WHY A NEW GENERATION OF PROGRESS REPORTS IS NEEDED

Hand out – Vilnius meeting
September 2014

The foundation:

> "Membership requires that candidate country has achieved stability of institutions guaranteeing democracy, the rule of law, human rights, respect for and protection of minorities, the existence of a functioning market economy as well as the capacity to cope with competitive pressure and market forces within the Union."

The core principle of good writing:

> "There's no excuse for losing readings through sloppy workmanship. If they doze off in the middle of your article because you have been careless about a technical detail, the fault is yours."[1]

CORRUPTION AND PUBLIC PROCUREMENT

Detailed assessment by the European Commission (2013 Progress Reports)

Chapter	Turkey	Macedonia	Serbia	Montenegro	Albania
5: Public procurement	Preparations in this area are moderately advanced.	Preparations in the area of public procurement are advanced.	Alignment in the area of public procurement is moderately advanced.	Preparations in the area of public procurement are moderately advanced.	Preparations in the field of public procurement are moderately advanced.

There is one paragraph on page 11 (Macedonia Progress Report):

> "Fight against corruption
>
> **Problem areas such as corruption in public procurement and transparency of political party funding need to be given special attention. The country needs to demonstrate tangible results in the reduction and deterrence of corruption in practice.**"

There are also two pages on "anti-corruption policy" in the discussion on Chapter 23. There it notes:

[1] William Zinsser, On Writing Well, p. 25.

"Corruption in public procurement continues to be a serious concern. While reports of violations of public procurement law and corruption in public procurements are widespread, there is currently **no institution assigned to ensure effective and timely control and supervision of public procurements, including concessions and public-private partnerships, and of the execution of contracts**. No administrative sanctions are foreseen for violations of the administrative regulations and criminal investigations and **convictions for abuse of public procurement rules, while on the increase, are still relatively rare.** The institutional framework and measures taken need to be expanded to effectively address this problem."

And then there is a chapter on procurement (page 24) concluding:

Conclusion

Good progress was made in the area of public procurement. There is a medium-term strategy for the public procurement system. Legislation on concessions and public-private partnerships is almost harmonised at sector level but its implementation has been delayed. The negative reference list has yet to be aligned with the *acquis*, including on the right of economic operators to appeal against their inclusion. Administrative capacity in the public procurement field is sufficient, with the exception of concessions and PPPs. Overall, preparations in the area of public procurement are advanced.

ECONOMIC CRITERIA

2013 Strategy Paper:

"The global economic crisis of the past five years has underlined the need, for all countries, to fundamentally review and strengthen their economic governance. This applies in particular to the countries of the **Western Balkans, none of which is a functioning market economy**. All are affected by **high unemployment**, particularly among the young. It is essential that these countries intensify reforms to return to sustainable growth and address the challenges necessary **to meet the economic criteria** and improve competitiveness."

2013 Progress Report:

"Fiscal discipline was relaxed in 2012, and the quality of public spending deteriorated further. The general government budget deficit reached 3.8%, thus overshooting even the revised deficit target, which the authorities had raised by 1 percentage point to 3.5% in autumn. Another budget rebalancing reduced mainly investment spending, due to severe revenue shortfalls. Total expenditure as share of GDP rose from 31% in 2011 to 34% in 2012, and is estimated to reach 35% in 2013. The primary government budget deficit rose to 3.1% of GDP in 2012, compared to 1.7% in 2011. Capital spending was almost unchanged in 2012 compared to 2011, at 12% of total expenditure, or just over 4% of GDP, projected to decline to 11.3% of total expenditure in 2013, or 3.9% of GDP. The share of social transfers in total expenditure declined slightly in 2012, to 44.7% from 45.2% a year earlier, and is projected to stay largely unchanged in 2013. As a share of GDP, social transfers increased somewhat, to 15% of GDP, up by 0.4 percentage points."

This crease an illusion of meaning. We can extract 14 facts:

General government deficit target (2012)	2.5 per cent
Revised general government deficit target (2012)	3.5 percent
Actual general government deficit (2012)	3.8 percent
Total expenditure as share of GDP (2011)	31 percent
Total expenditure as share of GDP (2012)	34 percent
Total expenditure as share of GDP (2013 expected)	35 percent
Primary government budget deficit (2011)	1.7 percent
Primary government budget deficit (2012)	3.1 percent
Capital spending as share of total spending (2011)	12 percent
Capital spending as share of total spending (2012)	12 percent (4 per cent GDP)
Capital spending as share of total spending (2013)	11.3 percent (3.9 per cent GDP)
Social transfers in total expenditure (2011)	45.2 percent (14.6 percent GDP)
Social transfers in total expenditure (2012)	44.7 percent (15 percent GDP)
Social transfers in total expenditure (2013 projected)	44.7 percent

Only what does this *mean*?

The reader learns that

- Fiscal discipline was relaxed and that "the general government deficit grew more than expected"; (two ways to say the same thing)

- The reason for this: a severe revenue shortfall.

- In response to this shortfall the government REDUCED investment spending but "capital spending was unchanged."

- Meanwhile total government expenditure ROSE.

- And the share of social transfers in expenditure DECLINED.

So what happened?

> The government did not collect as many revenues as it had planned. It then reduced investment spending. Social transfers declined as a share of expenditure. Total government expenditure rose.
>
> What type of spending increase explains the remarkable increase (by 3 per cent of total GDP!) in government spending? On this, there is silence. We learn that the "quality of public spending deteriorated further". This is never explained.

Or take this paragraph:

> "**External imbalances increased in 2012, with the difficult global environment leaving its mark on the current account deficit**, which increased to 3.9% in 2012, up from 3% in 2011. This was mainly due to a widening merchandise trade deficit, which reached 24% of GDP. Its financing relied increasingly on foreign credit, as net foreign direct investment (FDI) inflows declined by about two thirds in 2012 to 1.4% of GDP, on account of large

outflows of intercompany loans. Private transfers remained strong at some 21% of GDP, with the share of workers' remittances resilient. In the first half of 2013, FDI inflows picked up again, reaching 2.7% of GDP, 21% higher than in the same period a year earlier (how much). However, private transfers declined by 11% to about 18% of GDP.

Gross external debt rose to 65% of GDP at the end of the first quarter 2013, from 62% a year earlier. The increase was driven mainly by government external financing, which raised public external debt to 27.3% of GDP, compared to 24.4% a year earlier. Private external debt, including intercompany lending, increased by 0.9 percentage points to 38.4%. The international reserve position weakened slightly. At the end of August, foreign reserves amounted to €2.1 billion or about 26% of GDP, compared to 30% of GDP a year earlier. The reserves covered about 4 months of prospective imports of goods and services, which is slightly less than a year earlier. Overall, there is at present limited risk to macroeconomic stability from the external side. **The current account balance has been gradually improving with a pick-up in export activity**, yet it is increasingly relying on foreign credit financing, with uncertain prospects for the development of private transfers."

"There are innumerable ways to write badly. The usual way is making sentences that don't say what you think they do." (Klinkenbord)