



# Main Issues in the Implementation of Annual Public Procurement Plans in Public Enterprises

## Introduction

Public procurement planning is the process of identifying, in reasonable detail, all the supplies, services, and works that contracting authorities (CA) expect to procure during a year. The objective of public procurement is to ensure the most efficient, transparent, and fair way of using the public funds of the contracting authorities in Kosovo. A prerequisite for attaining such a transparency objective is the publication of all planned procurement activities that are intended to be carried out during a year.

The final procurement plan contains summary data for all planned contracts for the relevant year, including contract terms, estimated procurement start date and estimated contract amounts. In addition to transparency, a procurement plan would also serve as a guide for CAs throughout the year, thereby promoting the responsible management of the financial resources dedicated for the respective year and avoiding any demand for emergency procurement or shortening of the time limits for bidding.

According to the Law on Public Procurement (PPL), all CAs in Kosovo must prepare preliminary procurement planning no less than 30 days before the beginning of each fiscal year<sup>1</sup>. The drafting of an annual procurement plan is conducted in cooperation between the Procurement Office, the Finance Office, and other departments that serve as requestor units. According to the PPL, within 15 days of the announcement of the approval of the budget for the fiscal year, each CA must publish, on their relevant websites, the final procurement plan, and submit the same to the Central Procurement Agency (CPA)<sup>2</sup>.

<sup>1</sup> Official Gazette of the Republic of Kosovo. Law No. 04/L-042 on Public Procurement. Article 8 <https://gzk.rks-gov.net/ActDetail.aspx?ActID=2772> (last accessed on 22.08.2023).

<sup>2</sup> Ibid.

The procurement request for each procurement activity is initiated by the departments (requesting units) within the CA, which have the authority to submit requests to the Procurement Department, where these units then assist the Procurement Department throughout the tendering process<sup>3</sup>.

This brief analysis aims to calculate the level of implementation of annual procurement plans in practice, measuring the number and number of open activities that were planned for this period. This analysis presents, in figures, the need to improve the efficiency of the implementation of procurement plans, which would result into a more effective public procurement. This analysis has been sampled on the public procurement plans of three public enterprises, through which the level of implementation of these plans, the reasons for delays and the problems associated with the opening of the planned contracts will be presented:

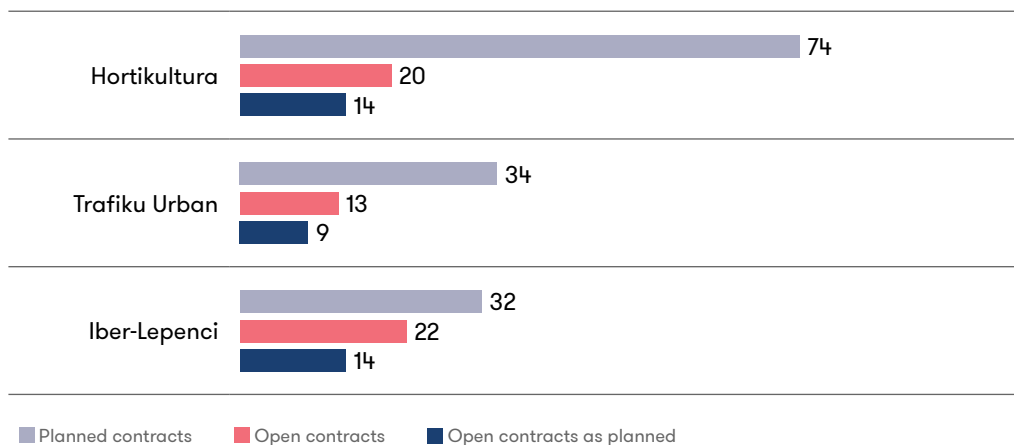
1. Public municipal enterprise "Hortikultura";
2. Public enterprise "Urban Traffic";
3. The hydro-economic enterprise "Ibër Lepenci".

The data was obtained from the E-Procurement electronic platform, measuring the percentage of the realization of the planned contracts for the six-month period January 1 - June 30 for the year 2023.

What is the problem with procurement plans?

The main problem with annual procurement plans is that they are failing to be implemented in practice, with most contracts not being initiated as originally planned. The low percentage of realization of plans and ineffective planning results in failure to spend the budget. This translates into delays and cancellations of projects, which then cause the limitation or reduction of the quality of services for citizens, cost hikes for projects, and for maintenance of existing services. Furthermore, delays or cancellations of planned projects and expenditures may have wider economic consequences, with public spending driving economic development<sup>4</sup>, as the cancellation of these procurement activities could result in the loss of jobs and diminishing confidence in the ability of public officials to manage public finances.

