not considering the internship as employment and the issues of regulating prioritisation of long-term unemployed;
- To review the current budget and to compare it with the real needs of unemployed for ALMM, and to consider the possibility of allocating a budget which would best meet those needs;
- To consider the removal of maternal leave from the budget allocated for employment with the aim of relocating this category in an independent budget line where there ALMM is affected;
- To create mechanisms for analysing financial implications before and during implementation of agreements on the budget available, and to make budget planning by considering these implications;

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- To analyse continuously reporting provided by EARK, and to document it in writing through summary reports the progress made by EARK related to objectives that they have, and to provide suggestions on those reports on potential updates needed to be made when necessary;
 - To regulate the aspect of meeting tax obligations and pension contributions for financing made for ALMM.

Recommendations for EARK

- To conduct profiling based of the risk of unemployed in the system, for those that do not have yet a profiled status;
- To compile broad lists of potential unemployed, which means that employers are provided a list with a number of potential candidates which is two times higher than the number required by the employer. Implementation of this recommendation enables provision of equal opportunities to a greater number of unemployed who are active and registered in the EARK system;
- To give a priority to the long-term unemployed during implementation of ALMM;
- To intensify cooperation with TAK for the exchange of data related to employment issues;
- To finalise the monitoring of effectiveness of ALMM as quickly as possible, and to produce a detailed report regarding findings of this monitoring.

Recommendations for MAFRD

- To create an appropriate methodology on the criterion for creation of new jobs by taking into account the real needs of farmers, including positions unrelated to production. This methodology should generate full numbers for job positions, easily measurable and understandable for farmers;
- To strengthen the criterion of creating new jobs through the review of the AI that regulate and determine controls and monitoring of criteria for measures 101, 103 and 302:
 - To take into account the requirement concerning the evidence required for authorisation of payments. In this case, to request from beneficiaries payment receipts and the lists of workers which are issued by the TAK, even for previous months;
 - To consider reintegration of the requirement for evidence on jobs created for beneficiaries of the measure 101 before authorisation of payments;
 - To consider reintegration of the requirement for monitoring of retention of jobs created for beneficiaries of measure 101 after the investment;
 - Consider including provisions in AI that foresee punitive measures for those beneficiaries who do not adhere to the creation of jobs according to declarations made in their business plans.

Recommendations for ADA

- To intensify cooperation with the Managing Authority, especially in terms of regular exchange of data, with the aim of improving planning and monitoring processes;
- To ensure that the data concerning the implementation of measures 101, 103 and 302 that relate to the creation of new jobs, to integrate into the database on time, to include all stages of implementation of measures, and to be harmonised with manual reports;
- To develop a concrete plan wherein would be regulated initiation of ex-post monitoring of ARDP measures. In the plan are to be specified beneficiaries of measures, which should be subject to monitoring based on the year of benefit, specific timelines for execution of this monitoring and ensuring that beneficiaries are complying with the criteria of creating new jobs. Ex-post monitoring should begin as soon as possible;
- To intensify the cooperation and communication with TAK and other relevant institutions in order to make the exchange of data regarding employment and as a result employments to be reflected in all relevant institutions and to increase legitimacy in this regard.

Annex 1. The audit criteria, methodology, scope and limitations

Audit Criteria

The audit criteria used in this audit resulting from the best practices of international organizations that handle employment issues as well as various European and national reports and standards.

Parties responsible for proposing, designing, implementing employment policies and provision of employment services should consider the following criteria:

Government of Kosovo

- In assessing unemployment situation, government policies should undergo a regular assessment of the situation and the impact of the policy before it was adopted, in order to avoid reaching opposite results from those intended. Also, proper assessment of employment policy should be more comprehensive, which means that it takes into account the data collected from the field and is consulted with relevant parties of public and private sector, and considers financial resources allocated for implementation of these policies ensure rational and efficient use⁵¹;
- To be more efficient and effective in alleviating the unemployment level, governments of various countries develop policies that serve as a response to the unemployment situation in the country⁵². Government policies in developing countries and developed countries promote employment distribution across sectors that are most promising and that have potential for new jobs⁵³. Government employment policies should be subject to appropriate planning, have necessary capacities for implementation, and have a clear delegation of responsibilities for institutions that are responsible for achievement of objectives on increase of employment⁵⁴;
- In order to follow the progress made, the Government should establish mechanisms to monitor continuously the implementation of employment policies by the ministries responsible⁵⁵. More specifically, the Government should have adequate monitoring mechanisms that monitor the work of responsible ministries in achieving objectives of government policies and strategic priorities through a regular review of progress. The monitoring mechanism should also be focused on monitoring of targets and key

