

Structural Reforms in the second Decade of transition

Reflection on the paper of Mr. XHEPA
"The main direction and the
philosophy of reform"

Milva Ekonomi, AGENDA Institute

The main philosophy approach

"The national economic growth in the coming years will be accompanied by an increase of macroeconomic risks, which can be managed only through reinforcing the good governance tools and devolution of powers. In this process the auditing and monitoring bodies must increase their capacities for proper exercises of their mandates".

Main issues to be addressed

- ☐ Growth and development
 - ☐ Country Economic Memorandum
 - ☐ Governance
 - ☐ Devolution of power
 - ☐ Controlling, Auditing and Monitoring
 - ☐ Conclusion
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Growth and development

- ❑ Changes in the structures of production
 - ❑ Better linking of policies to economic growth
 - ❑ Underutilization of labor
 - ❑ Weak presence of FDI
 - ❑ Practice in hand will start to influence the productivity
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Country Economic Memorandum, World Bank, GoA 2005

- **Promoting economic growth through support to private sector development, aiming to create a good investment climate.**

It gives investors confidence in the market and encourage them to invest more in capital. The government is in charge to provide a set of regulations and legal frameworks encouraging the free initiative.

- **Improving public services delivery, particularly in the social sectors, allowing a continuous increase of the life of the citizens.**

Public Services Delivery portray the view of government performance at the national level and at local levels, focuses on particular sectors that form the core of essential government services: health, education, welfare, waste disposal, and infrastructure. A good quality of the public services delivery.

Governance

- ❑ The process of decision-making and the process by which decisions are implemented
 - ❑ Good governance has 8 major characteristics. It is participatory, consensus oriented, accountable, transparent, responsive, effective and efficient, equitable and inclusive and follows the rule of law.
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Devolution of power

- ❑ Democracy is asked to do more than just provide representation: in many instances it is expected to be the vehicle for ensuring that social needs are met and human security is guaranteed. Devolution of power is an important means of **securing development** because – if done in a meaningful way – it empowers people to set their own priorities and decide how their own human security needs can be met.
 - ❑ Devolution of power, which implies a **bottom-up** governance system, is build on a dialogue between the state and the citizens
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“On Organization and Functioning of Local Government”, Law 8652, date 2000.

- ❑ Municipalities and communes exercise their functions in:
 - ❑ *In the field of infrastructure and public services*
 - ❑ *Social, cultural and sportive services:*
 - ❑ *Local Economic Development*
 - ❑ *Order and Civil Protection*
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“Ratification of European Chart of Local Autonomy”

Law 8548, date 1999

- ❑ Local communities in the framework of country's economic policy have the right to sufficient resources, which they can have to freely exercise their competences;
 - ❑ Financial resources of local communities should be proportional with the competences defined from the Constituency, or by the law;
 - ❑ Protection of weaker local communities from the financial aspect requires the placement of financial regulatory procedures or measures that aim at correcting unequal division effects of potential financial resources, as well as the respective responsibilities. These procedures or measures should not minimize the freedom of alternative of local communities in their areas of responsibilities;
 - ❑ The opinion of local communities on the ways for the appropriation of reallocated resources must be taken at the proper time;
 - ❑ To finance their investment initiatives local communities according to the law, can enter in the national markets of capitals
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“On the System of Pre-university Education” Law 8387, date 1998

- ❑ Beside their main duty of teaching, compulsory primary and higher education public schools may exercise economic activities with financial benefits in areas related to the implementation of teaching programmes, in accordance with law dispositions;
 - ❑ Vocational training schools act like economic entities for the realisation of productive activities, services etc, by contracting other public or private legal persons
 - ❑ Public and private legal persons, based on their capacities, should accept and create appropriate conditions for the practices of pupils of vocational schools according to their specialities. These relationships are regulated by an agreement between interested parties directly or by their representative institutions .
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Controlling, Auditing and Monitoring

- ❑ *Controlling* is directly related to planning. The controlling process ensures that plans are being implemented properly
 - ❑ Audits are performed to ascertain the validity and reliability of information, and also provide an assessment of a system's control
 - ❑ *Monitoring* generally means to be aware of the state of a system.
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“On the State Supreme Audit Institution”

Law 9009, date 2003

- The main objectives of the State Supreme Audit Institution are the proper and effective use of the public funds, the development of the sound financial management, and the audit of orderly execution of administrative activities.
 - The State Supreme Audit Institution, in accordance with its competencies in this law shall audit, and using **IANTOSAI** standards:
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“On the Internal Audit of the Public Sector” , Law 9009, date 2003

- The activity of the Internal Audit in the public sector is based on international auditing standards. The Minister of Finance, with the proposal of the General Director, shall select one of the standards of these organizations: either the International Standards on Auditing (ISA). International Federation of Accountants (IFAC), Organization of Supreme Audit Institutions (INTOSAI), the standards for professional practices of internal auditing issued by **Institute of Internal Auditors (IIA)**.
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Conclusion

- ❑ There exist the **legal framework** which can support the thinning of macroeconomics risks under the national growth.
 - ❑ This legal framework is not yet **amended** to allow the necessary action to proper achieve the devolution of power
 - ❑ The auditing and controlling standards need to be **unified** by the agencies in charge.
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Conclusion

- ❑ As by today a good **investments climate** seems to be far from the country realities. The never ending reform of the fiscal system is accumulating unsolved communication between government and business, which will impose an increase of the informal sector.
 - ❑ A good **delivery service** becomes a serious problem. Making poverty an issue of the past, it cannot be address with an given adequate solution under a centralized governance system.
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Conclusion

- ❑ Information can be easily understood by communities if it is **delivered in a simple form**. The Author in his paper discussed about Comprehensive Public Spending Reviews model (CPS).
 - ❑ The devolution of power must be accompanied with **community education**.
 - ❑ Efforts must be undertaken and government must deliver more **convincing messages** to the communities.
 - ❑ Integrated Planning System will ensure that core policies and financial processes are developed by the Government in an integrated manner. This project will be active after **three years**, and only at that moment IPS will constitute the base for CPS.
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Conclusion

- ❑ The philosophical approach proposed by the author is **a very optimistic** vision
- ❑ To achieve it, **commitments and efforts** to improve the system are needed
- ❑ **Good technicians** are required and they need time to be formed
- ❑ More **wide time based reforms** are required

Thank you