**TABLE 1:** The total number of open contracts in relation to the planned contracts in the six-month period January - June 2023



<sup>3</sup> Regulation no. 01/2022 on Public Procurement. Article 10 [https://e-prokurimi.rks-gov.net/HOME/Documents/Legislation/Rregulloret/shq/Rregulloret%20Nr.001\\_2022%20p%C3%ABr%20prokurimin%20publik.pdf](https://e-prokurimi.rks-gov.net/HOME/Documents/Legislation/Rregulloret/shq/Rregulloret%20Nr.001_2022%20p%C3%ABr%20prokurimin%20publik.pdf) (last accessed on 22.08.2023)

<sup>4</sup> Public contracts had a share of 6.5% in the Gross Domestic Product of Kosovo during 2022. Annual Report 2022 of the Regulatory Commission for Public Procurement in Kosovo.

Although less frequent, an issue arises also in the practice of concluding contracts for much higher values than the value foreseen in the annual planning, which then results in the failure to initiate other planned contracts in the absence of the budget.






## Public municipal enterprise “Hortikultura”

Public municipal enterprise “Horticulture<sup>5</sup>” is an enterprise founded by the Municipality of Prishtina in 1964, which has a mission of preserving and maintaining green areas in the Municipality of Prishtina.

In the final procurement plan for 2023, “Hortikultura” planned for the initiation of 74 contracts in the first six months of the year, at a total value of 896,749.00 euros.

During this period, “Hortikultura” initiated only 20 contracts, signing 19, while one of them was in the contracting phase. Of these 20 contracts, 14 were planned in the annual procurement plan, while six contracts do not appear in this plan. The estimated amount of 20 contracts was 95,983.00 euros.

If we compare the number of planned contracts (74) with those implemented from the plan (14), then it turns out that only 18.9% of the plan was realized as planned. Also, the estimated value of these open contracts was only 10.7% of the estimated value for spending in the annual plan for this period. A large part of the 60 contracts that were not initiated in the anticipated time are directly related to the daily work of Horticulture and the failure to initiate such contracts does affect the level of performance of this enterprise.

Contract Description	Estimated starting date of procurement	Estimated Contract Value
Supply of protective equipment at work	06.04.2023	37,500.00 euro 
Computer and Printer supply	10.02.2023	35,000.00 euro 
Fuel Supply	04.01.2023	63,000.00 euro 
Supply of excavator	13.02.2023	130,000.00 euro 
Renovation of the administration building	20.02.2023	25,000.00 euro 

**TABLE 2:** Some of the planned Horticulture contracts that did not begin in the first six months of 2023

<sup>5</sup> Local Public Enterprise “Hortikultura” changed its name to LPE “Green” at the time of writing of this analysis.

According to the Horticulture procurement office<sup>6</sup>, the small number of initiated activities is the result of requesting units that failed to initiate the requests for the initiation of contracts, while the reason for the conclusion of unplanned contracts in the annual plan is that this enterprise operates with outdated machinery, where repairs are required and cannot be predicted.

## Public Enterprise “Trafiku Urban”

The public enterprise “Trafiku Urban” is an enterprise founded by the Municipality of Pristina in 1976<sup>7</sup>, with a mission to provide the most efficient public transport services for the citizens of Prishtina.

“Trafiku Urban” planned for the initiation of 34 contracts in the first six months of the year, at a total value of 3,268,981.05 euros.

In the first six months of the year, this company initiated 13 contracts, signing 11, while two contracts were canceled. Of the open contracts, nine were in the procurement plan, while three contracts were not in this plan, with two of them being of minimal value. Then, the contract for the supply of brake plates for IVECO buses (value 124,000.00 euros) was part of the annual plan but was opened in February, while it was planned to begin in August.

From the number of contracts planned in the first six months of 2023, 26.4% were initiated according to annual planning, while their estimated value was 7,625,257.47 euros, or 233.2% more than the estimated value for these contracts, due to the signing of several framework contracts for 36 months. An example is the three-year diesel supply contract for which 2,417,551.00 euros were planned in the annual plan of 2023, while this contract was opened at the estimated value of 7,020,000.00 Euro, to extend over three years.

In the first six months of 2023, there are also several “Trafiku Urban” contracts, such as the supply of AD-Blue additive in the value of 43,569.00 Euro, the supply of bus tires in the value of 61,000.00 euros, the systematic medical check-up of workers in the value of 12,000.00 euros, that were already active before. According to the “Trafiku Urban” procurement office<sup>8</sup>, this happens for the reason that these contracts can be terminated, dismissed, and since the procurement plan is directly related to the enterprise’s own budget, the financial means for these contracts must have their budget lines in the annual plan of 2023.

## Hydro-economic enterprise “Ibër Lepenci”.

The hydro-economic enterprise “Ibër Lepenci” was established in 1967 in Prishtina<sup>9</sup>, with a mission in supplying raw water to the industry, water supply and agriculture, as well as the electricity generation from the Ujman Hydropower Plant.

In the final procurement plan for 2023, “Iber-Lepenci” planned for the initiation of 32 contracts in the first six months of the year, at a total value of 1,895,507.00 euros.