⁵¹Organization for Economic Cooperation and Development (February, 2016), Overcoming capability barriers in South Eastern Europe - The case of food and beverages in the processing sector,

http://www.oecd.org/southeasteuropa/programme/Bridging_Skills_Gaps_Food_Beverage_South_East_Europe.pdf, Chapter 2: Best international practices; National Development Strategy 2016-2021 (January 2016), Plan for Sustainable Development

⁵²International Labour Organization (2018), social employment prospects in the world - 2018 Trends, http://www.ilo.org/global/research/global-reports/weso/2018/WCMS_615594/lang-en/index.htm

⁵³Organization for Economic Cooperation and Development (February, 2016), Overcoming capability barriers in South Eastern Europe - The case of food and beverages in the processing sector,

http://www.oecd.org/southeasteuropa/programme/Bridging_Skills_Gaps_Food_Beverage_South_East_Europe.pdf, Chapter 2: Best international practices

⁵⁴Strategy for Improving Planning and Policy Coordination in Kosovo (Integrated Planning System) 2017-2021; National Development Strategy 2016-2021 (January 2016), Plan for Sustainable Development

⁵⁵Strategy for Improving Planning and Policy Coordination in Kosovo (Integrated Planning System) 2017-2021

performance indicators. A coordination mechanism ensures that ministries have clear responsibilities regarding the implementation of the government work plan and other relevant decisions, and coordinates preparation of the plan and government work plan, in cooperation with them.⁵⁶

MLSW and MAFRD

- Ministries responsible for employment issues should develop policies that are consistent with government priorities and that serve as a guide for addressing employment issues. Ministries should also possess mechanisms that monitor continuously implementation of these policies. The purpose of monitoring should focus whether policies are being implemented as planned or to assess whether these policies need to be updated and improved in order to achieve efficiency⁵⁷;
- Ministries that handle implementation of policies that affect employment should encourage and promote employment through efficient active labour market measures or programs, such as job placement, public work, internship, on-job training, employment subsidies, self-employment etc. Implementation of these measures should be considered a high priority because through them is achieved fulfilment of labour market needs⁵⁸. Ministries that have policies or development programs that affect employment and that have sufficient budget to support encouragement and promotion of employment, should ensure efficient allocation of those resources and to those categories of beneficiaries that have greater potential and more stable employment growth⁵⁹;
- Responsible ministries, after undertaking measures and programs that affect employment, should establish monitoring mechanisms that ensure that employment generated as a result of these measures is sustainable and the impact of support measures is monitored in order to achieve effectiveness.⁶⁰

⁵⁶ National Development Strategy 2016-2021 (January 2016), Plan for Sustainable Development

⁵⁷ Regulation no. 02/2011 for Fields of Administrative Responsibility of the Prime Minister and Ministries

⁵⁸ The World Bank Group and the Vienna Institute for International Economic Studies (March 2018) Labour Market Trends 2018 Western Balkans, <http://documents.worldbank.org/curated/en/565231521435487923/pdf/124354-WP-P158508-PUBLIC-16-3-2018-10-13-39-WBLabormarkettrends.pdf>

⁵⁹ The Rural Development Program in 2018, the Ministry of Agriculture, Forestry and Rural Development

⁶⁰ Organization for Economic Cooperation and Development (February, 2016), Overcoming capability barriers in South Eastern Europe - The case of food and beverages in the processing sector, http://www.oecd.org/southeasteurope/programme/Bridging_Skills_Gaps_Food_Beverage_South_East_Europe.pdf, Chapter 2: Best international practices

Audit Methodology

The methodology used in this audit is adapted to the needs of the audit in such a way to meet its objectives. During the audit were used different combinations of evidence including interviews, analysis, and documents. Because this audit included several institutions, below we have presented the methodology used separately for the OPM and together, for institutions whose activity is related to each other (MAFRD/ADA and MLSW/EARK) and therefore a part of the evidence used were common.