<sup>6</sup> Answers of the Hortikultura JSC Procurement Office, dated 04.10.2023.

<sup>7</sup> The history of the Trafiku Urban Enterprise over the years. Available at <https://trafikurban-pr.com/rreth-nesh/3/pr-ne> (last accessed on 20.10.2023).







<sup>8</sup> Answers with Trafiku Urban JSC Procurement Office, dated 27.10.2023.

<sup>9</sup> History of the NH “Ibër Lepenci” Enterprise. Available at <https://iber-lepenc.org/per-ne/historiku/> (last accessed on 20.10.2023).

In the first six months of 2023, this company initiated 22 contracts, 18 of which were signed, while four were canceled. Of the open contracts, 14 were planned in the annual procurement plan, while six contracts do not appear in this plan.

Of the 22 contracts planned for the first six months of 2023, only 43.7% were initiated according to annual planning. Further, the estimated value of the open contracts was 660,480.00 euros, or 34.8% of the estimated value for these contracts in the annual plan. If we also add here the value of open contracts that were not foreseen in the annual plan of 2023, but that were requested by the Board of Directors and for which CPA was notified<sup>10</sup>, then we have the figure of 894,470.00 Euro, or 47.1% less than the estimated value for this period.

In this enterprise, a large part of the 18 planned contracts that were not opened in the anticipated period, are related to services for citizens and internal operations, where the focus falls on contracts for works of medium value.

Contract Description	Estimated starting date of procurement	Estimated Contract Value
Dam and lake maintenance and monitoring	11.01.2023	60,000.00 euro 
HC Ujman - Repair of turbines, generators and plants	20.01.2023	100,000.00 euro 
Sanitation of Separation Facilities - ON and Pumping Stations - SP	26.01.2023	250,000.00 euro 
Construction of garage (warehouse for keeping equipment/devices)	23.01.2023	60,000.00 euro 
Repair of 10 kV and 35 kV transmission lines	10.04.2023	7,000.00 euro 
Renovation of the administration building	27.01.2023	300,000.00 euro 

**TABLE 3:** Six of the planned works contracts that were not initiated in the first six months of 2023

<sup>10</sup> Answers of Iber Lepenci Procurement Office, dated 06.10.2023.

According to the procurement office of this enterprise<sup>11</sup>, the reason for the delays in the initiation of the tendering procedures is related to the delays of the requesting units in the drafting of the authorizations, while the financial means budgeted for expenses and investments, which in this case originate from the own revenues of Ibër Lepenci, were carried over to the next year.

## Conclusions

Annual procurement plans are failing to be implemented in practice, with the majority of planned contracts being delayed, or not being initiated at all according to annual planning.

One of the main reasons affecting these contracts not being initiated on time is that other CA Departments are not cooperating enough with the responsible procurement officials, not initiating the contracts that are initially presented as requests for procurement during the drafting of plans. So, contracts are planned as general needs of all departments for a period of 1 year, but most of them are not initiated by the requesting units with the Procurement Department.

The management of CAs, specifically the Chief Administrative Officer (CAO), is responsible for the delegation of functions in terms of collecting and spending of public funds, according to the rules for Financial Control and Management<sup>12</sup>, so the same must pro-actively supervise the performance of all departments in the realization of the foreseen annual contracts.

Another important factor in the implementation of annual procurement plans is the lack of a regular evaluation mechanism of the performance of procurement plans, which would help identify aspects that require improvement, in order to increase the efficiency of future plans of procurement.

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<sup>11</sup> Ibid.

<sup>12</sup> Law on Public Financial Management and Accountability. Article 10 Available at <https://gzk.rks-gov.net/ActDetail.aspx?ActID=2524> (last accessed on 20.10.2023).

## RECOMMENDATIONS

The purpose of the recommendations is for contracting authorities to create an environment that facilitates the implementation of annual public procurement plans, promoting efficiency and accountability in the procurement process.

1. All departments of the contracting authorities must reflect as accurately as possible the needs and intentions for all the goods, services and works they plan to contract during the year, adapting these needs to the budgetary constraints and organizational capacities.
2. After drafting a comprehensive and realistic plan, which is adequate to attain optimal results for all parties involved, the management together with the Procurement Department and other departments should make regular evaluations on the progress of the implementation of this procurement plan.
3. The departments of the contracting authorities that plan for the contracts that they intend to initiate during the year, initiate such contracts to the procurement officers at the scheduled time.
4. The management of the contracting authorities should be more active in monitoring the departments of the enterprises, ensuring that the planned contracts are initiated on time so that there are no delays in public projects and that the budgeted funds are spent as planned.
5. The contracting authorities should make maximum efforts to observe the amounts and commencement time of the planned contracts, so that the economic operators are better prepared to bid and the citizens are better informed about the works and services that are intended to be achieved during the year.