OPM

- Analysis of necessary legal and institutional framework for addressing employment issues in these areas – proposal and drafting of policies and necessary spectre of strategic documents, evaluation of unemployment situation in the country and establishment of institutional monitoring mechanisms for oversight of implementation of policies;
- Interviewing responsible officials in the OPM regarding assessment, prioritisation and addressing of Government activities towards the problem of unemployment, drafting of policies for increase of employment and establishment of mechanisms for oversight of line ministries in implementation of employment policies;
- Analysis of reports and relevant documents of the OPM, especially those related to the activities of the Office of Strategic Planning and Government Coordination Secretariat;

MAFRD and ADA

- Analysis of the legal and regulatory framework and policies and guidelines for grants that include the creation of new jobs;
- Holding interviews during the audit process with responsible persons within institutions to obtain evidence and information related to the audit topic;
- Analysis of the reporting process from the ADA to MAFRD, and the process of monitoring of ADA activities by the MARD;
- Analysis of criteria and grant procedures for the employment issue;
- Analysis of the methodology of calculating the employment criterion points based on measures for years 2016, 2017 and 2018;
- Analysis of budget reports and spending of grants;
- Analysis of reports for newly created jobs through grants;
- Physical examination of files of beneficiaries of grants selected by each measure that has employment as a criterion, for the years 2016 and 2017, for creation of new jobs;
- Analysis of monitoring process of creating new jobs for grant beneficiaries.

MLSW and EARK

- Analysis of the legal and regulatory framework and action plans and policies on employment issues;
- Holding interviews during the audit process with responsible persons within institutions to obtain evidence and information related to the audit topic;
- Analysis of the reporting process by EARK to MLSW, and the process of monitoring of EARK activities by the MLSW;
- Analysis of criteria and procedures of active employment measures;
- Analysis of budget reports of ALMMs;
- Analysis of reports of unemployed for three selected municipalities based on the highest unemployment level in the country for the years 2016, 2017 and 2018.
- Examination of agreements for ALMM with other institutions;
- Analysis of data for samples selected from the list of active unemployed in the system for years 2016, 2017 and 2018.
- Physical examination of files on samples selected from the list of beneficiaries of measures;
- Analysis of the monitoring process of ALMM implementation.

The scope and limitations of this audit

The scope of this audit includes the Office of the Prime Minister (OPM), Ministry of Labour and Social Welfare (MLSW) and the Employment Agency of the Republic of Kosovo (EARK) within this Ministry, Ministry of Agriculture, Forestry and Rural Development (MAFRD) and Agriculture Development Agency (ADA) within this Ministry.

OPM has been selected as is the main entity in development and coordination of policies, legislation and other strategic documents related to employment. This institution is also responsible for setting government strategic priorities, to ensure that these priorities are reflected in the Government's budget planning and to ensure that all line ministries carry out activities that are in line with government strategic policies.

MLSW, was selected since it is the key entity for proposing and drafting of policies and legislation in the area of employment, and in proposing and drafting policies. Employment services until the beginning of 2017 were managed and coordinated by the Department for labour and employment within this Ministry. EARK was selected because currently responsibilities for public employment services have been transferred to this agency, and the agency is responsible for market administration and implementation of employment policies.

The reason for selecting MAFRD as sample of this audit has to do with the fact that this Ministry in its agricultural policy has as a final objective the optimal use of agricultural production potential with the aim of provision of employment and income. In addition, to the MAFRD as a budget organization has been allocated a substantial budget to support rural areas in particular, which support is provide through various forms of financing. In the last three years, only in the category

of subsidies and transfers for the agricultural sector were allocated about 47 million Euros⁶¹. Furthermore, the agricultural sector contributes with 11.9% to the gross domestic product of Kosovo, while in relation to the total number of employees, 26.7% are employed in agriculture⁶². While there are various measures undertaken by the MAFRD to foster and promote employment, “measure 101” in particular has as objective creating new jobs and increasing employment in rural areas⁶³. ADA was selected because it is an executive entity within the MAFRD, responsible for implementation of the program for agriculture and rural development.

The audit team was informed that within the central level, employment is an issue that depends on the commitment of some institutions and other mechanisms, such as the Ministry of Trade and Industry and the Ministry of Economic Development, which develop policies for growth and economic development and increase of employment. At the same time, the Ministry of Education, Science and Technology shares joint responsibility with MLSW related to the reduction of unemployment through education and training. Despite this, the audit team considers that these institutions compared to those selected as audit sample have no direct influence and same capacity to influence the increase of employment.

The scope of this audit regarding activities carried out by the OPM in developing government strategic employment policies covers the period 2010-2017, while for the activities developed by line ministries, MLSW and MAFRD include the years 2016 and 2017 and up to October 2018.

Risks and potential constraints identified for execution of this audit include:

- Significant changes have occurred due to the transfer of responsibilities in implementation of policies and provision of employment services from the DLE (MLSW) to EARK and EO. These changes can lead to a risk of confusion among officials and for the audit to obtain incomplete data or difficulties in obtaining data and documentation.
- The risk of a lack of complete and reliable data can be evident even in the case of receiving data by the OPM, due to the fact that the scope for activities of this institution is broad and as such includes activities of different mandates of governments.
- Employment policy covers a wide range of activities and by being an extensive and complex subject, the audit risk may consist in the eventual exclusion of entities or aspects that are important for this audit area.
- Employment policy over the years has been decentralised and not well defined, thus there is a risk of non-comprehensive definition of the situation relating to employment policy.

⁶¹Medium Term Expenditure Framework 2017-2019 (April, 2016)

⁶²Medium Term Expenditure Framework 2017-2019 (April, 2016), p. 50

⁶³ Rural development program 2018, Ministry of Agriculture, Forestry and Rural Development

Annex 2. Description of the system and relevant documents

Institutional structure of employment policies and services in Kosovo is consolidated. Within the central government, matters of employment depend on the dedication and commitment of several institutions and mechanisms, while in terms of providing direct employment services, they are mainly provided at the local level. Below are listed relevant parties on issues related to employment policies.

Duties and responsibilities of the OPM

The Office of the Prime Minister (OPM) is responsible for development and coordination of policies and legislation that are coordinated by the Secretary General of the OPM. In the context of development and coordination of policies or other strategic documents, the OPM is responsible for:

- Linking the framework for strategic planning with planning of internal and external resources to ensure financial affordability and implementation of strategic plans;
- Complete integration of practices and monitoring processes to ensure best results of implementation and accountability for fulfilment of objectives established.

Within the OPM there are different offices that have specific functions, but in relation to the audit topic, relevant offices are Office of Strategic Planning as well as the Government Coordination Secretariat.

The Office of Strategic Planning (OSP) ensures that all ministries act in accordance with government strategic policies; provides advices on identifying and reviewing Government's strategic priorities; ensures that government priorities are considered in short and medium term planning documents and in government budget planning; conducts analysis of policies for inter-sectorial problems, which are at the same time governmental priorities; and in assisting ministries in establishment and functionalization of appropriate structures and mechanisms for coordination of policies, and provides them support in carrying out their functions.

The Government Coordination Secretariat (GCS) is responsible for the process of preparing the Government Annual Work Plan (GAWP) and ensures cooperation between offices of the OPM to review proposals of line ministries; every three months collects data from ministries on monitoring of implementation of GAWP; and ensure that all Ministries act in accordance with policies and decisions established by the Government.

Duties and responsibilities of the Ministry of Labour and Social Welfare and EARK

Ministry of Labour and Social Welfare (MLSW) is the main entity responsible for proposals and drafting of policies and legislation in the area of employment, where related to this has the following responsibilities: monitors implementation of employment policies and proposes measures for their improvement; leads and oversees employment public administrative institutions and cooperation with municipalities and institutions involved in the implementation of employment policies; supports development of non-discriminatory labour and employment relationships; develops programs and projects financed by donor funds for ministries and other partners in the area of labour and employment.

Within the MLSW are the Department of Labour and Employment (DLE) and the Employment Agency of the Republic of Kosovo (EARK).

The DLE is responsible for developing, drafting and promoting legislation and documents of public policies necessary for achievement of strategic objectives in the area of employment; and in establishing annual performance indicators for monitoring, analysing, controlling and assessing implementation of policies and employment programs by the EARK.

The EARK is responsible for promotion of employment through administration of labour market and implementation of employment policies; analysis of labour market, researches, studies on labour market needs; and monitoring and coordinating implementation of measures and active labour market programs.

Duties and Responsibilities of the Ministry of Agriculture, Forestry and Rural Development and Agriculture Development Agency

The agricultural sector plays an important role in providing employment opportunities and in generating income for the citizens, especially for those that live in rural areas.

Through measures for implementation of agricultural policy and development of rural areas, the Ministry of Agriculture, Forestry and Rural Development (MAFRD) aims to increase income of the rural population by increasing their wellbeing through improvement of labour and living conditions, and by creating equal opportunities for all marginalised groups; and by reducing differences between levels of development of different regions, by developing alternative and complementary activities that generate employment in order to promote people to live in rural areas, by supporting small and medium size businesses.

Within the MAFRD is established the Agriculture Development Agency (ADA) which is the executive entity responsible for implementation of the program for agriculture and rural development, by implementing written regulations and procedures for implementation of direct payments and projects for rural development.
